

PAXYS, INC.

15<sup>th</sup> Floor 6750 Ayala Office Tower  
Ayala Avenue, Makati City, 1226 Philippines  
Tel No. (+632) 908-7500 / Fax No. (+632) 908-7501

14 April 2016

**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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Gentlemen:

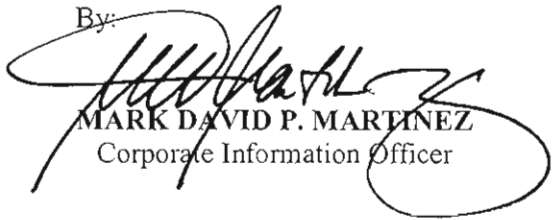
Enclosed is our Annual Report for the year ended 31 December 2015 (SEC Form 17-A).

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

Very truly yours,

**PAXYS, INC.**

By:

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

6 6 0 9

SEC Registration Number

P A X Y S , I N C .

(Company's Full Name)

I 5 t h F l o o r , 6 7 5 0 A y a l a O f f i c e T o w e r , A y a l a A v e n u e , M a k a t i C i t y

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

Atty. Mark David P. Martinez

(Contact Person)

(+632) 908-7500

(Company Telephone Number)

1 2

Month

(Calendar Year)

3 1

Day

1 7 - A

(Form Type)

0 5

Month

Any

Day

(Annual Meeting)

2015

(Secondary License Type, If Applicable)

CRMD

Dept. Requiring this Doc.

VII

Amended Articles Number/Section

Total Amount of Borrowings

717

Total No. of Stockholders

-

Domestic

-

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

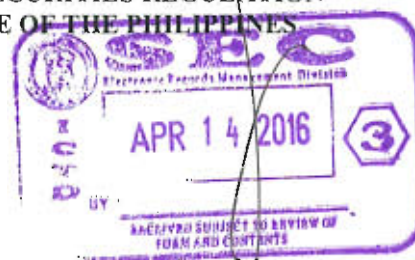
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# SECURITIES AND EXCHANGE COMMISSION

## 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 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: Philippines
6. Industry Classification Code: \_\_\_\_\_ (SEC Use Only)
7. Address of principal office: 15<sup>th</sup> Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City
8. Issuer'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 SRC, or Sections 4 and 8 of the RSA

**a) Authorized Capital Stock**

Common shares, ₱1.00 par value	1,800,000,000 shares
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**b) Issued and Outstanding Shares**

Common shares, ₱1.00 par value	1,148,534,866 shares
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**c) Amount of Debt Outstanding as of December 31, 2015:**

₱-

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 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 [ 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:

**₱513,827,167.49** (171,848,551 shares @ ₱2.99 per share as of December 31, 2015)

# **PAXYS, INC.**

**SUPPLEMENTAL SCHEDULES  
TO THE FINANCIAL STATEMENTS REQUIRED BY THE  
SECURITIES AND EXCHANGE COMMISSION  
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2015  
(with comparative figures for 2014 and 2013)  
AND INDEPENDENT AUDITORS' REPORT**

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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 (stock symbol: PAX). It was formerly known as Fil-Hispano Holdings Corporation and registered with the Philippine Securities and Exchange Commission (SEC) on February 14, 1952. As of December 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.

At present, the Parent Company’s operating subsidiaries provide general transcription, proofreading, data conversion, contact center and back office 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 Ideology 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 October 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, 2015, All Asia Customer Services Holdings Ltd., a privately-held company based in Hong Kong, 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, 2015.

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 Combiuatiious and Discontiued Operations for the Last Three (3) Years**

##### ***Sale of SGSP***

On July 31, 2013, Paxys signed a Deed of Absolute Sale of Shares and Deed of Assignment of Share Subscriptions for the transfer of Paxys' equity interests in SGSP. Pursuant to the sale, Paxys transferred 460,000 shares of SGSP, representing 50% of SGSP's total share capital. As a result of the sale, SGSP ceased from being a subsidiary of Paxys effective July 31, 2013.

##### ***Paxys Limited 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. (Simpro Philippines). Simpro Philippines will carry out the BPO business of Simpro in the Philippines.

##### ***Sale of URSI***

On October 31, 2012, Paxys signed a Deed of Absolute Sale of Shares for the transfer of 100% equity interests in URSI. Pursuant to the sale, Paxys transferred 43,515 common shares, representing 63.51% of URSI's total share capital, in favor of the minority shareholder.

##### ***Sale of PAU***

Paxys NV signed a Share Sale Agreement with SmartGroup Investments Pty Ltd. whereby Paxys NV sold 100% of its equity interest in PAU on March 30, 2012. The sale included all of the subsidiaries of PAU consisting of SmartSalary Pty Ltd, Smartfleet Management Pty. Ltd., SeQoya Pty. Ltd., PBI Benefit Solutions Pty. Ltd and Australian Vehicle Consultants Pty 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 last three years, Paxys divested its call center, salary packaging, IT consulting and software solutions business.

Scopeworks Asia, Inc. (SWA) is a Philippine BPO company engaged in general and legal transcription, editing, proofreading, mortgage processing and data conversion services with clients in the US and UK.

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

SmartSalary is a salary packaging administration company based in Australia. It owns two major Australian providers of in-house salary packaging software solutions – Melbourne Systems Group Pty Ltd. and Seqoya Pty Ltd. SmartFleet is a provider of fleet management solutions in Australia and New Zealand. The sale of Smartsalary and its subsidiaries, however, was completed with finality on June 7, 2012.

Stellar is a Philippine joint venture company providing cost-effective offshore contact center and business process outsourcing solutions for Australian and UK clients across a variety of industries, including telecommunications, utilities, transport, finance, government, retail and manufacturing. The sale of Stellar was completed on July 31, 2013.

URSI is an information technology solutions provider. Based in the Philippines, URSI focuses on systems integration and related services such as business process enhancement, project implementation and management, IT consultancy, after sales support and outsourcing services. On October 31, 2012, Paxys transferred all of its equity interest in URSI to the minority shareholders.

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

	2015		2014		2013	
Revenue	Amount	%	Amount	%	Amount	%
<b><i>Continuing</i></b>						
Foreign	₱134.7	100%	₱148.9	99%	₱155.3	98%
Local			1.6	1%	3.0	2%
<b><i>Subtotal</i></b>	<b>134.7</b>	<b>100%</b>	<b>150.5</b>		<b>158.3</b>	
<b><i>Discontinuing</i></b>						
Foreign	-	-	-	-	-	-
Local	-	-	-	-	-	-
<b><i>Subtotal</i></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>₱134.7</b>	<b>100%</b>	<b>₱150.5</b>	<b>100%</b>	<b>₱158.3</b>	<b>100%</b>

### **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](http://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 is no new product or service introduced in 2015.

#### **Competition**

The Company's competition within the global BPO services industry includes U.S.-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**

For the past year, the Company's major customers include UK courtrooms for the legal transcription services, Asia-Pacific for the data document processing, customers, television contents in Singapore, healthcare services consumers in Canada.

#### **Related Party Transactions**

Transactions between related parties in 2015 mainly include cash advances for working capital advances and are accounted for at arms-length prices. In 2015, Paxys granted cash advances in support of working capital requirements of ACS Pacific Limited and PGS Dalian amounting to ₱10.8 million and ₱4.1 million, respectively.

#### **Licenses**

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 Philippines 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 shall not be entitled to Income Tax Holiday (ITH), but shall be entitled only to the 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 Article 77, Book VI of EO 226.

#### **Effect of existing or probable governmental regulations on the business**

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

Simpro Philippines 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**

On a consolidated basis, the Group has 271 employees, including regular, project-based and trainees as of December 31, 2015.

Within the ensuing twelve (12) months, on a consolidated basis, the number of employees of the Group is estimated to be 422 (including regular and project-based). There are no employees subject to Collective Bargaining Agreements or employees on strike in the past three (3) years.

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 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 pool. No property and equipment were pledged as collateral in 2015 and 2014.

The Company has no plans to acquire real property (by purchase or a new lease) in the next twelve (12) months.

Below is the list of leased properties and the conditions thereof as of December 31, 2015:

<b>PAXYS' Location</b>	<b>Expiration of Lease</b>	<b>Term of Renewal</b>
15 <sup>th</sup> Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City	April 30, 2021	5 years, renewable at the option of both parties

<b>SWA's Locations</b>	<b>Expiration of Lease</b>	<b>Term of Renewal</b>
Building No.1, Diode St., Light Industry & Science Park (LISP), Brgy. Diezmo, Cabuyao Laguna	December 31, 2018	Option 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 OF THE REGISTRANT

### 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
<b>2015</b>		
1 <sup>st</sup> quarter	4.00	2.90
2 <sup>nd</sup> quarter	3.39	2.80
3 <sup>rd</sup> quarter	3.30	2.52
4 <sup>th</sup> quarter	3.20	2.52
<b>2014</b>		
1 <sup>st</sup> quarter	2.72	2.13
2 <sup>nd</sup> quarter	2.85	2.33
3 <sup>rd</sup> quarter	3.17	2.28
4 <sup>th</sup> quarter	3.20	2.80

Price information as of latest practicable trading date:

As of December 31, 2015, Paxys shares are traded on the Philippine Stock Exchange at the price of ₱2.99 per share.

#### Holders

The number of stockholders of record as of December 31, 2015 in the Company’s stock and transfer book was 717. The common shares issued as of December 31, 2015 were 1,148,534,866. The list of the top 20 stockholders of Paxys common shares as of December 31, 2015 is stated hereunder:

Name	No. of Shares Held	% To Total
ALL ASIA CUSTOMER SERVICES HOLDINGS LTD.	621,260,820	<b>54.09%</b> *
PCD NOMINEE CORPORATION (NON-FILIPINO)	464,195,762	<b>40.41%</b>
PCD NOMINEE CORPORATION (FILIPINO)	61,095,308	<b>5.32%</b>
KHO, JIMMY JAO	300,000	<b>0.03%</b>
CHUA, CARMEN	216,276	<b>0.02%</b>
GRANADOS, JUAN P.	158,112	<b>0.01%</b>
YAO SHIONG SHIO	95,184	<b>0.01%</b>
KAW SEK & COMPANY	86,088	<b>0.01%</b>
LIM, GHEE KEONG	81,800	<b>0.01%</b>
PAREDES, ANTONIO	79,728	<b>0.01%</b>
URRUTIA, KEVIN	75,000	<b>0.01%</b>
WILLIS, HUGH WARREN	63,111	<b>0.01%</b>

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%
SIAMERIT SECURITIES, INC.	24,000	0.00%
REYES, LEOPOLDO T.	19,800	0.00%
<b>Total</b>	<b>1,148,031,405</b>	<b>99.95%</b>

*\* This does not include the 9,538,218 shares lodged with AB Capital Securities, Inc. 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*

### **Dividends**

There were no dividends declared to public for the last three (3) years.

### **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, 2015, total issued and outstanding shares of the Company amounted to 1,148,534,866 shares. Total authorized capital shares of stock are 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.

## PART III - FINANCIAL INFORMATION

### Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

*The following discussion should be read in conjunction with the accompanying audited consolidated financial statements and notes (presented as Exhibit "C") thereto and is qualified in its entirety by reference thereto.*

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

For the full year ended 31 December	2015	2014	Y15 vs Y14
Profit & Loss Data:			
Service Income	P134,700	P150,509	(11%)
Gross Profit	15,767	17,982	12%
EBITDA <sup>1</sup>	(3,842)	(7,480)	49%
Loss from operations <sup>2</sup>	(51,588)	(56,061)	8%
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 P15.8 million decrease in the Group's Service Income.

At the Gross Profit (GP) level, the decrease in Service Income was offset by the savings in Direct Costs of SWA, particularly personnel costs, resulting to a minimal shortfall of P2.2 million in GP versus prior year.

Despite lower Service Income for the year, the Group's Operating Loss has nonetheless improved by 8% or P4.5 million versus prior year 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 rates and short term duration bonds (classified as Held to Maturity Securities in the consolidated financial statements) which resulted to a higher Other Income by at least P5.3 million. This together with favorable foreign exchange rate and cost efficiencies of SWA resulted to an improved the bottomline of the Group amounting to P12.6 million loss or a 40% turnaround versus prior year's loss of P20.8 million.

<sup>1</sup> EBITDA is defined as Earnings Before Interest Expense, Income Taxes, Depreciation and Amortization.

<sup>2</sup> Excludes Interest Income but includes Gain on Disposal of Investments and Equity Gain on Joint Ventures

### **Scopeworks Asia, Inc.**

The following table shows key performance indicators of Scopeworks, the remaining operating subsidiary of the Group:

*(In Php Thousands)*

<b>For the full year ended 31 December</b>	<b>2015</b>	<b>2014</b>	<b>Y15 vs Y14</b>
Profit & Loss Data:			
Service Income	<b>₱134,700</b>	₱145,969	(8%)
Gross Profit	<b>15,767</b>	18,321	(14%)
EBITDA	<b>3,522</b>	5,989	(41%)
Income from operations	<b>1,734</b>	3,725	(53%)
Net Income	<b>1,273</b>	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 by 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.

### **Paxvs Global Services, Inc. (PGS)**

The following table shows key performance indicators of PGS:

*(In Php Thousands)*

<b>For the full year ended 31 December</b>	<b>2015</b>	<b>2014</b>	<b>Y15 vs Y14</b>
Profit & Loss Data:			
Service Income	<b>₱-</b>	₱4,540	(100%)
Gross Profit	<b>-</b>	1,627	(100%)
EBITDA	<b>(355)</b>	2,293	(116%)
Loss from operations	<b>(355)</b>	(518)	(31%)
Net Loss	<b>(355)</b>	(562)	(37%)

The revenue contracts of PGS were terminated in April 2014. The Net Loss in 2015 pertains to statutory expenses of the company. Management is continuously seeking for new business opportunities for PGS.



## FINANCIAL CONDITION

The following discussion should be read in conjunction with the accompanying audited consolidated financial statements and notes (presented as Exhibit "C") thereto and is qualified in its entirety by reference thereto.

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

As of 31 December	2015	2014	Y15 vs Y14
Balance Sheet Data:			
<u>Continuing:</u>			
Total Current Assets	₱3,579,165	₱3,478,780	3%
Total Noncurrent Assets	16,037	19,266	(17%)
Total Assets	3,595,202	3,498,046	3%
Total Current Liabilities	45,010	48,380	(7%)
Total Noncurrent Liabilities	6,789	11,122	(39%)
Total Equity	3,543,403	3,438,544	3%

The significant changes in the balance sheet items 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

The following discussion should be read in conjunction with the accompanying audited consolidated financial statements and notes (presented as Exhibit "C") thereto and is qualified in its entirety by reference thereto.

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

(In Thousand Pesos unless otherwise stated)

For the full year ended 31 December	2015	2014	Y15 vs Y14
Net Cash provided by (used in) Operating Activities	(₱16,597)	₱145,696	111%
Net Cash used in Investing Activities	(333,360)	(1,848)	17,939%
Net Cash used in Financing Activities	-	(1,073,226)	(100%)
<b>Net decrease in cash and cash equivalents</b>	<b>(349,947)</b>	<b>(929,378)</b>	<b>62%</b>

The cash used in investing activities pertain to investment in short-duration bonds. These are classified as Held-to-Maturity Securities 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.

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

As of and for the full year ended 31 December	2015	2014	Y15 vs Y14
Financial Ratios:			
Current Ratio*	79.5:1	71.9:1	11%
Debt to Equity Ratio**	0.01:1	0.02:1	(16%)
Return on Equity***	(0.4%)	(1%)	(41%)
EBITDA Margin	(3%)	(5%)	(43%)
Net Income margin	(9%)	(14%)	(33%)

\* *Current Assets/Current Liabilities*

\*\* *Total Liabilities/Total Stockholders' Equity*

\*\*\* *Net Income/[(Equity end + Equity beg - Net Income)/2]*

#### 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 cyclical 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, 2014 Compared with Year Ended December 31, 2013**

*The following discussion should be read in conjunction with the accompanying audited consolidated financial statements and notes (presented as Exhibit "C") thereto and is qualified in its entirety by reference thereto.*

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

<b>For the full year ended 31 December</b>	<b>2014</b>	<b>2013</b>	<b>Y14 vs Y13</b>
Profit & Loss Data:			
Service Income	<b>₱150,509</b>	₱158,295	(5%)
Gross Profit	<b>17,982</b>	24,581	(27%)
EBITDA <sup>3</sup>	<b>(7,480)</b>	(55,833)	87%
Loss from operations	<b>(56,061)</b>	(113,480)	51%
Net Loss attributable to equity holders	<b>(20,849)</b>	(73,868)	72%

Service income in 2014 includes revenue from data conversion of SWA and call center revenue of PGS. Revenue and net results of joint ventures for both years are excluded and presented as one line item below the operating line.

Service income has decreased by 5% or ₱7.7 million versus prior year mainly due to the termination of revenue contracts of PGS accounts in April 2014. This resulted in a ₱17.2 million decrease in the Group's revenue but was partially recovered by the growing business in SWA which revenue has increased by ₱9.5 million as compared to prior year.

The Gross Profit decreased by 27% in 2014 principally due to the increase in Cost of Sales for outside services contracted for the additional account of SWA.

The overall Net Loss has decreased from ₱73.9 million in 2013 to ₱20.8 million in 2014 primarily due to lower Operating Expenses of the Group and the stronger Peso performance for its USD-

<sup>3</sup> EBITDA is defined as Earnings Before Interest Expense, Income Taxes, Depreciation and Amortization.

denominated funds as, in 2013, the Group has converted most of its AUD funds to USD. As a result of the conversion of the Group's fund from AUD to USD, the net foreign exchange loss has significantly dropped by 96% or ₱78.8 million. Meanwhile, the Opex has also decreased by 22% or ₱84.7 million in 2014 from ₱109.1 million in 2013.

#### **Scopeworks Asia, Inc.**

The following table shows key performance indicators of Scopeworks:  
(In Php Thousands)

<b>For the full year ended 31 December</b>	<b>2014</b>	<b>2013</b>	<b>Y14 vs Y13</b>
Profit & Loss Data:			
Service Income	<b>₱145,969</b>	<b>₱136,517</b>	7%
Gross Profit	<b>18,321</b>	<b>12,563</b>	46%
EBITDA	<b>5,938</b>	<b>11,304</b>	(47%)
Income from operations	<b>3,725</b>	<b>5,651</b>	(34%)
Net Income	<b>3,109</b>	<b>5,533</b>	(44%)

In spite of the 46% or ₱5.8 million improvement in the Gross Profit, the overall Net Income decreased by 44% or ₱2.4 million as compared to prior year mainly due to increased personnel costs for support employees and one-off expenditures to improve facilities and equipment of SWA.

#### **Paxys Global Services, Inc. (PGS)**

The following table shows key performance indicators of PGS:  
(In Php Thousands)

<b>For the full year ended 31 December</b>	<b>2014</b>	<b>2013</b>	<b>Y14 vs Y13</b>
Profit & Loss Data:			
Service Income	<b>₱4,540</b>	<b>₱21,778</b>	(79%)
Gross Profit	<b>1,627</b>	<b>12,017</b>	(86%)
EBITDA	<b>2,293</b>	<b>9,948</b>	(77%)
Income (loss) from operations	<b>(518)</b>	<b>8,494</b>	(106%)
Net Income (Loss)	<b>(562)</b>	<b>8,510</b>	(107%)

The revenue contracts of PGS were terminated in April 2014 which resulted to an overall drop in the financial performance of the company. As of December 31, 2014, PGS resulted to a net loss of ₱562k or a 107% decrease as compared to prior year.

## FINANCIAL CONDITION

The following discussion should be read in conjunction with the accompanying audited consolidated financial statements and notes (presented as Exhibit "C") thereto and is qualified in its entirety by reference thereto.

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

As of 31 December	2014	2013	Y14 vs Y13
Balance Sheet Data:			
<u>Continuing:</u>			
Total Current Assets	₱3,478,780	₱4,554,276	(24%)
Total Noncurrent Assets	19,266	24,030	(20%)
Total Assets	3,498,046	4,578,306	(24%)
Total Current Liabilities	48,380	57,223	(16%)
Total Noncurrent Liabilities	11,122	7,839	42%
Total Equity	3,438,544	4,513,244	(24%)

The significant changes in the balance sheet items from December 31, 2014 to December 31, 2013 are as follows:

- The Group's total assets decreased by 24% or ₱1,080 million mainly due the purchase of common shares through a tender offer made by Paxys Inc.'s wholly-owned subsidiary, Paxys NV, in 2014. The total amount of consideration paid amounted to ₱1,149.9 million.
- The purchase of the common shares amounting to ₱1,149.9 million was presented as a reduction in the total paid-up capital, thus, the net decrease in the Total Equity of the Group.
- Non-current liabilities increased by 42% or ₱3.3 million principally due to adjustments in the retirement liability of the Group. Although there are no substantial increase in the headcount and salaries of the Group, the standard discount rate used in the latest actuarial valuation obtained has decreased, from 6.38% in 2013 to 4.49% in 2014, thus the inverse effect on the Present Value Amount of the Group's retirement liability

## LIQUIDITY AND CAPITAL RESOURCES

The following discussion should be read in conjunction with the accompanying audited consolidated financial statements and notes (presented as Exhibit "C") thereto and is qualified in its entirety by reference thereto.

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

(In Thousand Pesos unless otherwise stated)

For the full year ended 31 December	2014	2013	Y14 vs Y13
Net Cash provided by Operating Activities	₱145,696	₱71,202	105%
Net Cash used in Investing Activities	(1,848)	(36,361)	95%
Net Cash used in Financing Activities	(1,073,226)	-	(100%)
<b>Net decrease in cash and cash equivalents</b>	<b>(929,378)</b>	<b>34,841</b>	<b>(2767%)</b>

The net decrease in cash and cash equivalents in 2014 is mainly due to the purchase of common shares through a tender offer made by the Paxys N.V. in 2014. 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.

The following are the major financial ratios of the Company for the year ended December 31, 2014 and year ended December 31, 2013:

As of and for the full year ended 31 December	2014	2013	Y14 vs Y13
Financial Ratios:			
Current Ratio	71.9:1	79.6:1	(10%)
Debt to Equity Ratio	0.02:1	0.01:1	(20%)
Return on Equity	(1%)	(2%)	50%
EBITDA Margin	(5%)	(35%)	(86%)
Net Income margin	(14%)	(47%)	70%

\* *Current Assets/Current Liabilities*

\*\* *Total Liabilities/Total Stockholders' Equity*

\*\*\* *Net Income/[(Equity end + Equity beg - Net Income)/2]*

## OTHER MATTERS

a. Subsequent event  
None.

b. Contingencies  
As of December 31, 2014, the Company has no material contingencies.

c. Commitments  
There were no material commitments for expansion as of 2014.

- n. 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.
- o. 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.
- p. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.
- q. 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.
- r. The causes for any material change from period to period are stated under Management's discussion and analysis section "financial condition".
- s. The effects of seasonality or cyclicity on the operations of the Company's business are not material.
- t. 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, 2013 Compared with Year Ended December 31, 2012**

*The following discussion should be read in conjunction with the accompanying audited consolidated financial statements and notes (presented as Exhibit "C") thereto and is qualified in its entirety by reference thereto.*

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

<b>For the full year ended 31 December</b>	<b>2013</b>	<b>2012 (As restated)</b>	<b>Y13 vs Y12</b>
<b>Profit &amp; Loss Data:</b>			
<b><u>Continuing Operations</u></b>			
Service Income	<b>₱158,295</b>	₱202,375	(22%)
Gross Profit	<b>24,581</b>	(24,958)	198%
EBITDA <sup>4</sup>	<b>(55,833)</b>	(11,120)	402%
Loss from operations	<b>(113,480)</b>	(121,560)	7%
Net Income attributable to equity holders	<b>(73,868)</b>	(73,645)	0%
<b><u>Discontinuing Operations</u></b>			
Net Income attributable to equity holders	-	2,448,135	(100%)

Service income in 2013 includes revenue from data transcription of SWA and call center revenue of PGS. Revenue and net results of joint ventures for both years are excluded and presented as one line item below the operating line.

Service income has decreased by 22% or ₱44 million versus prior year due to decline in revenue of SWA by ₱17 million, PGSI of ₱8 million and the termination of lease revenue of Paxys in 2012, the effect of which is ₱17 million. Gross profit margin increased to 16% in 2013 from negative 12% in 2012 due to significant decline in direct costs.

***Cost of Sales***

Direct costs declined by ₱93 million or 41% from ₱227 million in 2012 to ₱134 million in 2013. Direct costs margin improved to 84% in 2013 versus 112% in 2012. The main cause of decline in direct costs is personnel costs by ₱13 million; premises costs by ₱27 million; depreciation by ₱39 million; and other expenses by ₱10 million.

Personnel costs declined due to decline in manpower requirement as business volume declined in SWA and PGS. Premises costs and depreciation declined due to the full year-effect of pre-termination of lease in Araneta facilities in April 2012. Other expenses decreased mainly due to lower professional fees, lesser travels and representation and repairs and maintenance.

<sup>4</sup> EBITDA is defined as Earnings Before Interest Expense, Income Taxes, Depreciation and Amortization.



### ***Operating Expenses***

Operating expenses decreased by ₱130 million or 54% from ₱242 million to ₱112 million this period due to the effect of restructuring completed in 2012. Other expenses such as travel and representation, insurance expenses, taxes and licenses and other miscellaneous expenses also decreased significantly versus prior year.

### **Scopeworks Asia, Inc.**

The following table shows key performance indicators of Scopeworks:

*(In Php Thousands)*

<b>For the full year ended 31 December</b>	<b>2013</b>	<b>2012</b>	<b>Y13 vs Y12</b>
Profit & Loss Data:			
Service Income	<b>₱136,517</b>	<b>₱153,295</b>	(11%)
Gross Profit	<b>12,563</b>	<b>3,216</b>	291%
EBITDA	<b>11,304</b>	<b>(27,324)</b>	141%
Income from operations	<b>5,651</b>	<b>(42,530)</b>	113%
Net Income	<b>5,533</b>	<b>(42,133)</b>	113%

In the last quarter of 2012, SWA completed the restructuring of its personnel. This resulted to lower operating expenses which mainly improved the Income from Operations to a 113% turnaround from an operating loss of ₱42.5 million in 2012 to an income of ₱5.7 million in 2013.

For comparative management reporting, SWA recognized allocated costs from its affiliate, PGS, representing its share in management and overhead costs in 2012 and overhead costs only in 2013.

### **Paxys Global Services, Inc. (PGS)**

The following table shows key performance indicators of PGS:

<b>For the full year ended 31 December</b>	<b>2013</b>	<b>2012</b>	<b>Y13 vs Y12</b>
Profit & Loss Data:			
Service Income	<b>₱21,778</b>	<b>₱13,655</b>	59%
Gross Profit	<b>12,017</b>	<b>1,057</b>	1037%
EBITDA	<b>9,948</b>	<b>(37,260)</b>	127%
Income from operations	<b>8,494</b>	<b>(40,044)</b>	121%
Net Income	<b>8,510</b>	<b>(40,382)</b>	121%

Increase in outbound voice account of PGS and significant decline in operating expenses by ₱38 million or 90% caused positive results for the year compared prior year.

## FINANCIAL CONDITION

The following discussion should be read in conjunction with the accompanying audited consolidated financial statements and notes (presented as Exhibit "C") thereto and is qualified in its entirety by reference thereto.

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

As of 31 December	2013	2012 (As restated)	Y13 vs Y12
Balance Sheet Data:			
<u>Continuing:</u>			
Total Current Assets	₱4,554,276	₱4,282,608	6%
Total Noncurrent Assets	24,030	147,486	(84%)
Total Assets	4,578,306	4,430,094	3%
Total Current Liabilities	57,223	108,062	(47%)
Total Noncurrent Liabilities	7,839	7,738	1%
Total Equity	4,513,244	4,314,244	5%

The major changes in the balance sheet items from December 31, 2013 to December 31, 2012 are as follows for continuing operations:

- Cash and cash equivalents increased in 2013 by 5% or ₱207.0 million due to partial realization of escrow fund from sale of PAU amounting to ₱120.0 million, interest earned of ₱43.9 million, proceeds from sale of Stellar, net of capital gains tax and other taxes of ₱141.6 million, net foreign exchange and translation gain of ₱112.2 million of and were offset by acquisition of investment in available-for-sale securities of ₱183.3 million, income tax paid of ₱6.8 million, and net cash outflows of joint ventures of ₱20.6 million.
- The decrease in trade and other receivables by 32% or ₱119.0 million is mainly due to realization of escrow fund to cash. Restricted funds are recognized in an escrow account as part of the proceeds from the sale of PAU in June 2012.
- Other current assets increased by 22% or ₱0.9 million due to input vat on purchases net of its related provision for non-recoverability.
- Investment in joint ventures was reduced to nil in 2013 due to the sale of Stellar to the joint venture partner and recognition of additional losses of Simpro and PGS Dalian.
- Property and equipment posted a net decrease of 52% or ₱9.1 million due mainly to depreciation and amortization for the year amounting to ₱10.1 million, net of acquisition of to ₱0.6 million
- Accounts payable and other current liabilities decreased versus 2012 by 49% amounting to ₱47.8 million due mainly of reversal of long-outstanding accruals of ₱24.6 million, settlement of subscription payable to Stellar due to sale of ₱9.4 million, and settlement of various accruals and payables during the year of of ₱13.8 million

## LIQUIDITY AND CAPITAL RESOURCES

The following discussion should be read in conjunction with the accompanying audited consolidated financial statements and notes (presented as Exhibit "C") thereto and is qualified in its entirety by reference thereto.

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

(In Thousand Pesos unless otherwise stated)

For the full year ended 31 December	2013	2012 (As restated)	Y13 vs Y12
Net Cash provided by (used in) Operating Activities	₱71,202	(₱258,752)	128%
Net Cash provided by (used in) Investing Activities	(36,361)	3,734,834	(101%)
Net Cash used in Financing Activities	-	-	-
<b>Net increase in cash and cash equivalents</b>	<b>34,841</b>	<b>3,476,082</b>	<b>(99.0%)</b>

The increase in cash and cash equivalents in 2013 due to better cash flows from operations. Net cash used in investing activities includes the following:

- Proceeds from divestment of Stellar, net of capital gains tax paid and other taxes, of ₱141.6 million;
- Investment in unit investment trust fund amounting to ₱183.3 million;
- Additional investment in joint ventures amounting to ₱13.1 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.

The following are the major financial ratios of the Company for the year ended December 31, 2013 and year ended December 31, 2012:

As of and for the full year ended 31 December	2013	2012 As restated	Y13 vs Y12
Financial Ratios:			
Current Ratio*	79.6:1	39.6:1	101%
Debt to Equity Ratio**	0.01:1	0.03:1	46%
Return on Equity***	(2%)	(4%)	(53%)
EBITDA Margin+	(63%)	(33%)	542%
Net Income margin+	(47%)	(37%)	(28%)

\* Current Assets/Current Liabilities

\*\* Total Liabilities/Total Stockholders' Equity

\*\*\* Net Income/[(Equity end + Equity beg - Net Income)/2]

+Excludes 2013 and 2012 income from discontinuing operations.

## **OTHER MATTERS**

- a. Subsequent event  
None.
- b. Contingencies  
As of December 31, 2013, the Company has no material contingencies.
- c. Commitments  
There were no material commitments for expansion as of 2013.
- 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 cyclicity 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 year ended December 31, 2015 (with comparative figures for the years 2014 and 2013).

The 2012 Audited FS has been restated as the Company adopted the new accounting treatment on Employee Benefits.

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

For more than five consecutive years, Sycip Gorres Velayo & Co. has been the External Auditor of the Group. Starting financial year 2014, the Group has appointed its new auditor, Reyes Tacandong & Co. in line with good corporate governance practices.

There are no disagreements with Auditors on accounting and financial disclosure.

The consolidated fees billed for the audit of the Company's annual financial statements amounted to ₱1.2 million, ₱1 million and ₱0.95 million in 2015, 2014 and 2013, 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	66	Filipino
Roger Leo A. Cariño	Director/ Treasurer	56	Filipino
Christopher B. Maldia	Director	55	Filipino
Ghee Keong Lim	Director	48	Malaysian
Roberto A. Atendido	Director	68	Filipino
George Y. SyCip	Independent Director	59	American
Jose Antonio Lichauco	Independent Director	56	Filipino
Sivam Kandavanam	Director	58	Malaysian
Mark David P. Martinez	Corporate Secretary/ CIO	34	Filipino
Ana Maria A. Katigbak-Lim	Assistant Corporate Secretary/CIO	46	Filipino

**Tarcisio M. Medalla** 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 investment 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.

**Roger Leo A. Cariño** 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.

**Christopher B. Maldia** 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 has a Master of Laws in International Legal Studies from New York University School of Law. He is a member of the Philippine Bar and the New York Bar.

**Ghee Keong Lim** was appointed Director of the Company on June 3, 2005. He has more than 20 years of experience in 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 US and the former Ban Hin Lee Bank in Malaysia. He is currently the Chief Financial Officer of UTSB and serves on the Boards of several other companies in which UTSB Group has interests such as Astro Malaysia Holdings Berhad (listed on Bursa Malaysia Securities Berhad) in which he is an alternate director, Bumi Armada Berhad (listed on Bursa Malaysia Securities Berhad) 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, US.

**Roberto A. Atendido** has been a Director of the Corporation since October 1, 2004. He is currently the Executive Vice Chairman 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.

**George Y. SyCip** 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, Beneficial Life Insurance Company and MacroAsia Corporation. 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.

**Jose Antonio A. Lichauco** 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. where 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.

**Sivam Kandavanam** is concurrently a Director of Astro Holdings Sdn Bhd and MAI Sdn Berhad and Measat Global Networks 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 is currently the Chief Financial Officer – Private Assets & Trusts of Usaha Tegas Sdn Bhd. He is also the Treasurer of Malaysian Community & Education Foundation. Prior to joining Usaha Tegas, he was attached to Maika Holdings Berhad and KTM Distribution Sdn Bhd.

**Mark David P. Martinez** joined the Company in October 2009 and was elected as director in August 2012. He is concurrently the Company's Corporate Counsel, Corporate Secretary and Corporate Information Officer. Prior to joining the Company, he worked as an associate attorney at Angara Abello Concepcion Regala & Cruz (ACCRALAW) for three (3) years. Mark is a member of the Philippine Bar and a Certified Public Accountant. He obtained his Bachelor of Laws degree from the San Beda College of Law, Mendiola, Manila in 2006.

## **Key Employees**

All the employees are considered important assets of the Company who collectively make significant contributions to the Company.

### *Significant employee of Paxys Inc. as of December 31, 2015:*

**Tarcisio M. Medalla – Chairman and President** 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 investment 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.

**Mark David P. Martinez – Corporate Legal Counsel and Corporate Secretary**, joined the Company in October 2009 and was elected as director in August 2012. He is concurrently the Company's Corporate Counsel, Corporate Secretary and Corporate Information Officer. Prior to joining the Company, he worked as an associate attorney at Angara Abello Concepcion Regala & Cruz (ACCRALAW) for three (3) years. Mark is a member of the Philippine Bar and a Certified Public Accountant. He obtained his Bachelor of Laws degree from the San Beda College of Law, Mendiola, Manila in 2006.

### **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**

The aggregate compensation paid or incurred during the last two fiscal years and estimated to be paid in the ensuing fiscal year to the executive officers and directors of the Company are as follows:

#### **Summary Compensation Table**

For Executive Officers and Directors of Paxys:

<b>Year</b>	<b>Per Diem</b>
<i>(in Millions)</i>	
2015	₱1.30
2014	1.20
2013	1.16

<b>Year/ Top Highly Compensated Officers*</b>	<b>Compensation and other benefits</b>	<b>Stock Options</b>	<b>Total</b>
<i>(in Millions)</i>			
2015: Chairman and President and Corporate Legal Counsel	₱11.4	₱-	₱11.4
2014: Chairman and President and Corporate Legal Counsel	12.0	-	12.0
2013: Chairman and President, CAE, and Corporate Legal Counsel	14.4	-	14.4

\*Names of the Top Highly Compensated Officers are shown in Item 9 above.

#### **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, 2015 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:

<b>Title of Class</b>	<b>Name and Address of Record Owner &amp; Relationship with Issuer</b>	<b>Name of Beneficial Owner &amp; Relationship with Record Owner</b>	<b>Citizenship</b>	<b>Number of Shares Held</b>	<b>Percent of Class</b>
Common	All Asia Customer Service Holdings, Ltd. Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong	Expac Ltd. is the controlling shareholder of ACSH. Expac Ltd. has no other relationship with Paxys. Paxys has no information on the ownership of Expac Ltd.	Hong Kong	630,844,038*	54.93%
Common	Paxys N.V.	Paxys, Inc. owns 100% equity of Paxys N.V.	Curacao	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	170,085,375**	14.81%
<b>Total</b>				<b>1,146,551,890</b>	<b>99.83%</b>

\* This includes 621,260,820 certificated shares and 9,583,218 shares lodged with AB Capital Securities, Inc.

\*\* Net of the lodged shares of All Asia Customer Services Holdings Ltd. and Paxys NV, 9,583,218 and 345,622,477, respectively

**Ownership Security of Management as of December 31, 2015:**

<b>Title of Class</b>	<b>Name of Beneficial Owner</b>	<b>Amount of Beneficial Ownership</b>	<b>Citizenship</b>	<b>Percent of Class</b>
Common	<b>Tarcisio M. Medalla</b> Chairman & President	1,120	Filipino	0.0001%
Common	<b>Christopher B. Maldia</b> Director	129,520	Filipino	0.0113%
Common	<b>Ghee Keong Lim</b> Director	82,800	Malaysian	0.0072%
Common	<b>Roger Leo A. Carino</b> Director	1,120	Filipino	0.0001%
Common	<b>Roberto A. Atendido</b> Director	1,000	Filipino	0.0001%
Common	<b>Sivam Kandavanam</b> Director	1,000	Malaysian	0.0001%
Common	<b>George Y. SyCip</b> Independent Director	1,120	American	0.0001%
Common	<b>Jose Antonio Lichauco</b> Independent Director	1,120	Filipino	0.0001%
Common	<b>Mark David P. Martinez</b> Corporate Secretary/ CIO	1,000	Filipino	0.0001%
Common	<b>Ana Maria A. Katigbak</b> Assistant Corporate Secretary	-	Filipino	-
	<b>Total</b>	<b>₱219,800</b>		<b>0.0192%</b>

The shareholdings of the above-named directors and officers aggregate to 219,800 shares or 0.0192% of the outstanding capital stock of the Company.

As reported in the Public Ownership Report as of December 31, 2015, 171,848,551 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 I (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 attached Consolidated Changes to the Annual Corporate Governance Report (ACGR) as of December 31, 2015 (Exhibit D).*

## **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 2015
- Exhibit C – Audited Financial Statements as at December 31, 2015
- Exhibit D – Consolidated Changes to the Annual Corporate Governance as of December 31, 2015

## **PART VII- INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

*(Please refer to the following attachments)*

- 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 15, 2016

Issued By:  
**PAXYS, INC.**



TARCISIO M. MEDALLA  
Chairman & President




MARK DAVID P. MARTINEZ  
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 14 2016 day of \_\_\_\_\_ 2015 affiant(s) exhibiting to me his/their Passport Nos., as follows:

NAMES	PASSPORT No.	VALID UNTIL	PLACE OF ISSUE
Tarcisio M. Medalla	EB9971636	January 12, 2019	Manila, Philippines
Mark David P. Martinez	EC0989976	May 1, 2019	Manila, Philippines

**NOTARY PUBLIC**  
Doc. No. 299 ;  
Page No. 61 ;  
Book No. 40 ;  
Series of 2016.



**ATTY. SOCORRO MARICEL N. NEPOMUCENO**  
Notary public for and in Quezon City, Metro Manila  
NP No. 102 until December 31, 2017  
Roll No. 50756; MCLE No. IV-0011378; 01.10.2013  
PTR No. 2148098; 01.04.2016; Quezon City  
IBP No. 1012545 for 2016 & 2017; Quezon City  
3<sup>rd</sup> Floor Vargas Building, #103 Kalayaan Avenue.  
Diliman, Quezon City, 1100, Philippines

**Reports on SEC Form 17-C**

<b>Date Filed</b>	<b>Items Reported</b>
22 December 2014	The Company submitted the Certificate of Filing of Amended Articles of Incorporation of the Company which was approved on 16 December 2014 by the Commission.
29 December 2014	The Company submitted to the Exchange the Certificate of Independent Directors of Mr. Jose Antonio A. Lichauco and George Y. SyCip.
7 January 2015	The Company informed the Exchange that Reyes Tacandong & Co. has been appointed as external auditor for the taxable year 2014.
31 March 2015	The Company submitted to the Exchange the accomplished 2014 Corporate Governance Guidelines for Listed Companies.
24 April 2015	The Company submitted to the Exchange the certificate of completion for the corporate governance seminar which was attended by Atty. Ana Maria Margarita A. Katigbak. She attended a Corporate Governance Seminar on 21 April 2015 at NBS Conference Room, Quad Alpha Centrum, Mandaluyong City and conducted by Risks Opportunities, Assessment and Management (ROAM), Inc.
7 May 2015	The Company submitted to the Exchange the certificate of attendance for the SEC Corporate Governance Workshop on the Asean Corporate Governance Scorecard for Publicly-Listed Companies seminar which was attended by Atty. Mark David P. Martinez. He attended a Corporate Governance Seminar on 23 April 2015 at Crown Plaza, Manila Galleria, Ortigas Center, Quezon City and conducted by Securities and Exchange Commission.
7 May 2015	The Company informed the Exchange that the annual meeting of the stockholders of Paxys, Inc. which is scheduled to be held in May 2015 has been postponed to a later date.
12 August 2015	The Company informed the Exchange that the scheduled annual meeting of the stockholders of Paxys Inc. was on 3 December 2015 at 2:00 p.m. at the Manila Golf & Country Club, Harvard Road, Forbes Park, Makati City.
15 October 2015	The Company provided the Exchange with a copy of the Notice of Annual Stockholders' Meeting. The record date will be on 30 October 2015.
6 November 2015	The Company provided the Exchange with the certified list of shareholders of Paxys Inc. as of 30 October 2015, the record date for the Annual Shareholder's Meeting, which was scheduled on 3 December 2015.

**PAXYS INC.**  
**DIRECTORS' ATTENDANCE OF BOARD MEETINGS FOR 2015**  
 Legend: Present (✓) Absent (A) Not Applicable (NA)

Name of Directors	RM 24 Mar. 2015	RM 6 May 2015	RM 11 Aug. 2015	RM 13 Nov. 2015	OM 3 Dec. 2015	RM 17 Dec. 2015
Tarcisio M. Medalla	✓	✓	✓	✓	✓	✓
Roger Leo A. Cariño	✓	✓	✓	✓	A	✓
Roberto A. Atendido	✓	✓	✓	✓	✓	✓
Christopher B. Maldia	✓	✓	✓	✓	✓	✓
Jose Antonio A. Lichauco	✓	✓	✓	✓	✓	✓
Lim Ghee Keong	✓	✓	✓	A	✓	✓
Sivam Kandavanam	✓	✓	✓	✓	A	A
George Y. Sycip	✓	✓	✓	✓	✓	✓
Mark David P. Martinez	✓	✓	✓	✓	✓	✓

**Legend:**

- ✓ - Present
- A - Absent
- RM - Regular Board Meeting
- SM - Special Board Meeting
- OM - Organizational Board Meeting



## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Paxys, Inc. is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2015 and 2014, including the additional components attached therein, in accordance with **Philippine Financial Reporting Standards**. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

**Reyes Tacandong & Co.**, the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the company 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 examination.



**Tarcisio M. Medalla**  
Chairman of the Board and President




**Pablito O. Lim**  
Chief Financial Officer

Signed in this 5<sup>th</sup> day of April 2016

SUBSCRIBED AND SWORN TO BEFORE ME  
ON THIS DAY OF APR 12 2016 AT THE  
CITY OF MANILA AFFIANT EXHIBITING  
HIS/HER COMPETENT IDENTITY NO. \_\_\_\_\_

DOC. NO. 200  
PAGE NO. 61  
BOOK NO. 40  
SERIES OF 16



**ATTY. SOCORRO MARICEL N. NEPOMUCENO**  
Notary public for and in Quezon City, Metro Manila  
NP No. 102 until December 31, 2017  
Roll No. 50756; MCLE No. IV-0011373; 01.10.2013  
PTR No. 2148098; 01.04.2016; Quezon City  
IBP No. 1012545 for 2016 & 2017; Quezon City  
3<sup>rd</sup> Floor Vargas Building, #103 Kalayaan Avenue  
Diliman, Quezon City, 1100, Philippines





## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Consolidated Financial Statements

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

#### *Management's Responsibility for the Consolidated Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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



*Opinion*

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

*Other Matter*

The consolidated financial statements of Paxys, Inc. and Subsidiaries as at and for the year ended December 31, 2013 were audited by another auditor whose report dated March 11, 2014, expressed an unmodified opinion on those statements.

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-2 Group A

Valid until April 14, 2017

BIR Accreditation No. 08-005144-6-2013

Valid until November 26, 2016

PTR No. 5321843

Issued January 5, 2016, Makati City

April 5, 2016

Makati City, Metro Manila

**PAXYS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2015 AND 2014**  
**(Amounts in Thousands)**

	Note	2015	2014
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	₱2,980,255	₱3,207,725
Available-for-sale financial assets	8	380,061	186,355
Trade and other receivables	9	71,342	75,853
Held-to-maturity securities	8	135,905	-
Other current assets	10	11,602	8,847
Total Current Assets		3,579,165	3,478,780
<b>Noncurrent Assets</b>			
Property and equipment		2,970	4,709
Intangible assets		1,160	2,687
Other noncurrent assets		11,907	11,870
Total Noncurrent Assets		16,037	19,266
		<b>₱3,595,202</b>	<b>₱3,498,046</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	15	₱44,565	₱47,715
Income tax payable		445	665
Total Current Liabilities		45,010	48,380
<b>Noncurrent Liabilities</b>			
Retirement liability	16	6,184	10,519
Other noncurrent liabilities	25	605	603
Total Noncurrent Liabilities		6,789	11,122
Total Liabilities		51,799	59,502
<b>Equity</b>			
Capital stock	17	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		237,946	120,518
Retained earnings		2,855,444	2,868,013
Total Equity		3,543,403	3,438,544
		<b>₱3,595,202</b>	<b>₱3,498,046</b>

See accompanying Notes to Consolidated Financial Statements.

**PAXYS, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(With Comparative Figures for 2013)

(Amounts in Thousands, except Basic/Diluted Loss per Share Data)

	Note	2015	2014	2013
SERVICE INCOME		<b>₱134,700</b>	₱150,509	₱158,295
COST OF SERVICES	19	<b>(118,933)</b>	(132,527)	(133,714)
GROSS PROFIT		<b>15,767</b>	17,982	24,581
GENERAL AND ADMINISTRATIVE EXPENSES	20	<b>(79,608)</b>	(84,727)	(109,127)
INTEREST INCOME	7	<b>43,253</b>	38,850	43,888
NET FOREIGN EXCHANGE GAIN (LOSS)		<b>4,083</b>	(3,336)	(82,163)
EQUITY IN NET EARNINGS OF JOINT VENTURES	11	-	-	2,865
GAIN ON DISPOSAL OF A JOINT VENTURE	11	-	-	20,557
OTHER INCOME - Net	22	<b>8,170</b>	14,020	29,353
LOSS BEFORE INCOME TAX		<b>(8,335)</b>	(17,211)	(70,046)
CURRENT INCOME TAX EXPENSE	23	<b>4,234</b>	3,638	3,822
NET LOSS		<b>(12,569)</b>	(20,849)	(73,868)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<i>Items to be reclassified to profit or loss</i>				
Translation gain		<b>118,402</b>	19,147	268,794
Unrealized gain (loss) on fair value changes on available-for-sale financial assets	8	<b>(4,404)</b>	1,306	800
<i>Item not to be reclassified to profit or loss</i>				
Remeasurement gain (loss) on retirement liability	16	<b>3,430</b>	(1,180)	3,224
		<b>117,428</b>	19,273	272,818
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>₱104,859</b>	(₱1,576)	₱198,950
<b>BASIC/DILUTED LOSS PER SHARE</b>	24	<b>(₱0.02)</b>	(₱0.03)	(₱0.06)

*See accompanying Notes to Consolidated Financial Statements.*

**PAXYS, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(With Comparative Figures for 2013)**  
**(Amounts in Thousands)**

	Note	2015	2014	2013
<b>CAPITAL STOCK</b>				
Balance at beginning of year		P1,148,535	P1,071,773	P1,071,773
Collection of subscription receivable		-	76,660	-
Reclassification		-	102	-
Balance at end of year	17	1,148,535	1,148,535	1,071,773
<b>ADDITIONAL PAID-IN CAPITAL</b>				
Balance at beginning and end of year	17	451,364	451,364	451,364
<b>PARENT SHARES HELD BY A SUBSIDIARY</b>				
Balance at beginning of year		(1,149,886)	-	-
Purchase by a subsidiary		-	(1,149,886)	-
Balance at end of year	17	(1,149,886)	(1,149,886)	-
<b>OTHER EQUITY RESERVES</b>				
<b>Cumulative Translation Adjustment</b>				
Balance at beginning of year		119,567	100,420	(168,374)
Translation gain		118,402	19,147	268,794
Balance at end of year		237,969	119,567	100,420
<b>Fair Value Changes on Available-for-sale</b>				
<b>Financial Assets</b>				
Balance at beginning of year		2,106	800	-
Unrealized gain (loss)		(4,404)	1,306	800
Balance at end of year	8	(2,298)	2,106	800
<b>Cumulative Remeasurement Gain (Loss)</b>				
<b>on Retirement Liability</b>				
Balance at beginning of year		(1,155)	25	(1,537)
Remeasurement gain (loss)		3,430	(1,180)	3,224
Reclassification		-	-	(1,662)
Balance at end of year	16	2,275	(1,155)	25
		237,946	120,518	101,245
<b>RETAINED EARNINGS</b>				
Balance at beginning of year		2,868,013	2,888,862	2,961,068
Net loss		(12,569)	(20,849)	(73,868)
Reclassification		-	-	1,662
Balance at end of year	17	2,855,444	2,868,013	2,888,862
		P3,543,403	P3,438,544	P4,513,244

See accompanying Notes to Consolidated Financial Statements.

**PAXYS, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(With Comparative Figures for 2013)**  
**(Amounts in Thousands)**

	Note	2015	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before income tax		(P8,335)	(P17,211)	(P70,046)
Adjustments for:				
Interest income	7	(43,253)	(38,850)	(43,888)
Provision for impairment losses on:				
Trade and other receivables	9	10,576	9,768	18,323
Input value-added tax	10	2,448	1,729	3,471
Depreciation and amortization	12	4,493	9,732	13,759
Net unrealized foreign exchange loss (gain)		(4,083)	(8,496)	78,707
Gain on disposal of:				
Property and equipment	22	(982)	(1,873)	(4)
Joint venture	11	-	-	(20,557)
Retirement benefits	16	(905)	2,103	2,711
Gain on redemption of available-for-sale financial assets	22	(900)	-	-
Reversal of accruals	22	-	(760)	(24,706)
Equity in net earnings of joint ventures	11	-	-	(2,865)
Mark-to-market loss on derivative instruments	22	-	-	98
Operating loss before working capital changes		(40,941)	(43,858)	(44,997)
Decrease (increase) in:				
Trade and other receivables		5,275	169,724	101,566
Other current assets		(5,203)	(5,117)	981
Other noncurrent assets		(37)	(1,883)	15
Increase (decrease) in:				
Trade and other payables		(3,150)	(8,043)	(24,041)
Other noncurrent liabilities		-	-	614
Net cash generated from (used for) operations		(44,056)	110,823	34,138
Interest received		31,913	35,708	43,888
Income taxes paid		(4,454)	(835)	(6,824)
Net cash flows provided by (used in) operating activities		(16,597)	145,696	71,202
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to:				
Available-for-sale financial assets		(248,200)	-	(183,274)
Held-to-maturity securities	8	(135,905)	-	-
Property and equipment	12	(1,039)	(2,921)	(596)
Intangible assets	13	(188)	(969)	(573)
Investments in joint ventures	11	-	-	(13,128)
Proceeds from:				
Redemption of available-for-sale financial assets		50,990	-	-
Disposal of property and equipment		982	2,042	38
Divestment of a joint venture	11	-	-	161,172
Net cash flows used in investing activities		(333,360)	(1,848)	(36,361)

(Forward)



	Note	2015	2014	2013
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Purchase of Parent shares by a subsidiary	17	₱-	(₱1,107,646)	₱-
Collection of subscription receivable	17	-	34,420	-
Net cash flows used in financing activities		-	(1,073,226)	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
		<b>(349,957)</b>	<b>(929,378)</b>	<b>34,841</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>				
		<b>122,487</b>	<b>30,004</b>	<b>172,164</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
		<b>3,207,725</b>	<b>4,107,099</b>	<b>3,900,094</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>7</b>	<b>₱2,980,255</b>	<b>₱3,207,725</b>	<b>₱4,107,099</b>

*See accompanying Notes to Consolidated Financial Statements.*

**PAXYS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(With Comparative Information for 2013)**

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**1. Corporate Information**

Paxys, Inc. ("Paxys" or the "Parent Company") is an investment holding company incorporated in the Philippines and listed (stock symbol: PAX) on the Philippine Stock Exchange (PSE). It 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 Parent Company was extended for another 50 years starting February 14, 2002.

As at December 31, 2015 and 2014, its major shareholders are All Asia Customer Services Holdings Ltd (AACSHL), a separately-held 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, in the Parent Company.

At present, the operating subsidiaries provide general transcription, proofreading, data conversion, contact center and back office outsourcing services.

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 and for the years ended December 31, 2015 and 2014 (with comparative figures for 2013) were approved and authorized for issue by the Board of Directors (BOD) on April 5, 2016.

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**2. Basis of Preparation and Statement of Compliance**

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

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

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### 3. Summary of Changes in Accounting Standards

#### Adoption of New and Revised PFRS

The Group adopted the following new and revised PFRS effective January 1, 2015 as summarized below.

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* – The amendments clarify the requirements on how contributions from employees or third parties that are linked to service should be attributed to periods of service. In particular, contributions that are independent of the number of years of service can be recognized as a reduction in the service cost in the period in which the related service is rendered (instead of attributing them to the periods of service).
- Amendment to PAS 24, *Related Party Disclosures - Key Management Personnel* – The amendment clarifies how payments to entities providing key management personnel services are to be disclosed.
- Amendment to PFRS 3, *Business Combinations* – The amendment excludes from its scope the accounting for the formation of any joint arrangement in the financial statements of the joint arrangement itself.
- Amendment to PFRS 8, *Operating Segments - Aggregation of Operating Segments and Recancellation of the Total of the Reportable Segments' Assets to the Entity's Assets* – The amendment requires the disclosure of management judgments in applying the aggregation criteria to operating segments, and requires reconciliations of the total of the reportable segments' assets to the entity's assets are required only if the segment assets are reported regularly.
- Amendment to PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables and Portfolio Exception* – The amendment clarifies that the portfolio exception in PFRS 13 - allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis - applies to all contracts (including non-financial) within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* or PFRS 9, *Financial Instruments*.

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

#### New and Revised PFRS Not Yet Adopted

Relevant new and amended PFRS, which are not yet effective for the year ended December 31, 2015 and have not been applied in preparing the consolidated financial statements, are summarized below.

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

- Amendments to PAS 1, *Presentation of Financial Statements* – The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendments to PAS 16, *Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Amortisation* – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.
- Amendment to PAS 19, *Employee Benefit* – The amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.
- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* – The amendments reinstate the equity method option allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Amendment to PFRS 7, *Financial Instruments: Disclosures* – The amendment adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.
- 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 or Joint Venture* – The amendments address a current conflict between the two standards and clarify that the gain or loss from sale or contribution of assets between an investor and its associate or joint venture should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.
- Amendments to PFRS 10, IFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28 - *Investment Entities: Applying the Consolidation Exception* – The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
- Amendments to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* – The amendments require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in PFRS 3) to apply all of the business combinations accounting principles and disclosure in PFRS 3 and other PFRSs, except for those principles that conflict with the guidance in PFRS 11. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

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

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39 (and all the previous versions of PFRS 9). It provides 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 their

classification by reference to the business model within which they are held and their 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 be no longer necessary for 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.

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.

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#### 4. Summary of Significant Accounting and Financial Reporting Policies

The significant accounting policies that have been used in the preparation of the consolidated financial statements are summarized below. These policies have been consistently applied to all years presented, unless otherwise stated.

##### Basis of Consolidation

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

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
Scopeworks Asia, Inc. (SWA)	Data conversion	Philippines
Paxys Global Services, Inc. (PGS)*	Business process outsourcing	Philippines
Paxys Global Services Pte. Ltd. (PGSPL)	Business process outsourcing	Singapore
Regional Operating Headquarters of PGSPL (PGS ROHQ)*	Shared services	Philippines

*\*PGS and PGS ROHQ ceased operations on May 16, 2014 and March 16, 2013, respectively.*

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 that entity, and items included in the 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 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 under other equity reserves.

The financial statements of the subsidiaries are prepared using the same reporting year as the Parent Company and uniform accounting policies for similar transactions and other events in similar circumstances. Adjustments, where necessary, are made to ensure consistency with the accounting policies adopted by the Group. All significant intercompany balances and transactions including unrealized profits and losses, are eliminated in full in preparing the consolidated financial statements.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Parent Company obtains control and are continued to be consolidated until the date when such control ceases. The results of operations of the subsidiaries acquired or disposed of during the year are included in profit or loss from the date of acquisition up to the date of disposal, as appropriate.

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

#### Business Combination 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 fair value on acquisition date and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at its proportionate share in the acquiree's identifiable net assets. Acquisition-related 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.

*Common Control Transactions.* Where there are business combinations in which all the combining entities within the Group are ultimately controlled by the same ultimate parent before and after the business combination and that the control is not transitory ("business combinations under common control"), the Group accounts such business combinations under the acquisition method of accounting, if the transaction was deemed to have substance from the perspective of the reporting entity. In determining whether the business combination has substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the non-controlling interest, are being considered.

In cases where the business combination has no substance, the Parent Company accounts for the transaction similar to a pooling of interest. The assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values. The difference in the amount recognized and the fair value of the consideration given, is accounted for as an equity transaction (i.e., as either a contribution or distribution of equity). Further, when a subsidiary is transferred in a common control transaction, the difference in the amount recognized and the fair value of consideration received, is also accounted for as an equity transaction.

Comparative balances are restated to include balances and transactions as if the entities have been acquired at the beginning of the earliest year presented and as if the entities have always been combined.

*Goodwill.* 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 the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference (negative goodwill) is recognized in profit or loss. After initial recognition, goodwill is measured at cost less any impairment losses.

For the purpose of impairment assessment, 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 has been allocated to a cash-generating unit and part of the operations within that unit is disposed of, the goodwill associated with the operations disposed of is included in the carrying amount of the operations when determining the gain or loss on disposal. Goodwill disposed in this circumstance is measured based on the relative values of the operations and the portion of the cash-generating unit retained.

When subsidiaries are disposed, the difference between the selling price and the net assets plus cumulative exchange differences arising from the translation and goodwill is recognized in profit or loss.

*Noncurrent Assets Held for Sale and Discontinued Operations.* The Group classifies noncurrent assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for assets or a disposal group held for sale is met only when the disposal is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale which is expected to be within one year from the date of the classification.

Property and equipment and intangible assets are no longer depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that had been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative consolidated statement of comprehensive income are presented as if the operation had been discontinued from the start of the comparative year. In the consolidated statement of comprehensive income of the reporting year, and of the comparable previous year, income and expenses from discontinued operations are reported separately from income and expenses of continuing operations down to the level of net income, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting net profit or loss is reported separately in profit or loss.

### Financial Instruments

*Date of Recognition.* Financial instruments are recognized in the consolidated statements of financial position when the Group becomes a party to the contractual provisions of the 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 instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). 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, 2015 and 2014.

*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 impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in profit or loss.

As at December 31, 2015, the investments in bonds are included 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 reported earnings in profit or loss, and are reported 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 reported 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 rate 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 quoted 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 AFS financial assets or financial assets at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any allowance for impairment 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," is recognized in profit or loss. 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.

The Group has classified cash in banks, cash equivalents, trade and other receivables and rental and security deposits as loans and receivables.

Cash and cash equivalents include cash on hand, cash in banks and short-term highly liquid interest-bearing fund placements with original maturities of three months or less from the date of acquisition.

*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) and other noncurrent 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 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 amount of 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, 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 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. Financial assets carried at cost

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

c. 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 income. 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.

#### Fair Value Measurement

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

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

- Level 1 - Quoted (unadjusted) market prices in active 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 5 - Significant Judgments, Accounting Estimates and Assumptions
- Note 26 - Financial Instruments

#### Other Current Assets

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

*Prepayments.* Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and recognized in profit or loss when incurred. Prepayments 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 is 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:

<u>Asset Type</u>	<u>Number of Years</u>
Computer equipment	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.

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

The assets' estimated useful lives and depreciation and amortization method 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.

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 any 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 useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization 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 useful 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 Non-financial Assets

The carrying amount of investments in joint ventures, property and equipment, intangible assets and other non-financial 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 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 are recognized in profit of loss under the expense category consistent with the function of the impaired asset.

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 useful life.

#### 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 income 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 (Loss)

Other comprehensive income (loss) comprise items of income and expenses (including items previously presented 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 under "Other equity reserves," includes cumulative translation adjustment, fair value changes on AFS financial assets and cumulative remeasurement gain or loss on retirement liability.

#### Share-based Payment Transactions

Regular employees (including directors) receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the stock options at the date at which these are granted. The fair value is determined using the Black-Scholes-Merton Option Pricing Model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions").

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period until employees become fully entitled to the award ("vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of the number of awards that will ultimately vest. The change or credit for a year represents the movement in cumulative expense recognized as at the beginning and end of that year.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, an expense, at a minimum, is recognized as if the terms had not been modified. An expense is recognized for any increase in the value of the transactions as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were modifications of the original award, as described in the previous paragraph.



The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

#### 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.

*Equity in Net Earnings of Joint Ventures.* The Group recognizes its share in the net income of joint ventures proportionate to its interests in 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 Group 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.

*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.

Remeasurements of the retirement liability, which comprise actuarial gains and losses, are recognized immediately in other comprehensive income. The Group determines the net interest expense to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the year as a result of contributions and benefit payments.

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.

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 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 of the 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 with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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

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 spot rate of exchange at the reporting date.

*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 under 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. However, deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures. 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 period 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 is recognized outside profit or loss. Deferred tax items are recognized in relation to the underlying transaction 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.

#### Loss per Share

The Group presents basic and diluted loss per share. Basic loss per share is calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Parent Company and held as treasury shares. Diluted loss per share is calculated in the same manner, adjusted for the effects of all the dilutive potential common shares.

### 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 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 the 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 the 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 the consolidated financial statements, when material.

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## **5. Significant Judgments, Accounting Estimates and Assumptions**

The preparation of the consolidated financial statements requires the Group to exercise judgment, make estimates and use assumptions that affect the reported amounts of assets, liabilities, income and 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 exercised judgment on the following items, apart from those involving estimations, which has 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, which is defined to be the Parent Company's BOD, 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.

*Nonrecognition of 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 by 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 ₱872.4 million and ₱867.0 million as at December 31, 2015 and 2014, respectively.

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

Leases where the Group, as a lessor, does not transfer substantially all the risks and benefits over the ownership of the leased assets are classified as operating leases.

Rent income included under "Other income" account amounted to ₱6.2 million in 2015 and ₱10.0 million in 2014 (₱2.1 million in 2013) (see Note 25).

The Group, as a lessee, has various property leases covering a warehouse and office space of a third party, where it has determined that the risks and benefits related to these properties are retained with the lessors. Accordingly, these lease agreements are accounted for as operating leases.

Rent expense amounted to ₱15.6 million in 2015 and ₱15.4 million in 2014 (₱13.6 million in 2013) (see Note 25).

*Evaluating Contingencies.* The Group is involved in various labor disputes, litigations, claims and tax assessments that are normal to its business. Based on the opinion of the Group's legal counsels on the progress and legal grounds of certain claims and assessments, no provision is deemed necessary in 2015 and 2014. The Group has no outstanding provision for probable losses as at December 31, 2015 and 2014.

#### 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 these models 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 26.

*Assessing Impairment of HTM Securities.* The Company determines that HTM securities are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged decline requires judgment. In making this judgment, the Company 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 securities were recognized in 2015. The carrying amount of HTM securities amounted to ₱135.9 million as at December 31, 2015 (see Note 8).

*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 treats AFS financial asset 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 treats '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 2015, 2014 and 2013. AFS financial assets amounted to ₱380.1 million and ₱186.4 million as at December 31, 2015 and 2014, respectively (see Note 8).

*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 ₱71.3 million and ₱75.9 million as at December 31, 2015 and 2014, respectively (see Note 9). Allowance for impairment losses on receivables amounted to ₱63.4 million and ₱52.9 million as at December 31, 2015 and 2014, respectively (see Note 9).

*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 ₱9.9 million and ₱7.0 million as at December 31, 2015 and 2014, respectively (see Note 10). Allowance for impairment losses on input VAT amounted to ₱47.8 million and ₱50.0 million as at December 31, 2015 and 2014, respectively (see Note 10).

*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 2015 and 2014.

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

	Note	2015	2014
Property and equipment	12	<b>₱2,970</b>	₱4,709
Intangible assets	13	<b>1,160</b>	2,687

*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	2015	2014
Property and equipment	12	<b>₱2,970</b>	₱4,709
Intangible assets	13	<b>1,160</b>	2,687

*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 16.

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 ₱6.2 million and ₱10.5 million as at December 31, 2015 and 2014, respectively (see Note 16). Net retirement gain on curtailment amounted to ₱0.9 million in 2015. The net retirement benefits amounted to ₱2.1 million in 2014 (₱2.7 million in 2013) (see Note 16).

*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, 2015 and 2014 were not recognized because management believes that sufficient future taxable income will not be available against which deductible temporary differences, carry forward benefits of NOLCO, and excess of MCIT over RCIT will be utilized. Unrecognized deferred tax assets amounted to ₱58.5 million and ₱72.9 million as at December 31, 2015 and 2014, respectively (see Note 23).

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## 6. 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 other intangible assets. Segment liabilities include all operating liabilities and consist principally of accounts payable and other liabilities.

*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 their products and services and has three reportable operating segments as follows:

- Call Center - The call center segment offers an integrated mix of call center solutions including inbound (customer-initiated) and outbound teleservicing.
- 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 computer facilities management and IT consultancy. It also includes the operations of the Parent Company.

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, 2015, 2014 and 2013:

	2015				
	Call Center	Data Conversion	Others	Eliminations	Consolidated
<b>Results of Operations</b>					
Revenue from external customers	P-	P134,700	P-	P-	P134,700
Expenses	(282)	(140,573)	(89,055)	31,369	(198,541)
Operating income (loss)	(282)	(5,873)	(89,055)	31,369	(63,841)
Interest income	-	116	43,137	-	43,253
Net foreign exchange gain (loss)	(98)	1,469	3,290	(578)	4,083
Other income (charges) - net	24	6,020	82,226	(80,100)	8,170
Income tax expense	-	(461)	(3,773)	-	(4,234)
<b>Net income (loss)</b>	<b>(P356)</b>	<b>P1,271</b>	<b>P35,825</b>	<b>(P49,309)</b>	<b>(P12,569)</b>
<b>Assets and Liabilities</b>					
Assets	P108	P58,395	P5,187,257	(P1,650,558)	P3,595,202
Liabilities	77,296	78,147	93,659	(197,303)	51,799
<b>Other Segment Information</b>					
Capital expenditures:					
Property and equipment	P-	P1,039	P-	P-	P1,039
Intangible assets	-	188	-	-	188
<b>Depreciation and amortization</b>	<b>-</b>	<b>1,788</b>	<b>2,705</b>	<b>-</b>	<b>4,493</b>
<i>*PGS operations was discontinued in May 2014, expenses for the year 2015 pertain to business taxes, audit fees and provisions.</i>					
	2014				
	Call Center	Data Conversion	Others	Eliminations	Consolidated
<b>Results of Operations</b>					
Revenue from external customers	P4,540	P145,969	P-	P-	P150,509
Expenses	(5,921)	(154,804)	(56,602)	73	(217,254)
Operating income (loss)	(1,381)	(8,835)	(56,602)	73	(66,745)
Interest income	8	50	38,792	-	38,850
Net foreign exchange gain (loss)	(14)	702	(7,372)	3,348	(3,336)
Other income (charges) - net	877	11,857	32,550	(31,264)	14,020
Income tax expense	(2)	(666)	(2,970)	-	(3,638)
<b>Net income (loss)</b>	<b>(P512)</b>	<b>P3,108</b>	<b>P4,398</b>	<b>(P27,843)</b>	<b>(P20,849)</b>
<b>Assets and Liabilities</b>					
Assets	P830	P60,700	P5,115,546	(P1,679,030)	P3,498,046
Liabilities	77,613	85,153	172,577	(275,841)	59,502
<b>Other Segment Information</b>					
Capital expenditures:					
Property and equipment	P-	P2,683	P238	P-	P2,921
Intangible assets	404	565	-	-	969
<b>Depreciation and amortization</b>	<b>2,811</b>	<b>2,213</b>	<b>4,708</b>	<b>-</b>	<b>9,732</b>

	2013				
	Call Center	Data Conversion	Others	Eliminations	Consolidated
<b>Results of Operations</b>					
Revenue from external customers	R21,778	R136,517	R-	R-	R158,295
Expenses	(13,256)	(136,371)	(98,685)	5,471	(242,841)
Operating income (loss)	8,522	146	(98,685)	5,471	(84,546)
Gain on disposal of a joint venture	-	-	112,340	(91,783)	20,557
Net interest income (expense)	(14)	(62)	43,963	1	43,888
Net foreign exchange gain (loss)	6	2,590	(70,981)	(13,778)	(82,163)
Equity in net earnings (losses) of joint ventures	(6,588)	-	-	9,453	2,865
Other income (charges) - net	-	3,264	33,002	(6,913)	29,353
Income tax expense	(4)	(405)	(3,412)	(1)	(3,822)
<b>Net income (loss)</b>	<b>R1,922</b>	<b>R5,533</b>	<b>R16,227</b>	<b>(R97,550)</b>	<b>(R73,868)</b>
<b>Assets and Liabilities</b>					
Assets	R21,982	R61,196	R5,024,929	(R529,801)	R4,578,306
Liabilities	(99,257)	(87,737)	(189,229)	311,161	(65,062)
<b>Other Segment Information</b>					
Capital expenditures:					
Property and equipment	R12	R524	R60	R-	R596
Intangible assets	573	-	-	-	573
Depreciation and amortization	1,454	5,651	6,654	-	13,759

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

The revenue from transactions from each of its external customers accounting for 10.0% or more of the consolidated revenue from external customers are as follows:

	2015	2014	2013
Nuance Communications Ireland Ltd	<b>R134,700</b>	R139,923	R109,313
Speedscan Pty. Ltd.	-	-	27,118
Singnet Pte. Ltd.	-	-	18,808
	<b>R134,700</b>	<b>R139,923</b>	<b>R155,239</b>

## 7. Cash and Cash Equivalents

Cash and cash equivalents consists of:

	2015	2014
Cash on hand	<b>R55</b>	R60
Cash in banks	<b>91,957</b>	40,234
Cash equivalents	<b>2,888,243</b>	3,167,431
	<b>R2,980,255</b>	<b>R3,207,725</b>

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of up to 90 days depending on the immediate cash requirements of the Group. Cash equivalents earn interest ranging from 0.25% to 2.50% in 2015 and 0.08% to 2.50% in 2014 (0.04% to 2.50% in 2013).

Interest income recognized by the Group are as follows:

	Note	2015	2014	2013
Cash and cash equivalents		<b>₹39,396</b>	₹38,653	₹38,540
HTM Securities	8	<b>3,009</b>	–	–
AFS financial assets	8	<b>848</b>	–	–
Escrow fund		–	197	5,348
		<b>₹43,253</b>	<b>₹38,850</b>	<b>₹43,888</b>

The escrow fund pertains to the amount deposited in escrow in relation to the sale of the 100% equity interest of Paxys N.V. in Paxys A.U. to SmartGroup Investments Pty Ltd in 2012.

## 8. AFS Financial Assets / HTM Securities

### AFS Financial Assets

This account consists of:

	2015	2014
Investments in Unit Investment Trust Fund (UITF)	<b>₹278,983</b>	₹50,602
Fixed income investment	<b>101,078</b>	135,753
	<b>₹380,061</b>	<b>₹186,355</b>

Investments in UITF are managed by local banks. Fixed income investment consists of investment in an international bank with absolute return investment strategies.

Details of the unrealized gain (loss) on fair value changes on AFS financial assets are as follows:

	2015	2014	2013
Balance at beginning of year	<b>₹2,106</b>	₹800	₹–
Unrealized gain (loss)	<b>(4,404)</b>	1,306	800
Balance at end of year	<b>(₹2,298)</b>	<b>₹2,106</b>	<b>₹800</b>

In 2015, the Group redeemed certain AFS financial assets and recognized related gain amounting to ₹0.9 million (see Note 22).

Interest income on AFS investments amounted to ₹0.8 million in 2015 (see Note 7).

### HTM Securities

As at December 31, 2015, HTM investments pertaining to bonds purchased from international banks amounted to ₹135.9 million, which will mature in varying dates until August 2016. Interest income amounted to ₹3.0 million in 2015 (see Note 7).

## 9. Trade and Other Receivables

This account consists of:

	Note	2015	2014
Trade		<b>₱24,185</b>	₱50,748
Due from related parties	18	<b>55,735</b>	34,364
Nontrade		<b>28,202</b>	28,202
Others		<b>26,661</b>	15,404
		<b>134,783</b>	128,718
Allowance for impairment losses		<b>(63,441)</b>	(52,865)
		<b>₱71,342</b>	₱75,853

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

Other receivables, which include advances to employees and security deposits, are noninterest-bearing and are normally settled within one year.

Movements in the allowance for impairment losses follow:

2015					
	Note	Trade Receivables	Due from Related Parties (see Note 18)	Others	Total
Balance at beginning of year		<b>₱11,053</b>	<b>₱27,761</b>	<b>₱14,051</b>	<b>₱52,865</b>
Provisions	20	–	<b>10,576</b>	–	<b>10,576</b>
Balance at end of year		<b>₱11,053</b>	<b>₱38,337</b>	<b>₱14,051</b>	<b>₱63,441</b>

2014					
	Note	Trade Receivables	Due from Related Parties (see Note 18)	Others	Total
Balance at beginning of year		<b>₱11,053</b>	<b>₱18,792</b>	<b>₱13,677</b>	<b>₱43,522</b>
Provisions	20	264	<b>9,130</b>	<b>374</b>	<b>9,768</b>
Write-off		(264)	<b>(161)</b>	–	<b>(425)</b>
Balance at end of year		<b>₱11,053</b>	<b>₱27,761</b>	<b>₱14,051</b>	<b>₱52,865</b>

## 10. Other Current Assets

This account consists of:

	2015	2014
Input VAT, net of allowance for impairment losses	<b>₱9,918</b>	₱7,030
Advance rentals and prepayments	<b>1,684</b>	1,817
	<b>₱11,602</b>	₱8,847

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

	Note	2015	2014
Balance at beginning of year		<b>₱50,019</b>	₱48,290
Write-off		<b>(4,699)</b>	–
Provisions	20	<b>2,448</b>	1,729
Balance at end of year		<b>₱47,768</b>	₱50,019

Prepayments include prepayments for rent, insurance, and taxes and licenses.

## 11. Investments in Joint Ventures

The following are the joint ventures of the Group:

	Place of Incorporation	Principal Activity	Percentage of Ownership	
			2015	2014
PGS Dalian	China	Call center	<b>50.0%</b>	50.0%
Simpro	Hong Kong	Call center	<b>50.0%</b>	50.0%

The movements in this account for the year ended December 31, 2013 follows:

Cost:		
Balance at beginning of year		₱44,877
Sale of investment in Stellar Global Solutions Philippines (Stellar)		(29,256)
Additional investment in PGS Dalian and Simpro Solutions Ltd. (Simpro)		13,128
Balance at end of year		28,749
Accumulated equity in net earnings:		
Balance at beginning of year		60,169
Sale of investment in Stellar		(91,783)
Equity in net earnings		2,865
Balance at end of year		(28,749)
		₱–

On July 31, 2013, the Parent Company signed a Deed of Absolute Sale of Shares and Deed of Assignment of Share Subscriptions for the transfer of joint venture share in Stellar for \$3.7 million (₱161.2 million). Pursuant to the sale, the Parent Company transferred 460,000 shares of Stellar, representing 50% of Stellar's total share capital. Gain on disposal of a joint venture included in the 2013 consolidated statement of comprehensive income amounted to ₱20.6 million.

The investments in joint ventures are fully impaired as at December 31, 2015 and 2014.

Cumulative unrecognized share in net losses of the joint ventures amounted to ₱7.1 million and ₱5.6 million as at December 31, 2015 and 2014, respectively. The unrecognized share in net losses of the joint ventures amounted to ₱1.6 million in 2015 and ₱3.3 million in 2014 (₱2.3 million in 2013).

The Group has no outstanding commitments with the joint ventures as at December 31, 2015 and 2014. The joint ventures have no contingent liabilities or capital investments as at December 31, 2015 and 2014.

Summarized financial information of the joint ventures are as follows:

	2015	2014
Current assets	<b>₱7,341</b>	₱6,940
Noncurrent assets	<b>1,660</b>	2,283
Current liabilities	<b>(18,373)</b>	(18,722)
Revenue	<b>32,342</b>	32,600
Net loss	<b>(1,609)</b>	(3,287)

## 12. Property and Equipment

Movements in this account are as follows:

	2015					Total
	Computer Equipment	Communication Equipment	Leasehold Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	
<b>Cost</b>						
Balance at beginning of year	₱108,882	₱7,836	₱161,319	₱11,627	₱16,170	₱305,834
Additions	286	-	291	462	-	1,039
Disposal	-	-	-	-	(2,521)	(2,521)
<b>Balance at end of year</b>	<b>109,168</b>	<b>7,836</b>	<b>161,610</b>	<b>12,089</b>	<b>13,649</b>	<b>304,352</b>
<b>Accumulated Depreciation and Amortization</b>						
Balance at beginning of year	108,069	7,836	159,704	10,356	15,160	301,125
Depreciation and amortization	523	-	1,145	821	289	2,778
Disposal	-	-	-	-	(2,521)	(2,521)
<b>Balance at end of year</b>	<b>108,592</b>	<b>7,836</b>	<b>160,849</b>	<b>11,177</b>	<b>12,928</b>	<b>301,382</b>
<b>Net Book Value</b>	<b>₱576</b>	<b>₱-</b>	<b>₱761</b>	<b>₱912</b>	<b>₱721</b>	<b>₱2,970</b>
	2014					
	Computer Equipment	Communication Equipment	Leasehold Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total
<b>Cost</b>						
Balance at beginning of year	₱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)
<b>Balance at end of year</b>	<b>108,882</b>	<b>7,836</b>	<b>161,319</b>	<b>11,627</b>	<b>16,170</b>	<b>305,834</b>
<b>Accumulated Depreciation and Amortization</b>						
Balance at beginning of year	143,211	11,938	164,257	17,164	16,601	353,171
Depreciation and amortization	2,088	114	1,802	1,513	816	6,333
Disposal	(37,230)	(4,216)	(6,355)	(8,321)	(2,257)	(58,379)
<b>Balance at end of year</b>	<b>108,069</b>	<b>7,836</b>	<b>159,704</b>	<b>10,356</b>	<b>15,160</b>	<b>301,125</b>
<b>Net Book Value</b>	<b>₱813</b>	<b>₱-</b>	<b>₱1,615</b>	<b>₱1,271</b>	<b>₱1,010</b>	<b>₱4,709</b>

The Company disposed certain property and equipment, which resulted to a gain amounting to ₱1.0 million in 2015 and ₱1.9 million in 2014 (₱4,000 in 2013) (see Note 22).



Total depreciation and amortization recognized consist of:

	Note	2015	2014	2013
Property and equipment		<b>₱2,778</b>	₱6,333	₱10,133
Intangible assets	13	<b>1,715</b>	3,399	3,626
		<b>₱4,493</b>	₱9,732	₱13,759

Depreciation and amortization are allocated as follows:

	Note	2015	2014	2013
Cost of services	19	<b>₱1,368</b>	₱1,527	₱4,279
General and administrative expenses	20	<b>3,125</b>	8,205	9,480
		<b>₱4,493</b>	₱9,732	₱13,759

As at December 31, 2015 and 2014, fully depreciated property and equipment with aggregate cost amounting to ₱70.1 million and ₱53.3 million, respectively, are still being used in the operations by the Group.

### 13. Intangible Assets

Movements in this account are as follows:

	Note	2015	2014
<b>Cost</b>			
Balance at beginning of year		<b>₱13,934</b>	₱12,965
Additions		<b>188</b>	969
Balance at end of year		<b>14,122</b>	13,934
<b>Accumulated Amortization</b>			
Balance at beginning of year		<b>11,247</b>	7,848
Amortization	12	<b>1,715</b>	3,399
Balance at end of year		<b>12,962</b>	11,247
<b>Net Book Value</b>		<b>₱1,160</b>	₱2,687

Intangible assets include acquired website and software packages, which are amortized over three to five years.

### 14. Other Noncurrent Assets

This account consists of:

	Note	2015	2014
Rental and security deposits	25	<b>₱5,239</b>	₱5,208
Others		<b>6,668</b>	6,662
		<b>₱11,907</b>	₱11,870

Rental and security deposits pertain to cash deposits on lease agreements, which are refundable at the end of various lease periods (see Note 25).

## 15. Trade and Other Payables

This account consists of:

	Note	2015	2014
Trade		<b>₱7,694</b>	₱7,915
Nontrade		<b>11,386</b>	11,386
Dividends	17	<b>6,554</b>	6,554
Statutory payables		<b>6,215</b>	7,239
Accrued expenses			
Salaries and wages		<b>3,281</b>	3,071
Professional fees		<b>2,511</b>	2,101
Others		<b>6,362</b>	9,075
Due to related parties	18	<b>53</b>	53
Others		<b>509</b>	321
		<b>₱44,565</b>	<b>₱47,715</b>

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

Statutory payables represent withholding tax payable, SSS premiums and other liabilities to the government.

Accrued expenses and other current liabilities, which consists mainly of reimbursable expenses from customers, are normally settled within 30 to 60 days.

## 16. Retirement Benefits

The Parent Company, SWA and PNV maintain individual and 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, 2015.

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

	Note	2015	2014	2013
Curtailment gain		<b>(₱1,190)</b>	₱-	₱-
Current service cost		<b>214</b>	2,037	2,257
Interest cost		<b>71</b>	430	454
Reversal of retirement liability		<b>-</b>	(364)	-
	21	<b>(₱905)</b>	<b>₱2,103</b>	<b>₱2,711</b>

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

In 2014, reversal of retirement liability amounted to ₱0.4 million due to discontinued operations of PGS.

The cumulative remeasurement gain (loss) on retirement liability recognized as other comprehensive income follows:

	2015	2014	2013
Balance at beginning of year	(P1,155)	P25	(P1,537)
Remeasurement gain (loss)	3,430	(1,180)	3,224
Reclassification	-	-	(1,662)
Balance at end of year	P2,275	(P1,155)	P25

Changes in the present value of obligation are as follows:

	2015	2014
Balance at beginning of year	P10,519	P7,236
Remeasurement loss (gain)	(3,430)	1,180
Curtailed gain	(1,190)	-
Current service cost	214	2,037
Interest cost	71	430
Reversal of retirement liability	-	(364)
Balance at end of year	P6,184	P10,519

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

	2015	2014
Discount rate	4.89%	4.49%
Salary increase rate	2.50%	5.00%

The sensitivity analysis based on reasonably possible changes of the assumptions as at December 31, 2015 is as follows:

	Change in Assumption	Effect on Retirement Liability
Discount rate	26.40%	P1,102,878
	(20.20%)	(846,526)
Salary Rate	25.60%	1,069,288
	(20.10%)	(839,239)

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, 2015, maturity analysis of the undiscounted benefit payments of more than five years amounted to P975,896.

The average duration of the defined benefit obligation at the end of the reporting year is between 24 to 28 years.

## 17. Equity

### Capital Stock

Movements in this account follows:

	2015		2014	
	Number of Shares	Amount	Number of Shares	Amount
<b>Common Stock "Class A" - ₱1 par value</b>				
Authorized	1,800,000,000	₱1,800,000	1,800,000,000	₱1,800,000
Issued and outstanding -				
Balance at beginning of year	1,148,534,866	₱1,148,535	1,148,534,866	₱1,148,535
Subscription receivable:				
Balance at beginning of year	-	-	-	(76,762)
Collections	-	-	-	76,660
Reclassification	-	-	-	102
Balance at end of year	-	-	-	-
	<b>1,148,534,866</b>	<b>₱1,148,535</b>	<b>1,148,534,866</b>	<b>₱1,148,535</b>

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. Total amount recognized as "Parent shares held by a subsidiary" includes transaction costs amounting to ₱1.7 million.

### Additional Paid-in Capital

This account consists of:

Premium on issuance of shares of stock	₱348,213
Stock options	103,151
	<b>₱451,364</b>

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

### Retained Earnings

Undistributed retained earnings of a subsidiary amounting to ₱2,908.1 million and ₱2,889.8 million as at December 31, 2015 and 2014 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, 2015 and 2014 amounted to ₱6.6 million, which pertain to dividends declared in prior years (see Note 15).

## 18. Related Party Transactions and Balances

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

Related Party	Year	Transactions during the Year	Due from Related Parties (see Note 9)	Due to Related Parties (see Note 15)
<b>Joint Venture</b>				
PGS Dalian	2015	<b>₱4,131</b>	<b>₱8,679</b>	<b>₱-</b>
	2014	-	4,548	-
Simpro*	2015	<b>6,408</b>	<b>7,554</b>	-
	2014	-	1,146	-
<b>Entities with Common Stockholders</b>				
NGL Pacific Limited	2015	46	<b>2,173</b>	-
	2014	13	2,127	-
AC5 Pacific Limited	2015	<b>10,786</b>	<b>33,457</b>	-
	2014	12,434	22,671	-
Others	2015	-	<b>3,872</b>	<b>53</b>
	2014	151	3,872	53
	<b>2015</b>		<b>₱55,735</b>	<b>₱53</b>
	2014		34,364	53

\* 50% effective interest through Paxys Ltd.

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 ₱38.3 million and ₱27.8 million as at December 31, 2015 and 2014, respectively (see Note 9).

### Compensation of Key Management Personnel of the Group

	2015	2014	2013
Salaries and wages	<b>₱10,587</b>	₱10,256	₱10,585
Other short-term benefits	<b>780</b>	1,740	3,822
	<b>₱11,367</b>	<b>₱11,996</b>	<b>₱14,407</b>

## 19. Cost of Services

This account consists of:

	Note	2015	2014	2013
Personnel cost	21	<b>₱67,236</b>	₱86,476	₱96,889
Outside services		<b>18,021</b>	10,947	-
Rent	25	<b>10,246</b>	10,220	8,771
Utilities		<b>6,531</b>	8,566	8,735
Communication		<b>4,811</b>	5,237	5,205

(Forward)

	Note	2015	2014	2013
Security and janitorial services		<b>₱3,911</b>	<b>₱3,976</b>	<b>₱2,800</b>
Association dues		<b>2,170</b>	2,170	2,152
Depreciation and amortization	12	<b>1,368</b>	1,527	4,279
Supplies		<b>1,015</b>	1,232	1,347
Others		<b>3,624</b>	2,176	3,536
		<b>₱118,933</b>	<b>₱132,527</b>	<b>₱133,714</b>

## 20. General and Administrative Expenses

This account consists of:

	Note	2015	2014	2013
Professional fees		<b>₱19,372</b>	<b>₱16,667</b>	<b>₱9,080</b>
Personnel cost	21	<b>17,120</b>	21,056	35,486
Provision for impairment losses on:				
Trade and other receivables	9	<b>10,576</b>	9,768	18,323
Input VAT	10	<b>2,448</b>	1,729	3,471
Rent	25	<b>5,352</b>	5,131	4,783
Communication		<b>5,107</b>	5,456	4,864
Depreciation and amortization	12	<b>3,125</b>	8,205	9,480
Insurance		<b>2,743</b>	2,030	3,026
Utilities		<b>1,997</b>	1,849	1,979
Transportation and travel		<b>1,756</b>	1,852	2,350
Taxes and licenses		<b>1,431</b>	3,862	1,806
Security and janitorial services		<b>1,399</b>	1,552	1,969
Entertainment, amusement and recreation		<b>998</b>	1,006	1,177
Repairs and maintenance		<b>780</b>	1,012	2,127
Write-off of receivables		-	-	3,264
Others		<b>5,404</b>	3,552	5,942
		<b>₱79,608</b>	<b>₱84,727</b>	<b>₱109,127</b>

## 21. Personnel Cost

This account consists of:

	Note	2015	2014	2013
Salaries, wages and allowances		<b>₱67,820</b>	<b>₱88,442</b>	<b>₱104,694</b>
Training		<b>1,215</b>	2,224	2,724
Retirement benefits (gain)	16	<b>(905)</b>	2,103	2,711
Other employee benefits		<b>16,226</b>	14,763	22,246
		<b>₱84,356</b>	<b>₱107,532</b>	<b>₱132,375</b>

Other employee benefits pertain to leave benefits, health care and insurance benefits, and other benefits granted to employees.

Personnel cost is classified as follows:

	Note	2015	2014	2013
Cost of services	19	<b>₱67,236</b>	₱86,476	₱96,889
General and administrative expenses	20	<b>17,120</b>	21,056	35,486
		<b>₱84,356</b>	₱107,532	₱132,375

## 22. Other Income

This account consists of:

	Note	2015	2014	2013
Rent	25	<b>₱6,184</b>	₱10,018	₱2,126
Gain on disposal of property and equipment	12	<b>982</b>	1,873	4
Gain on redemption of AFS financial assets	8	<b>900</b>	–	–
Reversal of accruals		–	760	24,706
Mark-to-market loss on derivative instruments		–	–	(98)
Others		<b>104</b>	1,369	2,615
		<b>₱8,170</b>	₱14,020	₱29,353

## 23. Income Tax

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

	2015	2014	2013
Final tax	<b>₱3,594</b>	₱2,558	₱2,823
MCIT	<b>515</b>	1,080	999
Special tax	<b>125</b>	–	–
	<b>₱4,234</b>	₱3,638	₱3,822

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

	2015	2014	2013
Income tax benefit at statutory income tax rate	<b>(₱2,483)</b>	(₱5,163)	(₱21,014)
Income tax effects of:			
Expired NOLCO	<b>17,641</b>	12,687	–
Nondeductible expenses	<b>13,909</b>	7,055	39,273
Nontaxable income	<b>(10,448)</b>	(8,050)	(37,647)
Interest income subjected to final tax	<b>(2,006)</b>	(1,279)	(1,409)
Expired MCIT	<b>1,988</b>	1,246	622
Equity in earnings of joint ventures	–	–	(860)
Net changes in unrecognized deferred tax assets	<b>(14,367)</b>	(2,858)	24,857
	<b>₱4,234</b>	₱3,638	₱3,822

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

	2015	2014
NOLCO	<b>₱33,187</b>	₱47,624
Allowance for impairment losses on receivables and input VAT	<b>21,773</b>	19,283
Retirement liability	<b>3,615</b>	3,888
Unrealized foreign exchange gain	<b>(2,973)</b>	(2,689)
MCIT	<b>2,594</b>	4,067
Accruals and provision	<b>322</b>	712
	<b>₱58,518</b>	₱72,885

Management believes that it may not be probable that sufficient future taxable profits will be available against which the NOLCO, excess MCIT and other deductible temporary differences can be utilized.

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

#### NOLCO

Year Incurred	Balance as at December 31, 2014	Additions (Applied)	Expired	Balance as at December 31, 2015	Available Until
2012	₱2,019	(₱23,215)	(₱58,804)	₱-	2015
2013	52,702	(6,528)	-	46,174	2016
2014	24,026	(2,126)	-	21,900	2017
2015	-	42,549	-	42,549	2018
	<b>₱158,747</b>	<b>₱10,680</b>	<b>(₱58,804)</b>	<b>₱110,623</b>	

#### MCIT

Year Incurred	Balance as at December 31, 2014	Additions	Expired	Balance as at December 31, 2015	Available Until
2012	₱1,988	₱-	(₱1,988)	₱-	2015
2013	999	-	-	999	2016
2014	1,080	-	-	1,080	2017
2015	-	515	-	515	2018
	<b>₱4,067</b>	<b>₱515</b>	<b>(₱1,988)</b>	<b>₱2,594</b>	

## 24. Loss per Share

Basic/diluted loss per share are computed as follows:

	2015	2014	2013
Loss attributable to equity holders of the Parent Company (a)	<b>(₱12,569)</b>	(₱20,849)	(₱73,868)
Issued and outstanding shares	<b>1,148,535</b>	1,148,535	1,148,535
Treasury shares	<b>(345,622)</b>	(345,622)	-
Weighted average number of shares issued and outstanding (b)	<b>802,913</b>	802,913	1,148,535
Basic/diluted loss per share (a/b)	<b>(₱0.02)</b>	(₱0.03)	(₱0.06)



There are no potential dilutive common shares as at December 31, 2015 and 2014.

## 25. 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, 2016. The lease is renewable upon mutual consent of the parties involved.
- ii. SWA has an existing non-cancellable five year agreement with a third party for the lease of a warehouse and an open space until December 31, 2018. The monthly rent is subject to an annual escalation beginning on the third year. As at December 31, 2015 and 2014, refundable security deposit amounted to ₱1.3 million.
- iii. SWA has an existing contract with a third party for the lease of an office and parking spaces as renewed until December 2015.

As at December 31, 2015, refundable deposit amounted to ₱1.3 million.

Outstanding rental and security deposits on lease commitments, presented under "Other noncurrent assets" account in the consolidated statements of financial position, amounted to ₱5.2 million as at December 31, 2015 and 2014 (see Note 14). The rental and security deposits are either refundable in cash or will be applied against unpaid rental upon termination of lease agreements.

Total rent expense presented in the consolidated statements of comprehensive income are as follows:

	Note	2015	2014	2013
Cost of services	19	<b>₱10,246</b>	₱10,220	₱8,771
General and administrative expenses	20	<b>5,352</b>	5,131	4,783
		<b>₱15,598</b>	₱15,351	₱13,554

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

	2015	2014
Within one year	<b>₱7,196</b>	₱15,706
After one year but not more than five years	<b>11,618</b>	18,814
	<b>₱18,814</b>	₱34,520

### b. The Group as a Lessor

SWA entered into sublease agreement with third parties to sublease the office space in the Citibank Centre Condominium for a period of two years until December 31, 2015 subject to renewal upon mutual agreement by the parties. Monthly fee is per workstation subject to an

increase upon renewal. As at December 31, 2015 and 2014, refundable deposits amounted to ₱605 and ₱603, respectively.

Rent income amounted to ₱6.2 million in 2015 and ₱10.0 million in 2014 (₱2.1 million in 2013) (see Note 22).

## 26. 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 its 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. Such exposure arises from services denominated in US Dollars (US\$) and Australian Dollars (AU\$). Service income of SWA is approximately 100% denominated in US\$ for the year ended December 31, 2015 and 96% and 4% denominated in US\$ and AU\$, respectively, for the year ended December 31, 2014 (80% and 19% denominated in US\$ and AU\$, respectively, for the year ended December 31, 2013). As a result, the Group'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 objective is to limit the impact of any appreciation of the Philippine Peso vis-a-vis with its foreign currency denominated revenue and receivables and ultimately on the financial performance. To the extent possible, the Group should obtain debt financing in the currency in which majority of revenue are denominated in order to match as much as possible foreign currency-denominated costs with foreign currency-denominated revenue.

It is also the Group's policy 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 major financial institutions, which are assessed based on their industry standing and historical performance.

The following rates of exchange have been adopted by the Group in translating foreign currency consolidated statement of comprehensive income and consolidated statements of financial position items as at and for the years ended December 31, 2015 and 2014:

	2015		2014	
	Closing	Average	Closing	Average
Philippine Peso to 1 unit of Foreign Currency:				
US\$	₱47.06	₱45.51	₱44.72	₱44.66
AU\$	34.27	34.26	36.21	36.86

As at December 31, 2015 and 2014, the significant foreign currency-denominated monetary assets (translated in Philippine Peso) are as follows:

	2015			2014		
	In US\$	In AU\$	Philippine Peso Equivalent	In US\$	In AU\$	Philippine Peso Equivalent
Cash and cash equivalents	US\$43,326	AU\$99	₱2,042,314	US\$48,595	AU\$99	₱2,177,253
Trade and other receivables	S11	–	24,027	871	–	39,443
Foreign currency-denominated monetary assets	US\$ 43,837	AU\$99	₱2,066,341	US\$49,466	AU\$99	₱2,216,696

The following table demonstrates the sensitivity to a reasonably possible change in US\$ and AU\$ exchange rates to Philippine Peso with all other variables held constant, of the consolidated income 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.

	2015		2014	
	Increase (Decrease) in Exchange Rates	Increase (Decrease) on Loss Before Tax	Increase (Decrease) in Exchange Rates	Increase (Decrease) on Loss before Tax
US\$	₱2.34 (2.34)	₱102,578 (102,578)	₱0.32 (0.32)	₱15,829 (15,829)
AU\$	1.94 (1.94)	193 (193)	3.25 (3.25)	128,668 (128,668)

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

#### *Credit Risk*

The Group trades only with recognized, creditworthy third parties. It is the 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 customers to protect itself from bad debt losses.

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

	2015	2014
Loans and receivables:		
Cash and cash equivalents <sup>(a)</sup>	₱2,980,200	₱3,207,665
Trade and other receivables	71,342	75,853
Rental and security deposits <sup>(b)</sup>	5,239	5,208
AFS financial assets	380,061	186,355
HTM securities	135,905	–
<b>Total credit risk exposure</b>	<b>₱3,572,747</b>	<b>₱3,475,081</b>

<sup>(a)</sup>Excluding cash on hand amounting to ₱55 and ₱60 as at December 31, 2015 and 2014, respectively.

<sup>(b)</sup>Included under "Other noncurrent assets."

The analysis of the financial assets that were past due but not impaired as at December 31, 2015 and 2014 follows:

	2015						
	Neither Past Due nor Impaired	Past Due but not Impaired			Total	Impaired	Total
		Less than 30 Days	30 to 60 Days	More than 60 Days			
<b>Loans and Receivables</b>							
Cash and cash equivalents <sup>(a)</sup>	P2,980,200	P-	P-	P-	P-	P-	P2,980,200
Trade and other receivables:							
Trade receivables	13,132	-	-	-	-	11,053	24,185
Nontrade	-	-	-	28,202	28,202	-	28,202
Due from related parties	-	-	-	17,398	17,398	38,337	55,735
Other receivables	-	2,743	4,114	5,753	12,610	14,051	26,661
Rental and security deposits <sup>(b)</sup>	5,239	-	-	-	-	-	5,239
AFS Financial Assets	380,061	-	-	-	-	-	380,061
HTM Securities	135,905	-	-	-	-	-	135,905
	<b>P3,514,537</b>	<b>P2,743</b>	<b>P4,114</b>	<b>P51,353</b>	<b>P58,210</b>	<b>P63,441</b>	<b>P3,636,188</b>

<sup>(a)</sup>Excluding cash on hand amounting to P55.

<sup>(b)</sup>Included under "Other noncurrent assets."

	2014						
	Neither Past Due nor Impaired	Past Due but not Impaired			Total	Impaired	Total
		Less than 30 Days	30 to 60 Days	More than 60 Days			
<b>Loans and Receivables</b>							
Cash and cash equivalents <sup>(a)</sup>	P3,207,665	P-	P-	P-	P-	P-	P3,207,665
Trade and other receivables:							
Trade receivables	35,726	3,969	-	-	3,969	11,053	50,748
Nontrade	28,202	-	-	-	-	-	28,202
Due from related parties	-	-	-	6,603	6,603	27,761	34,364
Other receivables	-	-	828	525	1,353	14,051	15,404
Rental and security deposits <sup>(b)</sup>	5,208	-	-	-	-	-	5,208
AFS Financial Assets	186,355	-	-	-	-	-	186,355
	<b>P3,463,156</b>	<b>P3,969</b>	<b>P828</b>	<b>P7,128</b>	<b>P11,925</b>	<b>P52,865</b>	<b>P3,527,946</b>

<sup>(a)</sup>Excluding cash on hand amounting to P60.

<sup>(b)</sup>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, 2015 and 2014:

	2015			2014		
	Neither Past Due nor Impaired			Neither Past Due nor Impaired		
	High Quality	Standard Quality	Total	High Quality	Standard Quality	Total
<b>Loans and Receivables</b>						
Cash and cash equivalents <sup>(a)</sup>	P2,980,200	P-	P2,980,200	P3,207,665	P-	P3,207,665
Trade and other receivables	13,132	-	13,132	63,928	-	63,928
Rental and security deposits <sup>(b)</sup>	5,239	-	5,239	5,208	-	5,208
AFS Financial Assets	380,061	-	380,061	186,355	-	186,355
HTM Securities	135,905	-	135,905	-	-	-
	<b>P3,514,537</b>	<b>P-</b>	<b>P3,514,537</b>	<b>P3,463,156</b>	<b>P-</b>	<b>P3,463,156</b>

<sup>(a)</sup>Excluding cash on hand amounting to P55 and P60 as at December 31, 2015 and 2014, respectively

<sup>(b)</sup>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 arises 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 financial liabilities (excluding statutory payables) used to manage liquidity as at December 31, 2015 and 2014 of the continuing operations based on contractual undiscounted payments.

	2015					Total
	Within 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	More than 120 Days	
<b>Financial Assets</b>						
Cash and cash equivalents*	R2,980,200	R-	R-	R-	R-	R2,980,200
Trade and other receivables	42,805	5,707	3,567	-	19,263	71,342
AFS financial assets	380,061	-	-	-	-	380,061
HTM securities	64,098	-	-	47,299	24,508	135,905
Rental and security deposits	-	-	-	-	5,239	5,239
<b>Total undiscounted financial assets</b>	<b>3,467,164</b>	<b>5,707</b>	<b>3,567</b>	<b>47,299</b>	<b>49,010</b>	<b>3,572,747</b>
<b>Financial Liabilities</b>						
Trade payables	5,611	-	2	-	2,081	7,694
Accrued expenses	9,388	-	-	-	2,766	12,154
Other current liabilities	122	-	-	-	11,773	11,895
Due to related parties	-	-	-	-	53	53
Dividends payable	-	-	-	-	6,554	6,554
<b>Total undiscounted financial liabilities</b>	<b>15,121</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>23,227</b>	<b>38,350</b>
<b>Net undiscounted financial assets</b>	<b>R3,452,043</b>	<b>R5,707</b>	<b>R3,565</b>	<b>R47,299</b>	<b>R25,783</b>	<b>R3,534,397</b>

\*Excluding cash on hand amounting to R55.

	2014					Total
	Within 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	More than 120 Days	
<b>Financial Assets</b>						
Cash and cash equivalents*	R3,207,665	R-	R-	R-	R-	R3,207,665
AFS financial assets	186,355	-	-	-	-	186,355
Trade and other receivables	67,896	1,083	271	-	6,603	75,853
Rental and security deposits	-	-	-	-	5,208	5,208
<b>Total undiscounted financial assets</b>	<b>3,461,916</b>	<b>1,083</b>	<b>271</b>	<b>-</b>	<b>11,811</b>	<b>3,475,081</b>
<b>Financial Liabilities</b>						
Trade payables	4,450	-	-	-	14,851	19,301
Accrued expenses	8,741	-	-	-	5,506	14,247
Other current liabilities	-	54	-	-	267	321
Due to related parties	-	-	-	-	53	53
Dividends payable	-	-	-	-	6,554	6,554
<b>Total undiscounted financial liabilities</b>	<b>13,191</b>	<b>54</b>	<b>-</b>	<b>-</b>	<b>27,231</b>	<b>40,476</b>
<b>Net undiscounted financial assets (liabilities)</b>	<b>R3,448,725</b>	<b>R1,029</b>	<b>R271</b>	<b>R-</b>	<b>(R15,420)</b>	<b>R3,434,605</b>

\*Excluding cash on hand amounting to R60.

Derivatives

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively.

The Group entered into forward currency derivative in 2014 and 2013 to manage foreign currency risks arising from its dollar denominated transactions. These derivatives are accounted for as transactions not designated as hedges.

In 2014, the Group entered into buy Philippine Peso and sell US Dollar forward contract with an aggregate notional amount of US\$25.0 million and a weighted average contracted forward rate of ₱43.96 to US\$1.00 which matured in 2014.

The net movements in the fair value changes of all derivative instruments for the year ended December 31, 2014 follows:

Balance at beginning of year	₱-
Net changes in fair value of derivatives	
not designated as accounting hedges	12,658
	12,658
Fair value of settled instruments	(12,658)
Balance at end of year	₱-

As at December 31, 2015, the Group no longer has outstanding derivative financial instruments.

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 capital components of the Group.

	2015	2014
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	236,917	120,518
Retained earnings	2,855,444	2,868,013
	₱3,542,374	₱3,438,544

Fair Values

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, HTM Securities and Trade and Other Payables.* Due to the short-term nature of the financial assets and liabilities, the fair value approximates the carrying amounts at initial recognition.

*Rental and Security Deposits.* The estimated fair values of rental and security 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 rental and security deposits range from 3.33% to 2.83% in 2014 and 2013, respectively.

*AFS Financial Assets.* Quoted market prices have been used to determine the fair value of AFS financial assets.

The Group's financial instruments measured at fair value have the following hierarchy levels:

- Level 1 - at quoted prices in active market;
- Level 2 - at inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - at inputs that are not based on observable market data.

The following table provides the fair value measurement hierarchy of the financial assets as at December 31, 2015 and 2014:

	2015				2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Loans and receivables -								
Rental and security deposits	P-	P5,239	P-	P5,239	P-	P4,453	P-	P4,453
AFS financial assets	380,061	-	-	380,061	186,355	-	-	186,355
HTM securities	135,905	-	-	135,905	-	-	-	-
	<b>P515,966</b>	<b>P5,239</b>	<b>P-</b>	<b>P521,205</b>	<b>P186,355</b>	<b>P4,453</b>	<b>P-</b>	<b>P190,808</b>

For the years ended December 31, 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements.



**REPORT OF INDEPENDENT AUDITOR  
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 consolidated financial statements of Paxys, Inc. (the Company) and Subsidiaries as at and for the year ended December 31, 2015, on which we have rendered our report dated April 5, 2016.

In compliance with the Securities Regulation Code Rule 68, as amended, we are stating that the Company has 113 stockholders owning 100 or more shares each.

**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-2 Group A

Valid until April 14, 2017

BIR Accreditation No. 08-005144-6-2013

Valid until November 26, 2016

PTR No. 5321843

Issued January 5, 2016, Makati City

April 5, 2016

Makati City, Metro Manila





**REPORT OF INDEPENDENT AUDITOR  
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. (the Parent Company) and Subsidiaries (the Group) as at and for the years ended December 31, 2015 and 2014 (with comparative figures for 2013) and have issued our report thereon dated April 5, 2016. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplementary schedule of retained earnings available for dividend declaration of the Parent Company for the year ended December 31, 2015 is the responsibility of the Group'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 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, 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

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 November 26, 2016

PTR No. 5321843

Issued January 5, 2016, Makati City

April 5, 2016  
Makati City, Metro Manila

PAXYS, INC.

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

Deficit at beginning of year	(P1,412,641)
Net unrealized foreign exchange loss in 2014	595,501
<hr/>	
Deficit at beginning of year as adjusted	(817,140)
Net loss actually realized during the year	(28,398,297)
Unrealized foreign exchange gain in 2015	3,660,677
Unrealized foreign exchange loss in 2014 realized in 2015	(703,254)
<hr/>	
Deficit at end of year	(P26,258,014)
<hr/>	
Reconciliation:	
Deficit at end of year as shown in the separate financial statements	(P29,810,938)
Unrealized foreign exchange gain in 2015	3,660,677
Unrealized foreign exchange gain in 2014	(107,753)
<hr/>	
Deficit at end of year	(P26,258,014)
<hr/>	



**REPORT OF INDEPENDENT AUDITOR  
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) as at and for the years ended December 31, 2015 and 2014 (with comparative figures for 2013), and have issued our report thereon dated April 5, 2016. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplementary schedules listed in the Index to the Consolidated Financial Statements, Supplementary Schedules on 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 Part II, as amended, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit 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

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-2 Group A

Valid until April 14, 2017

BIR Accreditation No. 08-005144-6-2013

Valid until November 26, 2016

PTR No. 5321843

Issued January 5, 2016, Makati City

April 5, 2016  
Makati City, Metro Manila

**PAXYS, INC. AND SUBSIDIARIES**  
**Index to Consolidated Financial Statements**  
**As at and For the Year Ended December 31, 2015**

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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
H	Capital Stock	5

N/A - Not applicable

## SCHEDULE A

## PAXYS, INC. AND SUBSIDIARIES

**FINANCIAL ASSETS**  
 AS AT DECEMBER 31, 2015  
 (AMOUNTS IN THOUSANDS)

Description	Number of Shares or Principal Amount of Bonds	Amount Shown in the Statement of Financial Position	Income Received and Accrued
<b>Cash in Banks</b>			
Union Bank of Switzerland (UBS)	–	₱72,509	₱2,667
J.P. Morgan Chase Bank (JPM)	–	10,382	1
Banco de Oro (BDO)	–	5,835	39
Australia and New Zealand Banking Group (ANZ)	–	1,314	4
Bank of the Philippine Islands (BPI)	–	829	6
Security Bank Corporation (SBC)	–	610	10
Rizal Commercial Banking Corporation (RCBC)	–	323	–
Union Bank of the Philippines (UBP)	–	100	2
Metropolitan Bank and Trust Company (MBTC)	–	55	–
		91,957	2,729
<b>Cash Equivalents</b>			
SBC	–	1,454,265	12,247
Metrobank Card Corporation (MCC)	–	932,387	5,695
JPM	–	345,623	109
UBS	–	141,248	44
BDO	–	12,709	18,233
UBP	–	2,011	338
RCBC	–	–	1
		2,888,243	36,667
		2,980,200	39,396
<b>Available-for-Sale Financial Assets</b>			
Fixed Income Investments:			
UBS – Bonds	\$3,000,000	137,012	848
JPM – Absolute Return Fixed Income	\$2,000,000	94,871	–
JPM – Bonds	\$1,000,000	47,100	–
		278,983	848
Investments in Unit Investment Trust Fund -			
BDO	924,506 units	101,078	–
		380,061	848
<b>Held-to-maturity Securities</b>			
UBS – Bonds	\$2,500,000	119,276	2,613
JPM – Bonds	\$350,000	16,629	396
		135,905	3,009

(Forward)

Description	Number of Shares or Principal Amount of Bonds	Amount Shown in the Statement of Financial Position	Income Received and Accrued
<b>Trade and Other Receivables - Net</b>			
Trade	–	₱13,132	₱–
Due from related parties	–	17,398	–
Nontrade	–	28,202	–
Others	–	12,610	–
	–	71,342	–
<b>Rental and Security Deposits</b>	–	5,239	–
		<b>₱3,572,747</b>	<b>₱43,253</b>

**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, 2015  
(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	P489	P-	P448	P-	P41	P-	P41

## SCHEDULE C

## PAXYS, INC. AND SUBSIDIARIES

**AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE  
ELIMINATED DURING CONSOLIDATION OF FINANCIAL STATEMENTS**  
AS AT DECEMBER 31, 2015  
(AMOUNTS IN THOUSANDS)

Related Parties	Balance at Beginning of Year	Additions	Amounts Collected	Balance at end of Year	
				Current	Noncurrent
<b>Due from Related Parties</b>					
Paxys N.V.	P16,115	P855	P102	P16,868	P—
Scopeworks Asia, Inc.	59,973	1,384	1,453	59,904	—
Paxys Global Services, Inc.	63,314	—	392	62,922	—
Paxys Global Services Ltd.	46,467	55	—	46,522	—
Paxys Ltd.	10,632	120	—	10,752	—
Paxys Global Services Ltd. Regional Operating Headquarters	205	—	—	205	—
	<b>P196,706</b>	<b>P2,414</b>	<b>P1,947</b>	<b>P197,173</b>	<b>P—</b>
					<b>P197,173</b>



## SCHEDULE D

## PAXYS, INC. AND SUBSIDIARIES

## INTANGIBLE ASSETS – OTHER ASSETS

AS AT DECEMBER 31, 2015  
(AMOUNTS IN THOUSANDS)

Description	Beginning Balance	Additions at cost	Amortization	Charged to Other Accounts	Other Changes	
					(Deductions)	Ending Balance
Website and software packages	₱2,687	₱188	₱1,715	₱–	₱–	₱1,160

**PAXYS, INC. AND SUBSIDIARIES**

**CAPITAL STOCK**

AS AT DECEMBER 31, 2015

Title of issue	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	219,800	171,848,551

**PAXYS, INC. AND SUBSIDIARIES**  
**FINANCIAL SOUNDNESS INDICATORS**  
**AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2015**

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	2015	2014
<b>Liquidity ratio</b>		
Current ratio	<b>79.52:1</b>	71.91:1
<b>Solvency ratio</b>		
Debt to equity ratio	<b>0.01:1</b>	0.02:1
<b>Profitability ratios</b>		
Return on equity	<b>(0.35%)</b>	(1%)
Earnings before interest, tax, depreciation and amortization (EBITDA) margin	<b>(3%)</b>	(5%)
Net income margin	<b>(9%)</b>	(14%)



**REPORT OF INDEPENDENT AUDITOR  
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 the accompanying consolidated financial statements of Paxys, Inc. (the Company) and Subsidiaries (the Group) as at and for the years ended December 31, 2015 and 2014 (with comparative figures for 2013), and have issued our report thereon dated April 5, 2016. Our audits were 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

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-2 Group A

Valid until April 14, 2017

BIR Accreditation No. 08-005144-6-2013

Valid until November 26, 2016

PTR No. S321843

Issued January 5, 2016, Makati City

April 5, 2016  
Makati City, Metro Manila

**PAXYS, INC. AND SUBSIDIARIES**

**SUPPLEMENTARY SCHEDULE OF ADOPTION OF  
EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS  
DECEMBER 31, 2015**

Title	Adopted	Not Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b>			
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: 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	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	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	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
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	✓		
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	✓		
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Portfolio Exception			✓

#### 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	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Property Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PAS 19 (Revised): Defined Benefit Plans: Employee Contributions			✓
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: Related Party Disclosures - Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27 (Amended): Investment Entities			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
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	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		



PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PAS 38: Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated 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			✓
	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: Investment Property – Clarifying the Interrelationship between PFRS 3, Business Combination and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property			✓
PAS 41	Agriculture			✓

## 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**

<b>Interpretations</b>	<b>Title</b>	<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
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	✓		



101082016002022



## SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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### Company Information

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Company Name PAXYS INC.  
Industry Classification  
Company Type Stock Corporation

### Document Information

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Period Covered December 31, 2015  
No. of Days Late 0  
Department CED/CFD/CRMD/MRD/NTD  
Remarks ACGR



SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

GENERAL INSTRUCTIONS

**(A) Use of Form ACGR**

This SEC Form shall be used to meet the requirements of the Revised Code of Corporate Governance.

**(B) Preparation of Report**

These general instructions are not to be filed with the report. The instructions to the various captions of the form shall not be omitted from the report as filed. The report shall contain the numbers and captions of all items. If any item is inapplicable or the answer thereto is in the *negative*, an appropriate statement to that effect shall be made. Provide an explanation on why the item does not apply to the company or on how the company's practice differs from the Code.

**(C) Signature and Filing of the Report**

- A. Three (3) complete sets of the report shall be filed with the Main Office of the Commission.
- B. At least one complete copy of the report filed with the Commission shall be manually signed.
- C. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.
- D. This report is required to be filed annually together with the company's annual report.

**(D) Filing an Amendment**

Any material change in the facts set forth in the report occurring within the year shall be reported through SEC Form 17-C. The cover page for the SEC Form 17-C shall indicate "Amendment to the ACGR".

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year **January 1, 2015 up to December 31, 2015**
2. Exact Name of Registrant as Specified in its Charter **PAXYS, INC.**
3. **15/F 6750 AYALA OFFICE TOWER, AYALA AVENUE**  
**MAKATI CITY PHILIPPINES 1226**  
Address of Principal Office Postal Code
4. SEC Identification Number **6609**
5.  (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number **000-233-218**
7. **(+632) 908-7500**  
Issuer's Telephone number, including area code
8. **Not Applicable**  
Former name or former address, if changed from the last report

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	9
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Actual number of Directors for the year	9
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(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type (Executive (ED), Non-Executive (NED) or Independent Director (ID))	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) <sup>1</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
Tarcisio M. Medalla	ED		Nominated by the NGC	28 May 2004	3 Dec 2015	Annual	11
Sivam Kandavanam	NED		Nominated by the NGC	27 May 2011	3 Dec 2015	Annual	4
Christopher Maldia	NED		Nominated by the NGC	28 May 2004	3 Dec 2015	Annual	11
Roger Leo A. Carina	NED		Nominated by the NGC	28 May 2004	3 Dec 2015	Annual	11
Lim Ghee Keong	NED		Nominated by the NGC	27 May 2005	3 Dec 2015	Annual	10
George Y. Sycip	ID		Nominated by the NGC	27 May 2005	3 Dec 2015	Annual	10
Roberto A. Atendido	NED		Nominated by the NGC	17 May 2002	3 Dec 2015	Annual	13
Jose Antonio A. Lichauco	ID		Nominated by the NGC	28 May 2004	3 Dec 2015	Annual	11
Mark David P. Martinez	ED		Nominated by the NGC	31 Aug. 2012	3 Dec 2015	Annual	3

- (b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

*As stated in the Company's Corporate Governance Manual, the Board of Directors (the "Board") is primarily responsible for the governance of the Corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.*

<sup>1</sup> Reckoned from the election immediately following December 3, 2015.

<b>POLICY</b>	
General Responsibilities	<i>It is the Board's responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders. The Board formulates the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities and effectively monitor Management's performance.</i>
Stockholders' Rights and Protection of Minority Shareholders' Interests	<i>The Board respects the rights of the stockholders as provided for in the Corporation's Articles of Incorporation and the Corporation Code; namely:</i> <i>i. Right to vote on all matters that require their consent or approval;</i> <i>ii. Right to inspect corporate books and records;</i> <i>iii. Right to information;</i> <i>iv. Right to dividends; and</i> <i>v. Appraisal right.</i> <i>The pre-emptive right is denied under the Corporation/s Articles of Incorporation.</i>
Disclosure and Transparency	<i>Material information about the Corporation that can adversely affect its viability or the interests of the stockholders are publicly and timely disclosed. Such information include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board Management.</i>  <i>All such information is disclosed through the appropriate Exchange mechanisms and submissions to the Commission.</i>

(c) How often does the Board review and approve the vision and mission?

*Vision and mission have been reviewed and approved. Relevance is revisited annually during the strategic planning.*

(d) Directorship in Other Companies

(i) Directorship in the Company's Group<sup>2</sup>

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Torcisio M. Medollo	<i>Paxys Global Services Pte. Ltd. RHQ</i>	<i>NED</i>
	<i>Paxys Global Services, Inc.</i>	<i>NED / Chairman</i>
	<i>Scopeworks Asia Inc.</i>	<i>NED / Chairman</i>
Mark David P. Martinez	<i>Simpro Solutions Philippines Inc.</i>	<i>NED</i>
	<i>Paxys Global Services, Inc.</i>	<i>NED</i>

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors

<sup>2</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Torcisio M. Medallo	Pacific Online Systems Corporation	NED
Roberto A. Atendido	1. Picop Resources Corporation 2. Export and Industry Bank Inc.	NED / Chairman NED
George Y. Sycip	Alliance Select Foods International	NED

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Torcisio Medallo	All Asia Customer Services Holdings, Ltd.	Director
Roger Leo Cariño	All Asia Customer Services Holdings, Ltd.	Director

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

While the Corporation does not have a formal policy, we have no director who has exceeded the limit of five (5) board seats in other listed companies.

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	NA	NA
Non-Executive Director	NA	NA
CEO	NA	NA

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Torcisio M. Medallo	1,120	NA	0.0001%
Christopher B. Maldia	129,520	NA	0.0113%
Ghee Keong Lim	82,800	NA	0.0072%
Roger Leo A. Cariño	1,120	NA	0.0001%
Roberto A. Atendido	1,000	NA	0.0001%
George Y. Sycip	1,120	NA	0.0001%
Jose Antonio A. Lichauca	1,120	NA	0.0001%
Sivam Kondavanom	1000	NA	0.0001%
Mark David P. Martinez	1000	NA	0.0001%
<b>TOTAL</b>	<b>219,800</b>		<b>0.0192%</b>

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes  No

Identify the Chair and CEO: Tarcisio M. Medalla

Chairman of the Board	Tarcisio M. Medallo
CEO/President	Tarcisio M. Medallo

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer/President
Role	<i>Responsible for the leadership of the Board</i>	<i>Leadership of the business and managing it within the authorities delegated by the Board.</i>
Accountabilities	<ol style="list-style-type: none"> <li>1. Ensure effective Board functioning in accordance with its standards of corporate governance</li> <li>2. Ensure effective communication with shareholders, government and other stakeholders</li> <li>3. Ensure that all Board committees are properly established, composed and operated</li> <li>4. Chair the Nominations Committee and build an effective and complementary Board, regularly consider its composition and balance, including succession planning for Board and senior management appointments</li> <li>5. Facilitates the effective contribution of non-executive directors in particular and ensure constructive relations between executive and non-executive directors.</li> </ol>	<ol style="list-style-type: none"> <li>1. Develop strategy for board recommendation</li> <li>2. Execute business plan and update the Board on the business performance</li> <li>3. Develop procedures to ensure compliance to regulatory requirements</li> <li>4. Ensure business is conducted in accordance with the company's business ethics</li> </ol>
Deliverables	<ol style="list-style-type: none"> <li>1. Board meeting agenda, ensuring that issues relating to governance, risks and company strategies are considered by the board</li> <li>2. Preside over the Annual General Meeting</li> </ol>	<ol style="list-style-type: none"> <li>1. Annual budget and funding plan</li> <li>2. Processes, structure and procedures to support the strategy and budget</li> <li>3. Periodic performance reports</li> </ol>

3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

*The CEO's of Poxys subsidiaries and its key officers are periodically evaluated by the Poxys Board.*

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board?  
YES .

*In addition to the qualifications for membership in the Board provided for in the Corporation Code, Securities Regulation Code and other relevant laws, the Board may provide for additional qualifications which include, among others, the following:*

- i. College education or equivalent academic degree;*
- ii. Practical understanding of the business of the Corporation;*
- iii. Membership in good standing in relevant industry, business or professional organizations; and*
- iv. Previous business experience.*

*Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.*

*Board policy and/or Manual on Corporate Governance do not specifically require a non-executive director to have experience in our industry, although the manual states the specific duties of a director as follows:*

Article 3, Section G.i  
*Have a working knowledge of the statutory and regulatory requirements that affect the Corporation, including its articles of incorporation and by-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies.*

*A director should also keep abreast with industry developments and business trends in order to promote the Corporation's competitiveness.*

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

*Basically, the role of all directors regardless of the type of directorship is the same. The Board of Directors (the "Board") is primarily responsible for the governance of the Corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.*

	Executive	Non-Executive	Independent Director
Role	<i>A director who is also the head of a department or unit of the Corporation or performs any work related to its operation</i>	<i>A director who is not the head of a department or unit of the Corporation nor performs any work related to its operation.  He monitors the performance of the executive directors.</i>	<i>Independent director – a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment</i>

	<b>Executive</b>	<b>Non-Executive</b>	<b>Independent Director</b>
			<p><i>in carrying out his responsibilities as a director</i></p> <p><i>Provides a strong and independent element in the board, able to exercise objective judgment on corporate affairs independently, in particular, from Management.</i></p>
Accountabilities	<p><i>Ensure that Board policies, strategies and mandate are executed in accordance to the approved plan</i></p>	<ol style="list-style-type: none"> <li><i>1. Challenge and contribute to the strategy</i></li> <li><i>2. Scrutinize the performance of management in meeting objectives</i></li> <li><i>3. Custodians of the governance process</i></li> </ol>	<ul style="list-style-type: none"> <li><i>- Act as constructive critic in reviewing the objectives and plans of Management.</i></li> <li><i>- Plays an active role in committees formed by the Board.</i></li> <li><i>- Oversight of the company's financial reporting process and disclosure of its financial information (Audit Committee Members)</i></li> <li><i>- Oversight of the company's Risk Management Processes (Audit Committee Members)</i></li> </ul>
Deliverables	<p><i>Vision</i>  <i>Mission</i>  <i>Strategic objectives</i>  <i>Business Plan (budget and funding)</i>  <i>Policies and procedures</i>  <i>In addition, the members of the following committee have these deliverables:</i>  <i>Audit Committee – Committee Annual Report, Assessment of Controls, Assessment of Risk Management Processes</i></p> <p><i>Nomination and Governance Committee – nominations for the annual election of officers and directors, Board and executive succession plan and Board Performance Evaluation</i></p>		

Provide the company's definition of "independence" and describe the company's compliance to the definition.

*Independent Director - a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.*

*The organization has 2 independent directors. It is compliant with the SEC and its own manual's requirement of 2 or 20% of its board of directors being independent directors.*

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

*There is no provision in the Board policies nor in the Manual regarding the term limit of Independent Directors. In any case, the company will adopt the SEC's requirement (effective January 2, 2012) of a term limit of 5 consecutive years for the independent directors with cooling off period of 2 years and no more than 2 terms or a total of 10 years. As such, **our 2 Independent Directors have already served three years of the 5-year term.***

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
NA			

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
(i) Executive Directors	<i>There are only 2 executive directors and they are the President who is at the same time the chairman of the Board, and the Corporate Secretary who is at the same time Corporate Counsel.</i>	<i>General criteria:</i> <ul style="list-style-type: none"> <li>- College education or equivalent academic degree;</li> <li>- Practical understanding of the business of the Corporation;</li> <li>- Membership in good standing in relevant industry, business or professional organizations;</li> <li>- Previous business exposure</li> </ul>
(ii) Non-Executive Directors	1. <i>Stockholders to submit nominees to the Nominations and Governance Committee (NGC) no more than 30 days before the date of the stockholder's meeting.</i>	<i>On top of the general criteria, specific criteria is set as follows:</i> <ul style="list-style-type: none"> <li>- With financial expertise/background</li> <li>- Should be free of any conflict of interest that would violate the applicable law on independent directors</li> <li>- Have the capacity and interest to represent the interests of the shareholders as a whole</li> </ul>
(iii) Independent Directors	2. <i>The nominating form shall contain the name of the nominee and all information that may be required by the SEC. the nominating form should be signed by the nominating stockholder and have the signed conformity of the nominee.</i>	
	3. <i>NGC to screen qualifications of the nominee</i>	



Procedure	Process Adopted	Criteria
	<p>4. Only shortlisted nominees shall be eligible for election, no further nominee shall be accepted on the floor.</p> <p>5. Conduct of election of non-executive director shall be in accordance to the election procedures of the company, which happens during the Annual General Meeting (AGM)</p> <p>6. The chairman will inform all stockholders present during the (AGM) of the mandatory requirement to elect independent directors.</p>	
<b>b. Re-appointment</b>		
(i) Executive Directors	Executive directors are covered by employment contract.	As evaluated by the Board based on set KPIs.
(ii) Non-Executive Directors	1. Namination and Governance Committee assesses the performance of the director vis a vis the needs of the business/company and his role as defined in the Manual.	Able to meet the roles and responsibilities of the job as set forth in the corporate governance manual and the corporation's by-laws
(iii) Independent Directors	<p>2. If director is fit for the job, he stands for re-election during the Annual General Meeting.</p> <p>3. The process for election will then be adopted.</p>	The same
<b>c. Permanent Disqualification</b>		
(i) Executive Directors	<p>The by-laws states that if any vacancy among the officers, such vacancy shall be filled by the Board of Directors.</p> <p>This is coursed through the Nomination and Governance Committee who will recommend to the Board the permanent or temporary disqualification or such other appropriate administrative sanction of any Director based on the grounds provided under the CG Manual.</p>	<p>- If convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment</p>
(ii) Non-Executive Directors		
(iii) Independent Directors		

Procedure	Process Adopted	Criteria
		<p>house or as an affiliated person of any of them</p> <ul style="list-style-type: none"> <li>- Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: <ul style="list-style-type: none"> <li>(a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (a) and (b) above, or willfully violating the laws govern securities and banking activities</li> </ul> </li> <li>- Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts</li> <li>- Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order</li> <li>- Any person earlier elected as independent director who</li> </ul>

Procedure	Process Adopted	Criteria	
		<p><i>becomes an officer, employee or consultant of the Corporation</i></p> <ul style="list-style-type: none"> <li>- <i>Any person judicially declared as insolvent</i></li> <li>- <i>Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of facts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above</i></li> <li>- <i>Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment</i></li> </ul>	
<b>d. Temporary Disqualification</b>			
(i) Executive Directors	<p><i>A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the qualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent</i></p> <p><i>The by-laws states that if any vacancy among the officers, such vacancy shall be filled by the Board of Directors.</i></p> <p><i>This is coursed through the Nomination and Governance Committee who will recommend to the Board the permanent or temporary disqualification or such other appropriate administrative sanction of any Director based on the grounds provided under the CG Manual.</i></p>	<p>a) <i>Refusal to comply with the disclosure requirements of the Securities Regulation Code and its implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.</i></p> <p>b) <i>Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.</i></p> <p>c) <i>Dismissal or termination for cause as director of any corporation covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.</i></p> <p>d) <i>If the beneficial equity ownership of an independent director in the</i></p>	
(ii) Non-Executive Directors			
(iii) Independent Directors			

Procedure	Process Adopted	Criteria
		Corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with. e) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.
<b>e. Removal</b>		
(i) Executive Directors	As provided for in the Corporation Code of the Phils. Title 3, Sec. 28	Criteria for permanent disqualification applies
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>f. Re-instatement</b>		
(i) Executive Directors	process for selection and appointment of Board of Directors apply	Criteria for selection and appointment of Board members apply
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>g. Suspension</b>		
(i) Executive Directors	Process for temporary disqualification apply	Criteria for temporary disqualification apply
(ii) Non-Executive Directors		
(iii) Independent Directors		

#### Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Tarcisia M. Medallo	966,892,984
Roger Lea A. Cariño	966,892,984
Christopher B. Maldio	966,892,984
Lim Ghee Keong	966,892,984
Roberto A. Atendido	966,892,984
Sivom Kondavanom	966,892,984
Mark David P. Martinez	966,892,984
George Y. SyCip	966,892,984
Jose Antonio A. Lichauco	966,892,984

#### 6) Orientation and Education Program

- (a) Disclose details of the company's orientation program for new directors, if any.

There is no formal orientation process in place. New director will usually be briefed by the Chairmen and the Corporate Secretary.

(b) State any in-house training and external courses attended by Directors and Senior Management<sup>3</sup> for the past three (3) years:

<i>Corporate Governance Orientation Program</i> –	<i>Mark David Martinez, 2012</i>
<i>Corporate Governance Orientation Program</i> –	<i>Jose Antonio Lichauco</i>
<i>Seminar on Corporate Governance 2014</i>	– <i>Ano Mo. Margarito A. Katigbak, 18 February 2014</i>
<i>Public Seminar on Corporate Governance for Public-Listed Companies</i>	– <i>Mark David P. Martinez, 30 June 2014</i>
<i>Seminar on Corporate Governance</i>	– <i>Tarcisio M. Medallo, 8 August 2014</i>
<i>Seminar on Corporate Governance</i>	– <i>Roger Leo A. Cariño, 8 August 2014</i>
<i>Seminar on Corporate Governance</i>	– <i>Ghee Keong Lim, 8 August 2014</i>
<i>Seminar on Corporate Governance</i>	– <i>Sivam Kandavanom, 8 August 2014</i>
<i>Seminar on Corporate Governance</i>	– <i>Christopher B. Moidia, 8 August 2014</i>
<i>Seminar on Corporate Governance</i>	– <i>George Y. SyCip, 8 August 2014</i>
<i>Seminar on Corporate Governance</i>	– <i>Jose Antonio A. Lichauco, 8 August 2014</i>
<i>Seminar on Corporate Governance</i>	– <i>Roberto A. Atendido, 8 August 2014</i>
<i>Seminar on Corporate Governance</i>	– <i>Mark David P. Martinez, 8 August 2014</i>
<i>SEC-PSE Corporate Governance Forum</i>	– <i>Mark David P. Martinez, 21 October 2014</i>
<i>SEC Corporate Governance Workshop on ASEAN Corporate Governance Scorecard for Publicly-Listed Companies</i>	– <i>Mark David P. Martinez, 23 April 2015</i>
<i>Seminar on Corporate Governance</i>	– <i>Tarcisio M. Medallo, 13 November 2015</i>
<i>Seminar on Corporate Governance</i>	– <i>Roger Leo A. Cariño, 13 November 2015</i>
<i>Seminar on Corporate Governance</i>	– <i>Ghee Keong Lim, 18 December 2015</i>
<i>Seminar on Corporate Governance</i>	– <i>Sivam Kandavanom, 13 November 2015</i>
<i>Seminar on Corporate Governance</i>	– <i>Christopher B. Maldia, 13 November 2015</i>
<i>Seminar on Corporate Governance</i>	– <i>George Y. SyCip, 13 November 2015</i>
<i>Seminar on Corporate Governance</i>	– <i>Jose Antonio A. Lichauco, 13 November 2015</i>
<i>Seminar on Corporate Governance</i>	– <i>Roberto A. Atendido, 24 August 2015</i>
<i>Seminar on Corporate Governance</i>	– <i>Roberto A. Atendido, 15 September 2015</i>
<i>Seminar on Corporate Governance</i>	– <i>Mark David P. Martinez, 13 November 2015</i>
<i>Seminar on Closing the Taxable Year</i>	– <i>Mark David P. Martinez, 24 November 2015</i>

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
None			

## B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

<sup>3</sup> Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	<p>Conduct fair business transactions with the Corporation, and ensure that his personal interest does not conflict with the interests of the Corporation.</p> <p>The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests.</p> <p>He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position.</p>	<p>Paxys does not allow its employees or officers to take personal gain, otherwise profit, from their employment, by misusing their position or Paxys' assets. Conflict of interest arises when a personal or private interest interferes in any way with one's work, duties and/or interests of the company.</p> <p>An employee should disclose any dealings with the company or its competitors, by himself or his family within the 3<sup>rd</sup> degree of consanguinity or affinity. It is management's prerogative to re-assign the employee.</p>	
(b) Conduct of Business and Fair Dealings	<p>Conduct fair business transactions with the Corporation, and ensure that his personal interest does not conflict with the interests of the Corporation.</p>	<p>Employees could avoid unfair advantage of anyone through manipulation, concealment, abuse of authority, misrepresentation and/or any unfair dealing. All employees must deal fairly with the company's customer's, service providers, suppliers, competitors and employees.</p>	
(c) Receipt of gifts from third parties	<p>Gifts and other means of showing appreciation and gratitude may be exchanged with business partners but it is understood that such acts will not influence business decisions. Acceptance and giving of any gift must be avoided if it may be perceived as having influence on a business relationship or any business decision.</p>		
(d) Compliance with Laws & Regulations	<p>All employees are expected to adhere to the Code of Ethics by:</p> <ul style="list-style-type: none"> <li>- Engaging in honest conduct. All employees of the company are expected to comply with applicable laws, rules and regulations.</li> <li>- Demands brought about by business exigencies or pressures are not excuses for violating the stipulations in the Code of Ethics.</li> <li>- Personally adhering to the standards and restrictions imposed by those laws, rules and regulations.</li> </ul>		
(e) Respect for Trade Secrets/Use of Non-public Information	<p>A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He should not reveal confidential information to</p>	<p>It is the responsibility of all employees to maintain and safeguard the confidentiality of information entrusted to the company, subsidiaries, affiliates, customers, business partners, or such other parties with whom the company relates.</p>	

Business Conduct & Ethics	Directors	Senior Management	Employees
	<i>unauthorized persons without the authority of the Board</i>		
(f) Use of Company Funds, Assets and Information	<i>We are all responsible for safeguarding and making proper and efficient use of Company funds and property, including responsible use of information.</i>  <i>Any employee who willfully/moliciously or negligently damages company property, misuses company funds for personal or fraudulent use, will be subject to disciplinary action up to and including dismissal and/or civil/criminal prosecution.</i>		
(g) Employment & Labor Laws & Policies	<i>We will adhere to applicable laws, rules and regulations.</i> <i>We are committed to keeping our workplace free of hazards.</i>		
(h) Disciplinary action	<i>Nomination and Governance Committee to consider and recommend to the Board the appropriate administrative sanction of any Director based on the grounds provided under the CG Manual and the Committee Charter.</i>	<i>As stated in its employee's manual.</i>	
(i) Whistle Blower	<i>To provide an appropriate confidential mechanism for whistleblowers to provide information on potentially fraudulent transactions and breaches of internal control, without fear of retribution to the employee.</i> <i>Cases are handled by HR, Compliance and Internal Audit, depending on the type of issue reported.</i>		
(j) Conflict Resolution	<i>It is Board's responsibility to establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities.</i>  <i>The Audit Committee will investigate and make appropriate recommendations to the Board.</i>	NA	

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?  
YES

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

*Code of Business Conduct is being cascaded during new-hire orientation. The implementation and monitoring is delegated to the line leaders. Internal Audit is part of the monitoring process through its periodic audits.*

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the

**Board.**

Related Party Transactions	Policies and Procedures
(1) Parent Company	<p><i>The Company has implemented policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company, joint venture, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.</i></p> <p><i>As a matter of policy, the company does not engage in related party transactions without prior board approval.</i></p> <p><i>We apply the arms-length principle and these transactions are properly recorded and disclosed in the financial records.</i></p> <p><i>We apply the conflict of interest policy and procedures.</i></p> <p><i>Any director that is likewise a director of a counterparty of the Company is required to abstain from any evaluation or approval of a relationship between the Company and this counterparty.</i></p>
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

**(b) Conflict of Interest**

**(i) Directors/Officers and 5% or more Shareholders**

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	None
Name of Officer/s	None
Name of Significant Shareholders	None

**(ii) Mechanism**

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	<p><i>Conduct due diligence on suppliers and vendors, customers.</i></p> <p><i>We apply the conflict of interest policy under our code of ethics</i></p>
Group	<p><i>Conduct due diligence on suppliers and vendors, customers.</i></p> <p><i>We apply the conflict of interest policy under our code of ethics</i></p>

**5) Family, Commercial and Contractual Relations**

(a) Indicate, if applicable, any relation of a family,<sup>4</sup> commercial, contractual or business nature that exists

<sup>4</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.



between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
<i>We are not aware of any family, Commercial and Contractual Relations with stockholders of significant equity (5% or more).</i>		

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
<i>None</i>	<i>NA</i>	<i>NA</i>

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
<i>None</i>		

#### 6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	<i>Not Applicable. No conflict has arisen between the company and any of its stockholders, third parties or regulatory authorities.</i>
Corporation & Third Parties	
Corporation & Regulatory Authorities	

#### C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

<i>Boord meetings are scheduled in advance before the close of the current year.</i>
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2) Attendance of Directors **January 2015 to December 2015**

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
<i>Chairman</i>	<i>Tarcisia M. Medolla</i>	<i>3 Dec. 2015</i>	<i>6</i>	<i>6</i>	<i>100%</i>
<i>Member</i>	<i>Roger Leo A. Carino</i>	<i>3 Dec. 2015</i>	<i>6</i>	<i>5</i>	<i>83%</i>
<i>Member</i>	<i>Roberto A. Atendido</i>	<i>3 Dec. 2015</i>	<i>6</i>	<i>6</i>	<i>100%</i>
<i>Member</i>	<i>Christopher B. Maldia</i>	<i>3 Dec. 2015</i>	<i>6</i>	<i>6</i>	<i>100%</i>
<i>Member</i>	<i>Lim Ghee Keong</i>	<i>3 Dec. 2015</i>	<i>6</i>	<i>5</i>	<i>83%</i>
<i>Member</i>	<i>Sivom Kondovanam</i>	<i>3 Dec. 2015</i>	<i>6</i>	<i>4</i>	<i>67%</i>
<i>Member</i>	<i>Mork David P. Martinez</i>	<i>3 Dec. 2015</i>	<i>6</i>	<i>6</i>	<i>100%</i>
<i>Independent</i>	<i>Jose Antonio A. Lichauco</i>	<i>3 Dec. 2015</i>	<i>6</i>	<i>6</i>	<i>100%</i>
<i>Independent</i>	<i>George Y. Sycip</i>	<i>3 Dec. 2015</i>	<i>6</i>	<i>6</i>	<i>100%</i>

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

None.

- 4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

*For a board decision to be carried, it should be approved or ratified by majority of the board members.*

5) Access to Information

- (a) How many days in advance are board papers<sup>5</sup> for board of directors meetings provided to the board?

*At least 5 working days in advance.*

- (b) Do board members have independent access to Management and the Corporate Secretary?

*Yes, Board Members can directly communicate with the Corporate Secretary.*

- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

*The Corporate Secretary works fairly and objectively with the Board, Management and stockholders, is aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities, he informs the members of the Board, in accordance with the by-laws of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval. And although the policy is silent on his role regarding updating the directors of relevant statutory and regulatory changes, this in practice is being done by the Corp. Secretary.*

- (d) Is the company secretary trained in legal, accountancy or company secretarial practices? YES

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes

No

Committee	Details of the procedures
Executive	<i>The Corporate Secretary is the link between the Board and management, therefore depending on the agenda, the Corporate Secretary will provide/or is the point person for the Board to coordinate or request information from Management or other sources. The policy also allows a Board member to engage on external resource to enable him to fulfill his duties as a member of the Board.</i>
Audit	<i>The Internal Audit Department (IAD) acts as the Secretariat for the Audit Committee, hence whatever information they need to prepare themselves for Committee Meetings are coming from the IAD or are requested through the IAD. In certain cases, the</i>

<sup>5</sup> Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

	<i>IAD may need to coordinate with the Corporate Secretary or the CFO, External Auditor to provide these information.</i>
Nomination	<i>The Corporate Secretary is the link between the Board and management, therefore depending on the agenda, the Corporate Secretary will provide/or is the point person for the Board to coordinate or request information from Management or other sources. The policy also allows a Board member to engage an external resource to enable him to fulfill his duties as a member of the Board.</i>
Remuneration	

#### 6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
<i>Board member to inform the Board/or the Chairman of the Committee regarding the need for an external advice.</i>	<i>This may happen during Merger and Acquisition projects of the company, where a certain Board Member/Committee may have been assigned by the Board to handle evaluation.</i>
<i>The Board/Committee Chairman will approve as necessary</i>	<i>The approver will depend on what type of engagement and whose Committee the project needs advise for. If the project has been sanctioned at the Board level, then the Chairman of the Board will approve. If it is at the Committee level, then it is the Chairman of the Committee to approve.</i>
<i>A report of the external resource will be provided to the full Board/Committee by the requesting Board member.</i>	<i>External resource will report to the Board in behalf of the requesting Board member.</i>

#### 7) Change/s in existing policies Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
<i>Legal review of employment matters</i>	<i>Used to be handled by HR</i>	<i>Boord decided that all cases be centralized at the Legal Department</i>

### D. REMUNERATION MATTERS

#### 1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	<i>Board establishes KPI and Compensation and Remunerotian Committee evaluates performance and makes recommendotian</i>	<i>President establish KPIs and evaluates performance and decides on remuneration</i>
(2) Variable remuneration	<i>Not applicoble</i>	<i>Not applicoble</i>

(3) Per diem allowance	<i>Not applicable</i>	<i>Not applicable</i>
(4) Bonus	<i>Board establishes KPI and Compensation and Remuneration Committee evaluates performance and makes recommendation</i>	<i>President establish KPIs and evaluates performance and decides on remuneration</i>
(5) Stock Options and other financial instruments	<i>Board establishes KPI and Compensation and Remuneration Committee evaluates performance and makes recommendation</i>	<i>Decided by the Board through Compensation and Remuneration Committee</i>

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	<b>Remuneration Policy</b>	<b>Structure of Compensation Packages</b>	<b>How Compensation is Calculated</b>
Executive Directors	<i>Applies the Company's salary structure and compensation package</i>	<i>Fixed monthly pay, performance bonus as approved by the Board and fixed per diem</i>	<i>Basic monthly pay multiplied by bonus months divide by 261 for daily rate used as basis for computing other benefits ; performance bonus is a percentage of the annual salary as fixed by the board depending on performance.</i>
Non-Executive Directors	<i>Fixed per diem for every meeting attended</i>	<i>Fixed per diem</i>	<i>Set by the Compensation and Remuneration Committee</i>

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

<b>Remuneration Scheme</b>	<b>Date of Stockholders' Approval</b>
2015 – No	
2014 – No	
2013 – No	

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year: 2015 (unaudited)

<b>Remuneration Item</b>	<b>Executive Directors</b>	<b>Non-Executive Directors (other than independent directors)</b>	<b>Independent Directors</b>
(a) Fixed Remuneration	Php12,663,201.63		

(b) Variable Remuneration			
(c) Per diem Allowance	240,000.00	Php640,000.00	Php380,000.00
(d) Bonuses	534,574		
(e) Stock Options and/or other financial instruments			
(f) Others (Specify)			
<b>Total</b>	<b>Php13,407,775.63</b>	<b>Php640,000.00</b>	<b>Php380,000.00</b>

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	NA	NA	NA
2) Credit granted	NA	NA	NA
3) Pension Plan/s Contributions	NA	NA	NA
(d) Pension Plans, Obligations incurred	NA	NA	NA
(e) Life Insurance Premium	2,000.00	NA	NA
(f) Hospitalization Plan	NA	NA	NA
(g) Car Plan	NA	NA	NA
(h) Others (HMO Premium)	113,727	NA	NA
<b>Total</b>	<b>115,727.04</b>	<b>NA</b>	<b>NA</b>

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
None				

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
<i>The company offers no incentive program.</i>		

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Edmundo Miguel Mocosco / Head of Operations, SWA	Php11,793,031.08
Pablita Lim / Head of Finance, SWA	

#### E. BOARD COMMITTEES

##### 1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

##### Executive Committee

No. of Members				Committee Charter
Executive (ED)	Non-Executive Director (NED)	Independent (ID)	Director	
1	3	1		NONE

Functions	Key Responsibilities	Power
Its role is to oversee operations of the board and act on behalf of the board during on-demand activities that occur between meetings. These acts are later presented for full board review	<ol style="list-style-type: none"> <li>Decision making authority between full board meetings</li> <li>Emergency decision making</li> <li>Advising the CEO</li> </ol>	<p>To meet as needed.</p> <p>Act on urgent or on-demand matters in between board meetings.</p> <p>Obtain any independent legal or other professional advice that it considers necessary to execute its functions.</p> <p>Expend organizational resources whenever necessary to fulfill its responsibilities.</p> <p>Executive Committee Decisions must be ratified by the full Board</p>

##### Audit and Risk Management Committee

No. of Members				Committee Charter
Executive (ED)	Non-Executive Director (NED)	Independent (ID)	Director	
	2	2		YES

Functions	Key Responsibilities	Power
The principal responsibility of the committee is to assist the board in fulfilling its corporate governance and fiduciary oversight	<ol style="list-style-type: none"> <li>Financial Reporting Process</li> <li>System of Risk Management and Internal Control</li> </ol>	1. Investigate any matter within the scope of its responsibilities and make appropriate recommendations to the board.

<b>Functions</b>	<b>Key Responsibilities</b>	<b>Power</b>
<i>responsibilities in relation to the risk management, internal control systems, accounting policies and practices, internal and external audit functions and financial reporting of Paxys, Inc. and its subsidiaries</i>	<p>3. Internal Audit Process</p> <p>4. External Audit and Financial Statements</p> <p>5. Organization's process for monitoring compliance</p> <p>6. Special investigation and whistleblower mechanism</p>	<p>2. Unrestricted access to senior management and its subsidiaries, and to company records as required.</p> <p>3. Meet with the external and internal auditors, without any other member of management being present</p> <p>4. Obtain any independent legal or other professional advice that it considers necessary to execute its functions.</p> <p>5. Expend organizational resources whenever necessary to fulfill its responsibilities.</p>

#### **Nomination and Governance Committee**

No. of Members			Committee Charter
Executive (ED)	Non-Executive Director (NED)	Independent Director (ID)	
1	1	2	YES

<b>Functions</b>	<b>Key Responsibilities</b>	<b>Power</b>
<i>Assist the board in identifying qualified individuals to become board members, in determining the composition of the board of directors and its committees, in monitoring a process to assess board effectiveness and in developing and implementing the company's corporate governance principles and guidelines.</i>	<p><i>To lead the search for individuals qualified to become members of the board of directors and to select director nominees to be presented for shareholder approval at the annual meeting</i></p> <p><i>To review the board of directors' committee structure and recommend directors to serve as members of each committee.</i></p> <p><i>To develop and recommend a set of corporate governance principles, standards and guidelines and taking a leadership role in shaping the corporate governance of the company</i></p> <p><i>Ensure appropriate senior leadership succession planning is in place and recommend potential and actual successors to the CEO and other key senior leadership roles.</i></p> <p><i>Monitor the group's fiduciary and</i></p>	<p><i>Delegate any of its responsibilities to subcommittees as the committee may deem appropriate in its sole discretion</i></p> <p><i>Retain any search firm engaged to assist in identifying director candidates, and to retain outside counsel and any other advisors as the committee may deem appropriate, and approve related fees and retention terms.</i></p> <p><i>Decide on the committee structures and members.</i></p> <p><i>Select nominees for board of directors.</i></p> <p><i>Investigate cases lodged against any of the board of directors.</i></p>



	regulatory responsibilities with respect to external reporting	
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#### Remuneration and Compensation Committee

No. of Members				Committee Charter
Executive (ED)	Non-Executive Director (NED)	Independent Director (ID)	Director	
1	1	1		NONE

Functions	Key Responsibilities	Power
The Committee ensures the existence of a transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of corporate officers and directors and provides oversight over the remuneration of senior management and other key personnel ensuring that compensation is consistent with the corporation's culture, strategy and control environment.	<p>Provide oversight on the remuneration of senior management and key personnel.</p> <p>Set in place remuneration policies which are designed to attract and retain directors, corporate officers, senior managers with the expertise to enhance the performance and growth of the Company</p> <p>Ensure that the level and composition of remuneration packages are fair, reasonable and adequate and is linked to performance.</p>	<p>No member of the Committee will be directly responsible for providing advice or recommendations concerning the level or composition of his or her remuneration to the Board.</p> <p>The Committee has the right to seek internal and external advice when it considers such advice necessary in order to fulfill its responsibilities.</p> <p>Request and expect information from management in a form, timeframe and of a quality that will enable the Committee to effectively discharge its duties.</p> <p>Recommend board and management compensation and remuneration.</p>

## 2) Committee Members

### (a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Torcisio M. Medollo	3 Dec. 2015	1	1	100%	11
Member (NED)	Lim Ghee Keong	3 Dec. 2015	1	1	100%	10
Member (NED)	Roger Leo A. Cariño	3 Dec. 2015	1	1	100%	11
Member (NED)	Roberto A. Atendido	3 Dec. 2015	1	1	100%	13
Member (NED)	Sivam Kandavanam	3 Dec. 2015	1	1	100%	4

### (b) Audit and Risk Management Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Jose Antonio A. Lichouco	3 Dec. 2015	4	4	100%	11
Member (NED)	Roberto A. Atendido	3 Dec. 2015	4	3	75%	13



Member (NED)	Roger Leo A. Corino	3 Dec. 2015	4	3	75%	11
Member (ID)	George Y. Sycip	3 Dec. 2015	4	3	75%	10

Disclose the profile or qualifications of the Audit Committee members.

1. *Jose Antonio A. Lichauco* 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. where 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
2. *Roberto A. Atendido* has been a Director of the Corporation since October 1, 2004. He is currently the Executive Vice Chairman 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.
3. *George Y. Sycip* 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, Beneficial Life Insurance Company and MacroAsia Corporation. 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.
4. *Roger Leo A. Coriño* has been a Director of the Corporation since December 30, 2003. He is currently the Corporation'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 Service 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.

Describe the Audit Committee's responsibility relative to the external auditor.

*Per the Audit Committee's Charter, it shall have the following responsibilities:*

1. *Review the external auditor's proposed audit scope and approach, including coordination of audit effort with internal audit.*
2. *Recommend the appointment, retention and discharge, and review the performance of the external auditor.*
3. *Review and recommend the compensation of the external auditor.*
4. *Review and recommend for approval of the full board, the audited financial statements, associated management letter, attestation on the effectiveness of the internal control structure and procedures for financial reporting, other required auditor communications, and all other auditor reports and communications relating to the financial statements.*
5. *Review the responsiveness and timeliness of management's follow-up activities pertaining to any reported findings and recommendations.*
6. *On a need basis, meet separately with the external auditor to discuss any matters that the committee or auditors believe should be discussed privately.*
7. *Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles*
8. *Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose threat to his independence. The non-audit work, if allowed, shall be disclosed in the Corporation's annual report.*

(c) Nomination and Governance Committee -

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ED)	Tarcisio M. Medallo	3 Dec. 2015	1	1	100%	11
Member (ID)	George Y. Sycip	3 Dec. 2015	1	1	100%	10
Member (ID)	Jose Antonio A. Lichauco	3 Dec. 2015	1	1	100%	3
Member (non-voting)	Roger Leo A. Corino	3 Dec. 2015	1	1	100%	11

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ED)	Tarcisio M. Medallo	3 Dec. 2015	1	1	100%	11
Member (NED)	Roger Leo A. Corino	3 Dec. 2015	1	1	100%	11
Member (ID)	George Y. Sycip	3 Dec. 2015	1	1	100%	10

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	NA					
Member (ED)	NA					
Member (NED)	NA					
Member (ID)	NA					
Member	NA					

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

*There are no changes in any of the committee memberships during the year.*

Name of Committee	Name	Reason
Executive	NA	
Audit	NA	
Nomination	NA	
Remuneration	NA	
Others (specify)	NA	

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	<i>Review of M&amp;A proposals and provide recommendation to the Board</i>	<i>Invest in a certain company or not.</i>
Audit	<i>Complied with the responsibilities as defined in the charter such as quarterly meetings, review of internal audit reports, review of financial statements and external audit results, risk management processes, review of compliance to its charter, revision of its performance metrics and assessment of its performance vs. charter.</i>	<i>Internal Audit, Internal Control Issues - Significant control issues as elevated by Internal Audit relating to Operations, Finance, HR, IT and Compliance. The Committee is monitoring the closure of the action items by management.  Ensured that Management addressed the audit issues and findings raised by External Auditors.</i>
Nomination	<i>Assessed performance of the Board members, selected director nominees for shareholder approval at the annual meeting, reviewed the Board's committee structure, reviewed and updated its corporate governance structure, ensured compliance to regulatory requirements such as the Annual Report.</i>	<i>1. Election of Board members 2. Board Committees aligned with SEC/PSE Corporate Governance best practice structure 3. Compliance to fiduciary and regulatory requirements</i>
Remuneration	<i>Reviewed Remuneration of Board of Directors</i>	<i>Increased board per diem fees</i>

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	<i>Revisit Group Strategy</i>	<i>Review business and investment opportunities</i>
Audit and Risk Management	<i>Whistleblower Policy</i>	<i>Current practices are adhoc or not documented.</i>
Nomination and Governance	<i>Revisit Board Governance Practices</i>	<i>Board Evaluation</i>
Remuneration	<i>Revisit board and executive compensation</i>	<i>Determine whether board and executive remuneration are equitable and still competitive.</i>

## F. RISK MANAGEMENT SYSTEM

### 1) Disclose the following:

#### (a) Overall risk management philosophy of the company;

*Paxys, Inc. is committed to its objectives of growth and increasing shareholder value. Toward achieving its objectives, we will face risks to our business strategy and operations and risks associated with our people, assets, reputation and partnerships. The effective management of the entire spectrum of these risks is the underlying rationale for the ERM framework adopted by the company. The Framework creates an instinctive and consistent consideration of risk and reward in day-to-day planning, execution and monitoring of the strategy and achievement of corporate goals. There should be full and due consideration to the balance between risk and reward, as far as practicable, in order to optimize the rewards gained from our business and operational activities and from taking of informed risks.*

*Paxys defines risk as potential future events which could impede the achievement of its objectives. It is measured in terms of impact and likelihood. Business risks arise as much from the likelihood of lost opportunities as it does from uncertainties and hazards. Our policy is to identify, evaluate and respond appropriately to risks identified so as to protect the company from losses, uncertainty and lost opportunity.*

#### (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

*The Board and management continue to engage in risk management activities aimed not only to protect the company from adverse operational occurrences but also be able to maximize opportunities. Risks the company is facing are taken up in the board during its discussion of financial and operational performance, as well as specific discussions of company strategies and direction. Although the Board through its Audit and Risk Management Committee believes the company's risk management processes can still be more robust, overall, it considers these processes effectively implemented to support the company's attainment of its objectives.*

#### (c) Period covered by the review; **January 2015 to December 2015**

#### (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness;

*Review of risks is embedded in the regular audits. Criteria for assessing effectiveness of risk management system:*

- *Risks are managed within the defined risk tolerances/risk appetite*
- *Risk management processes are robust (embedded in the day to day management processes)*
- *Risks are adequately controlled*

#### (e) Where no review was conducted during the year, an explanation why not.

*Not applicable.*

### 2) Risk Policy

#### (a) SCOPEWORKS ASIA

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each

kind of risk:

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
<p><i>Human Resources:</i></p> <ol style="list-style-type: none"> <li>1. Hiring and Retention</li> <li>2. Competency gaps</li> <li>3. Employee Turnover Rate</li> </ol>	<p><i>It will expend resources to develop its human resource, expand its sources of talent and manage its attrition rate to below industry standards.</i></p>	<p><i>To deploy required quantity and qualified manpower within the allotted time and available resources; maintain attrition to a rate lower than industry standards; integrate people, systems and processes in achieving organizational goals.</i></p>
<p><i>Financial Management:</i></p> <ol style="list-style-type: none"> <li>1. Foreign currency risk</li> <li>2. Credit risk</li> <li>3. Liquidity risk</li> </ol>	<p><i>To the extent possible, the Company shall obtain debt financing in the currency in which majority of revenues are denominated in order to match as much as possible foreign currency denominated costs with foreign currency denominated revenues.</i></p> <p><i>Make use of hedging instruments including derivatives (i.e., currency forward contracts) to manage the effects of foreign exchange fluctuations on financial results.</i></p> <p><i>The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.</i></p> <p><i>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 markets and to hold a sufficient level of cash reserves.</i></p>	<p><i>To limit the impact of any appreciation of the Philippine Peso vis-a-vis its foreign currency denominated revenues and receivables and ultimately on the financial performance;</i></p> <p><i>To protect itself from bad debt losses</i></p> <p><i>To maintain continuity of funding</i></p>
<p><i>Information Technology:</i></p> <p><i>Data Integrity/Loss of critical data</i></p>	<p><i>Information can only be modified and accessed by those authorized to access the system. Ensure the authorization, completeness and accuracy of business transactions as they are entered into, processed, summarized, and reported by the various network-enabled systems deployed by the organization.</i></p> <p><i>To intelligently invest in new and enhanced technology to meet</i></p>	<p><i>Protect company information assets as well as critical client information residing with the company.</i></p>

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
<i>Rapid changes in technology</i>	<i>existing as well as future requirements.</i>  <i>Partner with telecommunications companies with strong telecom and network infrastructures that could support efficiency as well as redundancy.</i>	<i>IT as an enabler of the company to support its organizational and strategic goals.</i>
<i>Telecommunications or technology downtime</i>	<i>The call center's outsourcing operations are highly dependent on computer and telecommunications equipment, software systems, and continuous availability of voice and electronic communication. The temporary or permanent loss of equipment or systems could reduce the call center's revenues. A significant interruption of service could have a negative impact on the call center's reputation and could lead to a reduction from present and potential clients in demand for the call center's services.</i>	<i>Solid IT infrastructure to minimize or prevent downtime, disruptions or increased costs.</i>
<i>Environmental Health and Safety:</i>  <i>Natural catastrophes such as typhoons, floods, earthquake causing short or long-term stoppage of work</i>	<i>To manage workplace hazards so as to reduce or eliminate the HSE risk posed to employees, visitors, consultants, contractors, employees of contractors, persons employed through labour hire agencies and volunteers</i>  <i>Business Continuity and Disaster Recovery programs should ensure that employees, customers and company assets are protected during calamities.</i>	<i>To limit the impact/disruption of business</i>  <i>To safeguard the welfare and health of employees</i>

(b) Group

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
<i>Human Resources:</i> <i>1. Hiring and Retention</i> <i>2. Competency gaps</i>	<i>The company will hire and retain for talent. It will expend resources to develop its human resource, expand its sources of talent.</i>	<i>To deploy required quantity and qualified manpower within the allotted time and available resources; integrate people, systems and processes in achieving organizational goals.</i>
<i>Financial Management:</i> <i>4. Foreign currency risk</i>	<i>To the extent possible, the Company shall obtain debt financing in the currency in which majority of revenues are</i>	<i>To limit the impact of any appreciation of the Philippine Peso vis-a-vis its foreign currency denominated revenues and</i>

Risk Exposure	Risk Management Policy	Objective
	<p>denominated in order to match as much as possible foreign currency denominated costs with foreign currency denominated revenues.</p> <p>Make use of hedging instruments including derivatives (i.e., currency forward contracts) to manage the effects of foreign exchange fluctuations on financial results.</p>	<p>receivables and ultimately on the financial performance;</p>
5. Credit risk	<p>The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.</p>	<p>To protect itself from bad debt losses</p>
6. Liquidity risk	<p>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 markets and to hold a sufficient level of cash reserves.</p>	<p>To maintain continuity of funding</p>
7. Capital Management	<p>To pursue projects if their expected returns are higher than cost of capital. The Company aims for flexibility in the capital structure to meet changing conditions and adopt with minimum cost and delay. It looks at solvency by keeping its debt capacity within its ability to generate future cash flows.</p>	<p>The primary objective of the Company'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.</p>

(a) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
<p>Principal shareholder is cognizant of the rights of the minority shareholders and has not exercised its power or exercise any action that is detrimental to the minority shareholders.</p>

3) Control System Set Up

(a) SCOPEWORKS ASIA/PAXYS, INC. (Company/Group)

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
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<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
<b>Human Resources:</b> 1. Hiring and Retention 2. Competency gaps 3. Employee Turnover Rate	Established KPIs which are monitored both by Operations and HR and are part of the monthly Operations Report	Risk Owner- HR Hiring and Retention policy has been established and communicated; Performance management system is in place for the subsidiaries; programs are in place to ensure low attrition rate and this is a KPI that is being monitored monthly.
<b>Financial Management:</b> 1. Foreign currency risk 2. Credit risk 3. Liquidity risk 4. Capital Management	1. Daily monitoring of FX rates using PDEX and OANDA. 2. Established hedging strategy. 3. Ensuring payables are paid on time/due date and on the billed currency. 4. Pre-agreed/dealt rate with the banks. 5. Monitoring of AR aging	Risk Owner- Finance Hedging/Non-deliverable Forward Contract - short term, max of 1 year covered period; Dual Currency Investment/Deposit (DCI/DCD); Paying the disbursements on the currency we are being billed or pre-agreed conversion rate; Arrange with the bank the rate/s to be used in converting the foreign currency to Peso, i.e. spot rate, value tom or T+2.  Daily reporting of cash balance per account per company; Short term money market placement; Excess funds are placed in highly liquid investments like SDA, TD and bank's liquidity funds.
<b>Information Technology:</b> 1. Data Integrity/Loss of critical data 2. Rapid changes in technology 3. Telecommunications or technology downtime	Established MOAs annexed with KPIs with the telecom and network companies  Monthly operational report particularly on network downtimes and network or security breaches, if any	Risk Owner: IT Contracts with Telco and other network providers includes KPIs to measure downtimes and breaches, also includes penalties for non-compliance to KPIs IT Infrastructure redundancies Disaster Recovery and Business Continuity
<b>Environmental Health and Safety:</b> 1. Natural catastrophes such as typhaons, floods, earthquake	Review of the business continuity plans and the disaster recovery program	Risk Owner: Operations Disaster recovery and business continuity programs Network redundancies Offsite/ hot site disaster recovery center

(b) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

<b>Committee/Unit</b>	<b>Control Mechanism</b>	<b>Details of its Functions</b>
Audit and Risk Management Committee	The Committee provides oversight of Company's risks and risk management activities to the Board.	Review and assess the effectiveness of the organization's risk management system, including risks of information technology systems, and that the company is able to



	<p><i>Internal Audit proactively reports to the Management and to the Audit Committee high risk concerns.</i></p> <p><i>Some risks are directly reported and discussed at the Board level either by Legol, Finance or Audit.</i></p>	<p><i>optimize its opportunities through its risk management program.</i></p> <p><i>Inquire of monagement, the heod of the internal audit, the risk management head, and the external auditor about significant risks or exposures and assess the steps monagement has taken to minimize such risks to the company.</i></p>
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## G. INTERNAL AUDIT AND CONTROL

### 1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

*Our internal control definition is based on the COSO framework thus defined as follows: It is a process effected by the Company's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance. Fundamental concepts:*

- Geared to the achievement of objectives in one or more categories—operations, reporting, and compliance*
- A process consisting of ongoing tasks and activities—o means to an end, not an end in itself*
- Effected by people—not merely about policy and procedure manuals, systems, and forms, but about people and the actions they take at every level of an organization to effect internal control*
- Able to provide reasonable assurance—but not absolute assurance, to an entity's senior management and board of directors*
- Adaptable to the entity structure—flexible in application for the entire entity or for a particular subsidiary, division, operating unit, or business process.*

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

*Having considered all existing controls as reported by the internal and the external auditors to the committee and the reports of the executive management as they were presented to the Board, the Committee is of the opinion that the company's system of internal controls are generally sound.*

(c) Period covered by the review;

*January, 2015 up to December, 2015*

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

*Periodic reviews are undertaken by Internal Audit based on the Audit Committee approved Audit Plan. A rating matrix measuring the effectiveness and compliance to internal control policies has been developed based on the COSO internal control components.*

(e) Where no review was conducted during the year, an explanation why not.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
<p><i>Strategic partner for governance, risk management, and control:</i></p> <p><i>Provide independent, objective assurance and consulting services designed to add value and improve operational efficiency.</i></p> <p><i>Help the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.</i></p>	<p><i>To determine whether the organization's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:</i></p> <ul style="list-style-type: none"> <li>- <i>Risks are appropriately identified and managed, including technology risks.</i></li> <li>- <i>Significant financial, managerial, and operating information is accurate, reliable, and timely.</i></li> <li>- <i>Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.</i></li> <li>- <i>Resources are acquired economically, used efficiently, and adequately protected.</i></li> <li>- <i>Programs, plans, and objectives are achieved.</i></li> <li>- <i>Quality and continuous</i></li> </ul>	<p><b>In-house</b></p>	<p><b>The company does not have a Chief Internal Auditor as at reporting time. The Audit Committee directly oversees the audit function.</b></p>	<p><b>Issues or findings are discussed with Management and the members of the Audit Committee.</b></p> <p><b>Action items are being monitored at the Auditcom and Executive Management levels.</b></p>

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
	<p>improvement are fostered in the organization's control process.</p> <ul style="list-style-type: none"> <li>- Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately.</li> </ul>			

- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

*Yes, the Audit Committee approves the appointment/removal of both the Internal Auditor and the External Auditors.*

- (c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

*The Internal Audit Activity (IAA) functionally reports to the Audit Committee. Its charter authorizes IAA to have unrestricted access to all functions, records, property, and personnel; and have full and free access to the Audit Committee. This relationship is perfected through the quarterly and special meetings of/with the Audit Committee.*

*In the same manner, responsibilities of the Audit Committee as stated in its charter states:*

- *Ensure that internal auditors have access to all documents, information and systems in the organization*
- *Ensure there are no unjustified restrictions or limitations placed on the Audits*

- (d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
NA	

- (e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	On-going
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Issues <sup>6</sup>	No significant issues or findings have been noted that would put the Company or Group at major risk
Findings <sup>7</sup>	No significant issues or findings have been noted that would put the Company or Group at major risk
Examination Trends	No significant trends noted

(The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.)

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
<i>Functional Reporting to the Audit Committee to ensure organizational independence</i>	<i>Implemented</i>
<i>Internal Audit Charter establishing the mission, authority, scope, responsibilities and the standards of audit practice of the Internal Audit Activity.</i>	<i>Implemented</i>
<i>Risk-based Audit methodology covering risk based audit plans and risk focused audit engagements</i>	<i>Implemented</i>
<i>Quality Assurance and Improvement Program</i>	<i>Partial Implementation</i>
<i>Quarterly reporting of the status of the audit plan, audit results and status of management action plans</i>	<i>Implemented</i>
<i>Audit Manual to guide the auditors in the conduct of their audits including administrative policies and procedures</i>	<i>Implemented</i>
<i>Established key performance indicators and individual key result areas, monthly monitoring and reporting</i>	<i>Implemented</i>

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<i>External Auditor: Limitation on the non-audit services rendered by the external auditors and all non-audit services will be elevated to the Audit Committee for approval</i>	<i>Material public information are to be disclosed first to regulators within the prescribed period for reporting. Depending on the information to be released, investment banks, analysts and rating agencies may only be informed after the release of the same to the regulators.</i>		
	<i>The company is also guided by its Code of Ethics where there is a</i>		

<sup>6</sup> "Issues" are compliance matters that arise from adopting different interpretations.

<sup>7</sup> "Findings" are those with concrete basis under the company's policies and rules.

<b>Auditors (Internal and External)</b>	<b>Financial Analysts</b>	<b>Investment Banks</b>	<b>Rating Agencies</b>
<i>Internal Auditor: Functional reporting to the Audit Committee</i>	<i>possibility of a conflict of interest.</i>		
<i>Duly approved Audit Committee and Internal Audit Charters</i>			

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

*Chairman of the Board/President and an Independent Director attests to the company's full compliance to the SEC Code of Corporate Governance.*

#### H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	<b>Policy</b>	<b>Activities</b>
<i>Customers' welfare</i>	<i>Employees could avoid unfair advantage of anyone through manipulation, concealment, abuse of authority, misrepresentation and/or any unfair dealing. All employees must deal fairly with the company's customers.</i>	<i>Tracking of SLA's and KPIs</i>
<i>Supplier/contractor selection practice</i>	<i>Suppliers should undergo accreditation; procurement policy: 0 3 vendor policy</i>	<i>Supplier accreditation; Implementation of the procurement policy</i>
<i>Environmentally friendly value-chain</i>	<i>None</i>	<i>None</i>
<i>Community interaction</i>	<i>Company will actively participate in community development and will support environment protection.</i>	<i>Scholarships for selected students in High School and College levels</i>
<i>Anti-corruption programmes and procedures</i>	<i>Company prohibits all forms of bribery and corruption. Gifts and other means of showing appreciation and gratitude may be exchanged with business partners given that it will never influence business decisions. Acceptance and giving of any gift must be avoided if it may be perceived as unfair or may influence a business relationship or any business decision.</i>  <i>Company has zero tolerance for fraud and will cooperate as necessary with law enforcement agencies. Company assets may be used only for legitimate business purposes.</i>	<i>We do not engage in solicitation programs with our suppliers and vendors</i>  <i>Strict compliance and monitoring of regulatory requirements</i>  <i>Implementing appropriate operational and financial controls.</i>

	Policy	Activities
<i>Safeguarding creditors' rights</i>	<i>None</i>	<i>None</i>

- 2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

*For 2015, the company did not have a separate sustainability report.*

- 3) Performance-enhancing mechanisms for employee participation.

- (a) What are the company's policy for its employees' safety, health, and welfare?

<i>Anti-discrimination policy</i>	<i>Equal Employment Opportunity</i>
<i>Anti-harassment policy</i>	<i>Smoking Policy</i>
<i>Safety and health policy</i>	<i>Annual Physical Examination</i>
<i>Drug-Free workplace</i>	<i>Lactation Break</i>

- (b) Show data relating to health, safety and welfare of its employees.

*The company implements an integrated approach to employees' safety, health and welfare. It ensures that employees are provided with reasonable coverage for hospitalization and medical consultation services. Employees are also encouraged to monitor their health through company-driven health activities and e-mail or bulletin announcements.*

*Company is compliant to Health and Safety requirements as required by the Department of Labor, Local Municipalities and Building Administrators.*

- (c) State the company's training and development programmes for its employees. Show the data.

*Employees are provided with appropriate trainings and continuous professional education through company's in-house development programs. For more technical or specialized needs, a third-party Trainer is usually hired or employees are sent outside for training. The company ensures that its employees are equipped with the right skills and competency to perform their tasks.*

- (d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

*The company's reward and compensation policy currently accounts for the short-term financial measures only.*

- 4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

*Complaints are either coursed through HR, Compliance or Internal Audit. Depending on the complaint, either of the above departments will investigate although in most cases, these are initially handled by HR and then elevated to Internal Audit if there is a need to review transactions and processes. Again, depending on the result of the initial investigation, the case could either be closed (if there are no clear basis based on the company's code of ethics/code of conduct) wherein the complainant will be advised of the result of initial investigation. If clear violations were found during the initial investigation, the case will proceed to formal investigation and sanctions will be imposed based on the company's code of conduct and discipline. Identities of whistleblowers are not divulged.*

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
All Asia Customer Service Holdings Ltd.	630,844,038	54.93%	All Asia Customer Service Holdings Ltd.
Poxys N.V.	345,622,477	30.09%	Poxys N.V.
PCD Nominee Corporation	170,085,375	14.81%	Various stockholders

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
<i>Not Applicable. All shareholdings of Senior Management is less than 5% as shown below:</i>			
Tarcisio M. Medalla	1,120		0.0001%
Christopher B. Maldia	129,520		0.0113%
Ghee Keong Lim	82,800		0.0072%
Roger Leo A. Cariño	1,120		0.0001%
Roberto A. Atendido	1,000		0.0001%
George Y. SyCip	1,120		0.0001%
Jose Antonio Lichauco	1,120		0.0001%
Sivam Kandavanam	1000		0.0001%
Mark David P. Martinez	1000		0.0001%
TOTAL	219,800		0.0192%

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	No
Details of whistle-blowing policy	No
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	No
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

*No existing dividend and whistleblowing policy, although a whistleblowing policy has already been drafted.*

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Reyes, Tacandong & Co.	Php 1,000,000	N/A

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

*The company uses its corporate website, email, mails, SEC/PSE disclosures, in order to disseminate information to its stockholders.*

5) Date of release of audited financial report:

For the Paxys consolidated financial statements: April 15, 2015  
 For the Paxys stand-alone financial statements: April 15, 2015

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	Not Updated
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) Disclosure of RPT

RPT	Relationship	Nature	Value
<i>See Related Party Transactions on the Notes to the Audited Consolidated Financial Statements for the year ended December 31, 2014.</i>			

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

*The company applies the arms-length principle and these transactions are properly booked and disclosed.*

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in



its By-laws.

<b>Quorum Required</b>	<i>"A quorum for any meeting of the stockholders shall consist of a majority of the voting stock of the Corporation, and a majority of such quorum shall decide any question at the meeting, save and except in those matters where the Corporation Law requires the affirmative vote of a greater population."</i>
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

<b>System Used</b>	<i>Level of Approving Authority Manual; and all acts are ratified at the Annual General Meeting</i>
<b>Description</b>	<i>The group established a level of approving authority manual approved by the Board which is the basis for all transactional approvals and whereupon all corporate acts are ratified during the annual general meeting.</i>

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
<i>Stockholders' Rights concerning Annual/Special Stockholders' Meeting are in accordance with those granted in the Corporation Code of the Phils.</i>	<i>There are no other rights granted to the stockholders not in the Corporation Code of the Phils.</i>

Dividends

Declaration Date	Record Date	Payment Date
<i>No dividends were declared in 2015.</i>		

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
<i>Q&amp;A portion during Annual General Meeting, and all directors including chairmen of the board and individual committees may ask questions.</i>	<i>Announced during the Annual General Meeting</i>
<i>The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholders'</i>	<i>Stockholders of record are informed of the meeting at least 2 weeks before. The Notice of Meeting includes the date, time, venue and agenda of the meeting, the record date of stockholders entitled to vote, and the date and place of proxy validation.</i>  <i>The designated Investor Relations Officer has also been tasked to handle any and all stockholder queries and concerns, and the contact details are available</i>

Measures Adopted	Communication Procedure
<p><i>favor.</i></p> <p><i>Although all stockholders should be treated equally or without discrimination, minority stockholders may request in writing the holding of meetings and the items for discussion in the agenda that relate directly to a legitimate purpose and the business of the Corporation, subject to the requirement under the By-laws that such requesting stockholder is the holder of record of not less than one-fourth of the outstanding voting capital stock of the Corporation.</i></p>	<p><i>via our corporate website.</i></p>

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
- Amendments to the company's constitution
  - Authorization of additional shares
  - Transfer of all or substantially all assets, which in effect results in the sale of the company

*It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.*

*The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.*

*Every stockholder entitled to vote shall be entitled to one (1) vote for each share of stock.*

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? *No*

- a. Date of sending out notices:

*As provided in the by-laws, at least 2 weeks before the date of the meeting.*

- Date of the Annual/Special Stockholders' Meeting:

*May of each year, as provided for in the by-laws.*

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

QUESTIONS	RESPONSES
<i>NONE.</i>	

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Approval of minutes of previous meeting	YES	NONE	NONE
Ratification of corporate acts	YES	NONE	NONE
Election of new directors	YES	NONE	NONE
Appointment of Reyes, Tacandang & Co. as external auditors for the current year	YES	NONE	NONE

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

The votes taken during the annual shareholders' meeting are not published. The names of the elected directors and officers are disclosed to the PSE immediately after the annual shareholders' meeting.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
NONE	

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	AGM Minutes	3 Dec 2015	Show of hands	54.09%	30.09%	84.18%
Special	None					

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs? NO

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares. YES

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	<b>Company's Policies</b>
Execution and acceptance of proxies	<i>As duly stated in company's by-laws, the instrument authorizing the proxy to act shall be exhibited and filed with the Corporate Secretary not later than 10 days prior to the date of meeting.</i>
Notary	<i>Company does not require notarization of proxies. As stated in the company by-laws: Subject to the requirements of the by-laws, the exercise of the right to appoint proxy shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholders' favor.</i>
Submission of Proxy	<i>As duly stated in company's by-laws, the instrument authorizing the proxy to act shall be exhibited and filed with the Corporate Secretary not later than 10 days prior to the date of meeting.</i>
Several Proxies	<i>Company does not require notarization of proxies. As stated in the company by-laws: Subject to the requirements of the by-laws, the exercise of the right to appoint proxy shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholders' favor.</i>
Validity of Proxy	
Proxies executed abroad	<i>It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of these rights and provide an adequate avenue for them to seek timely redress for breach of their rights.</i>
Invalidated Proxy	
Validation of Proxy	<i>The Board will take appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. (Manual on Corporate Governance)</i>
Violation of Proxy	

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

<b>Policies</b>	<b>Procedure</b>
<i>Except as otherwise provided by law, written or printed notice of all annual and special meetings of stockholders, stating the place and time of the meeting and, if necessary, the general nature of the business to be considered, may be transmitted by any one of the following means: personal delivery, mail, telegraph, cable or publication in a newspaper of general circulation, at least 2 weeks before the date of the meeting. It may also be announced through email and publication in its corporate website, and PSE.</i>	<i>The office of the Corporate Secretary prepares the notices and issue to registered stockholders through any one of the means allowed it by the by-laws. Currently, the Corporate Secretary mails the notices while at the same time sends the notice to SEC.</i>
<i>Special meetings of the stockholders may be called by the President of the Corporation, or by order of the Board of Directors, whenever he or it may deem it necessary, and it shall be the duty of the President to order and call such special meeting whenever the holders of record of not more than 20% of the outstanding capital stock of corporation shall in writing so request.</i>	<i>The same as above</i>

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	717 stockholders
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	14 November 2015
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	14 November 2015
State whether CD format or hard copies were distributed	Hard copies were distributed
If yes, indicate whether requesting stockholders were provided hard copies	Not Applicable

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	<i>Yes, each item for resolution is disclosed in the agenda, which is sent together with the AGM notice.</i>
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	<i>Yes, the directors' profiles are included in the Definitive Information Statement, which is sent together with the AGM notice.</i>
The auditors to be appointed or re-appointed.	<i>Yes, appointment of auditors is included in the agenda, which is sent together with the AGM notice.</i>
An explanation of the dividend policy, if any dividend is to be declared.	<i>No, the company is still formulating its dividend policy.</i>
The amount payable for final dividends.	<i>No, the company did not declare dividends during the last AGM.</i>
Documents required for proxy vote.	<i>Yes, the proxy form is sent together with the AGM notice.</i>

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
<i>Every stockholder shall be entitled to one (1) vote for each share of stock registered in his name in the books of the corporation.</i>	<i>Implemented, 1 share, 1 vote policy</i>
<i>Although all stockholders should be treated equally or without discrimination, minority stockholders may request in writing the holding of meetings and the items for discussion in the agenda that relate directly to a legitimate purpose and the business of the Corporation, subject to the requirement under the By-laws that such</i>	<i>There has been no request from minority stockholders.</i>

<i>requesting stockholder is the holder of record of not less than one-fourth of the outstanding voting capital stock of the Corporation.</i>	
<i>The Board will take appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy.</i>	<i>Proxies are not required to be notarized.</i>
<i>Presence of at least 1 Independent Director in board meetings</i>	<i>An independent director is always present in board meetings.</i>

(b) Do minority stockholders have a right to nominate candidates for board of directors?

*There is no provision in the by-laws nor in the Governance manual that prohibit the minority stockholders from nominating candidates for board of directors.*

**K. INVESTORS RELATIONS PROGRAM**

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

*Disclosures will be coursed through the Compliance Officer and approved by the Chairman/President of the company.*

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	<i>To build the trust and confidence of our stakeholders in the company's ability to create value. To create understanding and awareness of the company amongst the investing community.</i>
(2) Principles	<i>Fair disclosure of information; bilateral communication</i>
(3) Modes of Communications	<i>Company website, PSE</i>
(4) Investors Relations Officer	<i>Compliance &amp; Chief Information Officer</i>

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

- *All transactions are evaluated by the Executive Committee for recommendation to the Board*
- *Prior board approval is secured and immediate disclosure is undertaken upon board approval; and,*
- *When necessary, as deemed by the board, a third party fairness opinion for divestment is secured as part of the evaluation and approval process.*

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

**L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
High School Scholarship Program	4 students from Holy Family School of Quezon City and Sta Theresita's Academy in Silay, Negros.

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	None	
Board Committees	Self - Assessment	Compliance to charter
Individual Directors	None	
CEO/President	Periodic assessment by the Board	Board established KPI

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
Code of Ethics	Defined in the company's Code of Conduct and Discipline
Corporate Governance Manual	As recommended by the Compliance Officer and approved by the Board.

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_ on \_\_\_\_\_, 20\_\_\_\_.

**SIGNATURES**

(signed) Tarcisio M. Medalla _____ Chairman and President	(signed) Jose Antonio A. Lichauco _____ Independent Director
(signed) George Y. Sycip _____ Independent Director	(signed) Mark David P. Martinez _____ Compliance Officer

SUBSCRIBED AND SWORN to before me this 28th day of June 2013, affiant(s) exhibiting to me their \_\_\_\_\_, as follows:

NAME/NO.	DATE OF ISSUE	PLACE OF ISSUE
Tarcisio M. Medalla	TIN ID No. 106-895-140	
Jose Antonio A. Lichauco	TIN ID No. 102-090-094	
George Y. Sycip	TIN ID No. 000-502-547	
Mark David P. Martinez	TIN ID No. 248-883-548	

**NOTARY PUBLIC**

ATTY. DELFIN R. AGCAOILI, JR.  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2013  
PTR NO. 0285334 / 2012-2013 MLA.  
IBP NO. 873692 / 2013 MLA.  
ROLL NO. 24655 / TIN - 144-519-066  
MCLE III-0013S21  
Com. No. 2013-023

Doc No. 57;  
Page No. 6;  
Book No. 474;  
Series of 2013.



REPUBLIC OF THE PHILIPPINES)  
) S.S.

MAKATI CITY

SECRETARY'S CERTIFICATE

I, **MARK DAVID P. MARTINEZ**, of legal age, Filipino, with office address at 15<sup>th</sup> Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City, after having been sworn in accordance with law, depose and state, that:

1. I am the duly elected and incumbent Corporate Secretary of **PAXYS, INC.** (the "Corporation"), a corporation organized and existing under Philippine law with office address at 15<sup>th</sup> Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City.

2. At the Regular Meeting of the Board of Directors of the Corporation held on 17 December 2015 at which a quorum was present and acted throughout, the following resolution was unanimously approved:

"RESOLVED, that the Board hereby approve the Corporation's consolidated changes in the Annual Corporate Governance Report of the Corporation for the year 2015."

3. The foregoing resolution is valid and subsisting based on the records of the Corporation and have not otherwise been revoked nor superseded.

4. Attached is the 2015 Consolidated Changes in the Annual Corporate Governance Report.


IN WITNESS WHEREOF, I have signed this certification on this JAN 08 2016 day of January 2016 at Makati City.

  
**MARK DAVID P. MARTINEZ**  
Corporate Secretary

**SUBSCRIBED AND SWORN** to before me on this JAN 08 2016 day of January 2016 at \_\_\_\_\_, affiant exhibited to me the following competent evidence of identity:

Name	Competent Evidence of Identity	
	Type of ID and No.	Date and Place of Issue
Mark David P. Martinez	Philippine Passport No. EC0989976	Issued at DFA NCR East on 2 May 2014 and valid until 1 May 2019

Doc. No. 149  
Page No. 31  
Book No. \_\_\_\_\_; 134  
Series of 2016.

  
**ATTY. VIRGILIO R. BATALLA**  
NOTARY PUBLIC FOR MAKATI CITY  
APPT. NO. 4152  
UNTR. DEC. 31, 2016  
ROLL OF ATTY. NO. 12118  
MCLE COMPLIANCE NO. 14-010103-1/10/11  
IBP No. 708262, EXECUTIVE ORDER NO. 10018-2003  
PTR No. 597-3246 JAN. 04, 2016  
EXECUTIVE BLDG. 2/F  
MAKATI AVE. COR. JUNITA ST. MAKATI CITY

**PAXYS, INC. AND SUBSIDIARIES**

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**SUPPLEMENTARY SCHEDULE OF ADOPTION OF  
EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS  
DECEMBER 31, 2015**

Title	Adopted	Not Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b>			
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: 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	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	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	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
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	✓		
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	✓		
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Portfolio Exception			✓

#### 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	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Property Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PAS 19 (Revised): Defined Benefit Plans: Employee Contributions			✓
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: Related Party Disclosures - Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27 (Amended): Investment Entities			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
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	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PAS 38: Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated 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			✓
	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: Investment Property – Clarifying the Interrelationship between PFRS 3, Business Combination and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property			✓
PAS 41	Agriculture			✓

## Philippine Interpretations

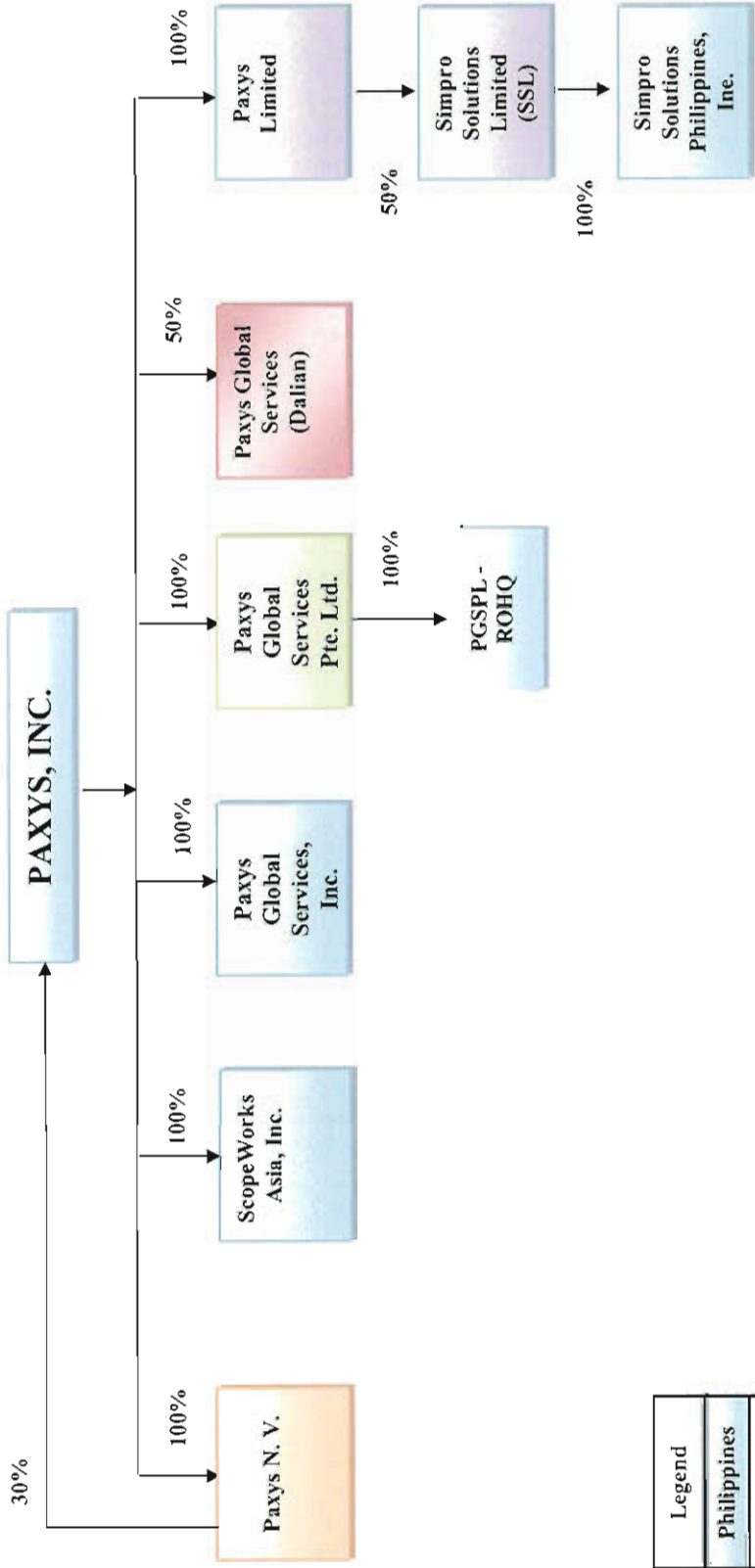
Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests 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	✓		



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



Legend
Philippines
China
Singapore
Curacao
Hong Kong