

18 October 2016

PHILIPPINE STOCK EXCHANGE, INC.

Disclosure Department

4th Floor, Philippine Stock Exchange Center
PSE Center, Exchange Road
Ortigas Center, Pasig City

Attention: **Mr. Jose Valeriano B. Zuño III**
OIC - Head, Disclosure Department

Subject: 2015 Definitive Information Statement

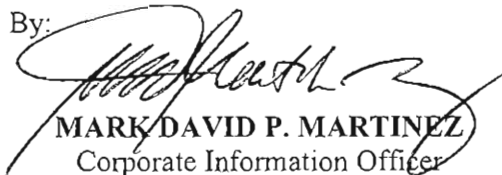
Gentlemen:

Enclosed herewith is our 2015 Definitive Information Statement for the Annual Shareholders' Meeting on 6 December 2016, which was filed with the Securities and Exchange Commission.

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

Very truly yours,

PAXYS, INC.

By: 
MARK DAVID P. MARTINEZ
Corporate Information Officer

17 October 2016
 SECURITIES AND EXCHANGE
 COMMISSION
 RECEIVED
 OCT 17 2016
 MARKET REGULATION DEPT.
 BY: *[Signature]*

SECURITIES AND EXCHANGE COMMISSION
 SEC Building, EDSA, Greenhills
 Mandaluyong City

Attention: Mr. Vicente Graciano P. Felizmenio, Jr.
 Director – Markets and Securities Regulation Department

Subject: Definitive Information Statement
 (SEC Form 20-IS)

Gentlemen:

In compliance with the Securities and Exchange Commission’s (“SEC”) SRC Rule 20 and in connection with Annual Stockholders’ Meeting of **Paxys, Inc.** (“Company”), which will be held on 6 December 2016, we submit herewith our Definitive Information Statement (“DIS”), including the 2015 Audited Financial Statements and latest available Management Report for 2016.

We further provide our responses to the SEC’s comments on the Preliminary Information Statement (“PIS”) enclosed in the SEC Letter dated 26 September 2016.

| | SEC Comment | Response |
|----|--|---|
| 1. | Security ownership of certain record and beneficial owners of more than 5%. Disclose five percent (5%) holders or more ownership under PCD Nominee Corporation (clients), in any. Update information to a latest practicable date. | The Company is not aware of any beneficial owners of shares representing more than 5% of the outstanding capital stock currently held through PCD Participants. The information was updated up to 30 September 2016. Please refer to page 4 of the DIS. |
| 2. | Security Ownership of Management. Update information to a latest practicable date. | The information was updated up to 30 September 2016. Please refer to page 5 of the DIS. |
| 3. | Identify Directors, including Independent Directors and Executive Officers. (1) The company is reminded of SEC Memorandum Circular No. 9, Series of 2011 re: Term Limits for Independent Directors; (2) Identify final list of nominees of Independent Director in the forthcoming Annual Stockholders’ Meeting; (3) Identify the person/s who nominated the candidates for Independent Director and their relationship, if any. | (1) As of 30 September 2016, the Company’s Independent Directors have served four (4) years of their initial five (5) year term; (2) The nominees for Independent Directors are Messrs. Jose Antonio A. Lichauco and George Y. Sycip. (3) None. |
| 4. | Comply of the following for Atty. Ana Maria A. Katigbak-Lim, Assistant Corporate Secretary/CIO (a) Names, ages and citizenship of all Directors, including independent directors and Executive Officers and all persons nominated or chosen to become such; | The profile of Atty. Katigbak-Lim, as the Company’s Assistant Corporate Secretary and Assistant Corporate Information Officer, is shown on pages 7 and 8 of the DIS. |

| | | |
|----|---|--|
| | <p>(b) List of positions and officers such persons held or will hold;</p> <p>(c) Term of office as a Director and the period which the person has served;</p> <p>(d) Brief description of person's business experience (last five years); and</p> <p>(e) Identification of other directorship held in reporting companies</p> | |
| 5. | <p>(b) Interim Periods: Comparable discussion to assess material changes (last fiscal year and comparable interim period in the preceding year). <i>Disclose the required information under subparagraph (2)(a)(I) to (viii) above.</i> Submit 3rd Quarter Report for the period ended 30 September 2016.</p> | <p>Please refer to the undertaking attached to the DIS, wherein the Company committed to distribute copies of the 3rd Quarter Report for 2016 (SEC Form 17-Q) at the Annual Shareholders' Meeting on 6 December 2016, and to submit said report to the SEC and upload on the Company's website once it becomes available. The undertaking was also attached as part of the PIS which was submitted to the SEC on 23 September 2016.</p> |
| 6. | <p>(1) Market Information</p> <p>(b) If the information called for by paragraph (A) of this Part is being presented, the document shall also include the price information as of the latest practicable trading date, and in the case of securities to be issued in connection with an acquisition, business combination or other reorganization, as of the trading date immediately prior to the public announcement of such transaction. Comply with the highlighted portion</p> <p>(2) Holders</p> <p>(a)(i) Approximate Number of Holders of Each Class of Common Security as of the latest practicable date but in no event more than 90 days prior to filing or report. Update information to a latest practicable date, instead of 31 August 2015.</p> | <p>The high and low closing prices of the Company's shares for the 3rd quarter and the last traded price as of 30 September 2016 have been updated. Please refer to page 32 of the DIS.</p> <p>The approximate number of stockholders of each class of common security as of 30 September 2016 has been updated. Please refer to page 33 of the DIS.</p> |

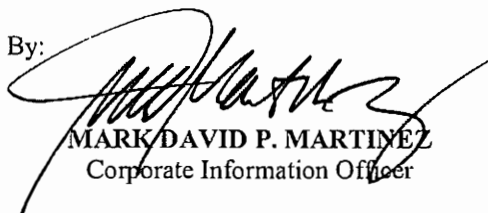
Copies of the Definitive Information Statement, including the 2015 Audited Financial Statements and latest available Management Report for 2016, will be distributed to the stockholders by 7 November 2016. The 3rd Quarter Report for 2016 (SEC Form 17-Q) will be distributed at the Annual Stockholders' Meeting.

We trust that you will find the attached documents in order. We hope to receive the SEC's clearance on or before the distribution date.

Very truly yours,

PAXYS, INC.

By:



MARK DAVID P. MARTINEZ
Corporate Information Officer

COVER SHEET

6 6 0 9

SEC Registration Number

P A X Y S , I N C .

(Company's Full Name)

1 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)

Mr. Mark David P. Martinez

(Contact Person)

(+632) 250-3800

(Company Telephone Number)

DEFINITIVE INFORMATION STATEMENT

1 2 3 1
Month Day
(Fiscal Year)

2 0 - I S
(Form Type)

Any day in May
Month Day
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

717
Total No. of Stockholders

Total Amount of Borrowings

P-
Domestic

P-
Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

PAXYS, INC.
15/F 6750 Ayala Office Tower, Ayala Avenue, Makati City

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

To all Stockholders:

Please be advised that the annual meeting of the stockholders of **PAXYS, INC.**, will be held on **December 6, 2016** at the Manila Golf & Country Club, Harvard Road, Forbes Park, Makati City, Philippines at 2:00 PM.

The agenda is as follows:


1. Call to Order
2. Proof of Notice and Certificate of Quorum
3. Approval of Minutes of previous Stockholders' Meeting
4. Management Report and Audited Financial Statements for the year ended December 31, 2015
5. Ratification of Previous Corporate Acts
6. Election of Directors
7. Appointment of External Auditors
8. Other Matters
9. Adjournment

SECURITIES AND EXCHANGE
COMMISSION
RECEIVED
OCT 17 2016
MARKET REGULATION DEPT.
BY: *J. Martinez* TIME: *4:40*

For purposes of the meeting, stockholders of record as of 28 October 2016 are entitled to notice of and to vote at the said meeting. Registration for the said meeting begins at 12:30 PM. For convenience in registering your attendance, please have available some form of identification, such as a driver's license, voter's ID, TIN card, SSS card or passport.

If you will not be able to attend the meeting but would like to be represented thereat, you may submit your proxy form, duly signed and accomplished, to the Corporate Secretary at 15th Floor 6750 Ayala Office Tower, Ayala Avenue, Makati City, Philippines on or before 26 November 2016. Beneficial owners whose shares are lodged with PDTC or registered under the name of a broker, bank or other fiduciary allowed by law must, in addition to the required ID, present a notarized certification from the owner of record that he is the beneficial owner, indicating thereon the number of shares. Corporate shareholders shall likewise be required to present a notarized secretary's certificate attesting to the authority of its representative to attend and vote at the stockholders' meeting. Validation of proxies will be held not later than 1 December 2016 at the office of the Company's stock transfer agent.

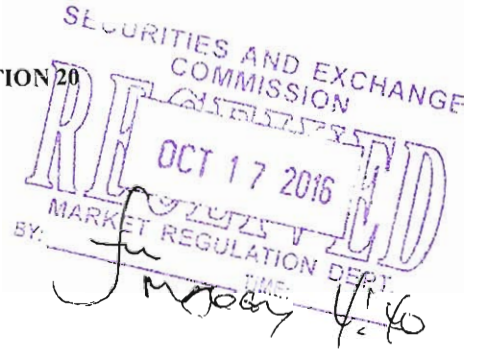
Makati City, Metro Manila, Philippines, 16 September 2016.


MARK DAVID P. MARTINEZ
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE



1. Check the appropriate box:

[] Preliminary Information Statement

[X] Definitive Information Statement

2. Name of Registrant as specified in its charter: PAXYS, INC.

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

4. SEC Identification Number: 6609

5. BIR Tax Identification: Code: 000-233-218-000

6. 15/F 6750 Ayala Office Tower, Ayala Avenue, Makati City 1226
Address of principal office Postal Code

7. Registrant's telephone number, including area code (+632) 250-3800

8. December 6, 2016 at the Manila Golf and Country Club, Harvard Road, Forbes Park, Makati City at 2:00 PM
Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders November 8, 2016.

10. In case of Proxy Solicitations: Not Applicable

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

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

| | | |
|--|--|----------------------|
| a) Authorized Capital Stock | | |
| Common shares, ₱1.00 par value | | 1,800,000,000 shares |
| b) Issued and Outstanding Shares | | |
| Common shares, ₱1.00 par value | | 1,148,534,866 shares |
| c) Amount of Debt Outstanding as of December 31, 2015 | | |
| | | nil |

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

Yes [X] No []

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Philippine Stock Exchange - Common Shares of Stock

PAXYS, INC.
INFORMATION STATEMENT

PART I: GENERAL INFORMATION

Date, Time and Place of Meeting of Security Holders:

The annual stockholders' meeting of Paxys, Inc. (hereafter the "Registrant" or "Company" or "Paxys") will be held on **December 6, 2016 at the Manila Golf and Country Club, Harvard Road, Forbes Park, Makati City at 2:00 PM.**

The complete mailing address of the principal office of the Registrant is 15th Floor 6750 Ayala Office Tower, Ayala Avenue, Makati City.

The approximate date when the information statement will be first sent to security holders will be on November 8, 2016.

Dissenters' Right of Appraisal

There are no matters to be taken up during the annual stockholders' meeting with respect to which the law allows the exercise of the appraisal right by any dissenting stockholder. The Corporation Code limits the exercise of the appraisal right to the following instances:

- a. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence (Section 81);
- b. In case of the sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets (Section 81);
- c. In case of merger or consolidation (Section 81);
- d. In case of investments in another corporation, business or purpose (Section 42).

Since the matters to be taken up do not include any of the foregoing, the appraisal right will not be available.

However, if at any time after this Information Statement has been sent out, an action which may give rise to the right of appraisal is proposed at the meeting, any stockholder who voted against the proposed action and who wishes to exercise such right must make a written demand, within thirty (30) days after the date of the meeting or when the vote was taken, for the payment of the fair market value of his shares. Upon payment, he must surrender his certificates of stock. No payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment.

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

The directors, officers, nominees for directors and their associates do not have a substantial interest, direct or indirect, in any matter to be acted upon, other than election to office.

The registrant has not been informed in writing by any person that he intends to oppose any action to be taken by the Company at the meeting.

PART II: CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

As of September 30, 2016 and the record date of October 28, 2016, there are 1,148,534,866 outstanding common shares entitled to notice and to vote at the meeting.

The record date for the purpose of determining the stockholders entitled to notice of, and to vote at, the Annual Meeting of Stockholders is October 28, 2016.

The election of the board of directors for the current fiscal year will be taken up and all stockholders have the right to cumulate their votes in favor of their chosen nominees for director in accordance with Section 24 of the Corporation Code. Section 24 provides that a stockholder, may vote such number of shares registered in his name as of the record date for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit. The total number of votes cast by such stockholder should not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected.

Security Ownership of Certain Record and Beneficial Owners and Management

(1) Persons Known to the Registrant to be Directly or Indirectly the Record or Beneficial Owner of More than 5% of Any Class of the Registrant's Voting Securities:

As of September 30, 2016, Paxys has no knowledge of any individual or any party who beneficially owns in excess of 5% of Paxys common stock except as set forth in the table below:

| Title of Class | Name and Address of Record Owner & Relationship with Issuer | Name of Beneficial Owner & Relationship with Record Owner | Citizenship | Number of Shares Held | Percent of Class |
|----------------|--|---|-------------|-----------------------|------------------|
| Common | All Asia Customer Services Holdings, Ltd. (AACSHL) Level 54, Hopewell Centre, 183 Queen's Road East Hong Kong | Expac Ltd. is the controlling shareholder of AACSHL. Expac Ltd. has no other relationship with Paxys. Paxys has no information on the ownership of Expac Ltd. | Foreign | 630,844,038 | 54.93% |
| Common | Paxys N.V. | Paxys, Inc. owns 100% equity of Paxys N.V. | Foreign | 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. | Foreign | 170,085,379* | 14.81% |
| Total | | | | 1,146,551,894 | 99.83% |

*This excludes the 9,583,218 lodged shares of AACSHL and the 345,622,477 lodged shares of Paxys N.V.

The right to vote the shares of AACSHL shall be exercised through its duly appointed proxy. AACSHL has previously appointed Mr. Tarcisio M. Medalla, Chairman and President of Paxys, Inc.,

as proxy for past stockholders meetings. AACSHL shall appoint him as proxy again for this year's meeting.

The shares held by AACSHL include 3,970,818 shares lodged with AB Capital Securities, Inc. and 5,612,400 shares lodged with S.J. Roxas & Co., Inc.

In October 2014, Paxys N.V., a wholly-owned subsidiary of Paxys, completed the purchase of 345,622,477 shares of Paxys, by way of a tender offer. As of September 30, 2016, the public ownership level of Paxys is at 14.96%.

Paxys N.V. has appointed Mr. Tarcisio M. Medalla, Chairman and President of Paxys, Inc., as proxy for this year's stockholders meeting.

(2) Security Ownership of Management (as of September 30, 2016):

| Title of Class | Name of Beneficial Owner | Amount of Beneficial Ownership | Citizenship | Percent of Class |
|-----------------------|---|---------------------------------------|--------------------|-------------------------|
| Common | Tarcisio M. Medalla Chairman & President | 1,120 | Filipino | 0.0001% |
| Common | Christopher B. Maldia Director | 129,520 | Filipino | 0.0113% |
| Common | Ghee Keong Lim Director | 82,800 | Malaysian | 0.0072% |
| Common | Roger Leo A. Carino Director and Treasurer | 1,120 | Filipino | 0.0001% |
| Common | Roberto A. Atendido Director | 1,000 | Filipino | 0.0001% |
| Common | George Y. Sycip Independent Director | 1,120 | American | 0.0001% |
| Common | Jose Antonio A. Lichauco Independent Director | 1,120 | Filipino | 0.0001% |
| Common | Mark David P. Martinez Corporate Secretary/ CIO | 1,000 | Filipino | 0.0001% |
| Common | Sivam Kandavanam Director | 1,000 | Malaysian | 0.0001% |
| Common | Ana Maria A. Katigbak Assistant Corporate Secretary | 0 | Filipino | - |
| | Total | 219,800 | | 0.0192% |

(3) 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.

(4) Changes in control

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

Directors and Executive Officers

| NAME | POSITION | AGE | CITIZENSHIP |
|---------------------------|-----------------------------------|-----|-------------|
| Tarcisio M. Medalla | Chairman & President | 67 | Filipino |
| Roger Leo A. Cariño | Director/ Treasurer | 57 | Filipino |
| Christopher B. Maldia | Director | 56 | Filipino |
| Ghee Keong Lim | Director | 48 | Malaysian |
| Roberto A. Atendido | Director | 68 | Filipino |
| Sivam Kandavanam | Director | 59 | Malaysian |
| George Y. Sycip | Independent Director | 60 | American |
| Jose Antonio Lichauco | Independent Director | 57 | Filipino |
| Mark David P. Martinez | Corporate Secretary/ CIO | 35 | Filipino |
| Ana Maria A. Katigbak-Lim | Assistant Corporate Secretary/CIO | 47 | Filipino |

Mr. 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 company with an RHQ in Manila and affiliated with All Asia Customer Services Holdings Ltd., an investment holding company that owns the controlling equity interest in Paxys. He has been connected with the Group since 1983. He is also a director of Pacific Online Systems Corporation, a company listed with the Philippine Stock Exchange. He graduated with a BSC degree, major in Accounting, from De La Salle University. He attended the Advanced Management Program (AMP) at the Harvard Business School. He is a Certified Public Accountant.

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

Mr. Christopher B. Maldia 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.

Mr. Lim Ghee Keong 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 USA and Ban Hin Lee Bank in Malaysia. He is currently the chief operating officer of UTSB and serves on the boards of several other companies in which UTSB Group has interests, such as Maxis Berhad (listed on the Bursa Malaysia Securities Berhad), Astro Malaysia Holdings Berhad (listed on the Bursa Malaysia Securities Berhad), Tanjong Public Limited Company and Bond Pricing Agency Malaysia Sdn Bhd, a bond pricing agency registered with the Securities Commission Malaysia. He is also a director of Yu Cai Foundation. He holds a Bachelor of Business Administration degree, majoring in Finance, from the University of Hawaii at Manoa, USA.

Mr. Roberto A. Atendido 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.

Mr. 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 and Beneficial Life Insurance Company. He is also a Trustee or Director of the International Institute for Rural Reconstruction, Give2Asia, Global Heritage Fund and the California Southeast Asia Business Council. He holds a Masters Degree in Business Administration from Harvard Business School and a Bachelors degree in International Relations/Economics from Stanford University.

Mr. Jose Antonio A. Lichauco 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.

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

Mr. Mark David P. Martinez joined the Company in October 2009 and was elected as director in August 2012. He is concurrently the Company’s General 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.

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

Attendance

The record of attendance of the Company’s directors during the board meetings held for the year 2015 meets the SEC’s requirements of more than 50% attendance as indicated below:

| Name of Directors | Date of Board Meeting | | | | | |
|--------------------------|------------------------------------|----------------------------------|------------------------------------|------------------------------------|---------------------------------------|----------------------------|
| | Regular Meeting 24 Mar. 2015 | Regular Meeting 6 May 2015 | Regular Meeting 11 Aug. 2015 | Regular Meeting 13 Nov. 2015 | Organizational Meeting 3 Dec. 2015 | Regular Meeting Dec. 18 |
| 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

Directorships in Other Reporting Companies

The following are directorships held by Directors and Executive Officers in other reporting companies during the last five years:

Tarcisio M. Medalla

| Name of Corporation | Position | Period |
|------------------------------------|----------|-----------------|
| Pacific Online Systems Corporation | Director | 2007 to present |

Roberto A. Atendido

| Name of Corporation | Position | Period |
|---|-------------------------------------|-----------------|
| Asian Alliance Investment Corp. | Vice Chairman/ Director | 1996 to present |
| Asian Alliance Holdings & Development Corp. | President/ Director | 1996 to present |
| Paper Industries Corp. of the Phils. | Director | 2006 to present |
| Sinag Energy Philippines, Inc. | President/ Director/ Shareholder | 2008 to present |
| Myka Advisory & Consultancy Services, Inc. | Chairman/ Shareholder | 2010 to present |
| Pharmarex, Inc. | Director | 2012 to present |
| Macay Holdings, Inc. | Director | 2013 to present |
| Philippine Business Bank | Director | 2006 to present |

George Y. Sycip

| Name of Corporation | Position | Period |
|---|-----------------------|-----------------|
| Alliance Select Foods International, Inc. | Chairman and Director | 2009 to present |

Ana Maria A. Katigbak-Lim

| Name of Corporation | Position | Period |
|--|----------|-----------------|
| Mabuhay Holdings Corporation | Director | 1999 to present |
| Vulcan Industrial & Mining Corporation | Director | 2012 to present |

Nomination of Regular Directors

All the incumbent directors shall be nominated for re-election.

Independent Directors/Nomination Committee

In compliance with SEC Memorandum Circular No. 16, series of 2002 (now SRC Rule 38), which provides for the guidelines on the nomination and election of independent directors, a Nomination Committee has been created with the following as members:

1. Mr. Tarcisio M. Medalla (Chairman)
2. Mr. George Y. Sycip (Independent Director)
3. Mr. Jose Antonio A. Lichauco (Independent Director)
4. Mr. Roger Leo A. Cariño (non-voting)

The Nomination Committee pre-screened in accordance with the criteria prescribed under SRC Rule 38 and the Company's Code of Corporate Governance, the nominations made by Mr. Tarcisio M. Medalla of the following persons as independent director:

- 1) George Y. Sycip (incumbent)
- 2) Jose Antonio A. Lichauco (incumbent)

The foregoing nominees are not related, whether by affinity or consanguinity, to the persons that nominated them.

Significant Employees

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

Significant employees 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 – General 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 Relationships

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

Involvement of Directors and Executive Officers 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.

Certain Relationships and Related Transactions

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.

Compensation of Directors and Executive Officers

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

| Chairman & President and Most Highly Compensated Officers* | Year | Compensation and other benefits | Stock Options | Per Diem | Total |
|---|----------------|---------------------------------|---------------|----------|-------|
| <i>(in Millions)</i> | | | | | |
| Tarcisio M. Medalla Chairman and President | | | | | |
| Mark David P. Martinez Corporate Secretary | | | | | |
| Above named officers and all other directors unnamed as a group | Actual 2015 | ₱11.4 | ₱- | ₱1.3 | ₱12.7 |
| | Actual 2014 | 12.0 | - | 1.2 | 13.2 |
| | Actual 2013 | 19.4 | - | 1.2 | 21.0 |
| | 2016 Projected | 12.0 | - | 1.1 | 13.1 |

*The Company has a flat organizational structure. There are no other highly compensated officers other than above named officers.

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.

Independent Public Accountants

- a) The external auditor of the Company is Reyes, Tacandong & Co. (RT & Co.). The audit committee¹ recommends to the Board of Directors the appointment of the external auditor and the fixing of the audit fees. The Board of Directors and stockholders approve the appointment of the external auditor.

¹ Audit Committee members are: 1) Jose Antonio Lichauco – Chairman; 2) George Y. Sycip; 3) Roberto A. Atendido; and 4) Roger Leo A. Cariño.

- b) Representatives of RT & Co. for the current year and for the most recently completed fiscal year are expected to be present at the Annual Stockholders' Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions. Pursuant to the general requirements of SRC Rule 68 Par 3(b)(iv) "Compliance with the Five (5) Year Rotation of External Auditor", Ms. Haydee M. Reyes is eligible as Partner-in-Charge for 2015 audit.
- c) RT & Co. has been appointed as the external auditor starting taxable year 2014. The Company's previous external auditor, Sycip, Gorres, Velayo & Co. (SGV & Co.) has served as external auditor for more than five (5) years and the change was in line with the corporate governance policies of the Company.

The consolidated financial statements of the Company were audited by RT & Co. (member firm of RSM global) for the financial year 2014 and SGV & Co. for the financial year 2013.

- d) There are no disagreements with our independent auditors on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedure.
- e) The consolidated fees billed for the audit of the Company's annual financial statements amounted to ₱1.3 million, ₱1.0 million and ₱0.95 million 2015, 2014, and 2013 respectively.
- f) 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. There is no other assurance and related services rendered by the external auditor. There are no other services provided by the external auditor other than the services reported above.

PART III: FINANCIAL AND OTHER INFORMATION

A copy of the Company's consolidated financial statements and a discussion by Management of its operations is contained in the accompanying Management Report.

PART IV: OTHER MATTERS

Action with Respect to Reports:

The Management Report, as set forth in the Annual Report, and the Minutes of the previous annual stockholders' meeting will be submitted for stockholder's approval.

Approval of the Annual Report constitutes a ratification of the Company's performance during the previous fiscal year as contained in the Annual Report.

Approval of the Minutes constitutes a ratification of the accuracy and faithfulness of the Minutes to the events that transpired during the meeting. This does not constitute a second approval of the same matters taken up at the annual stockholders' meeting, which was approved.

Amendment of Charter, By-Laws or Other Documents

The Board approved the amendment to the Company's Articles of Incorporation in compliance with SEC Memorandum Circular No. 6, Series of 2014, which required registrant-corporations to state in their Articles of Incorporation the specific address of their principal office, including, if feasible, the street number, street name, barangay, city of municipality. The stockholders approved the amendment at the Annual Stockholders' Meeting on 5 December 2014.

Other Proposed Actions

- A. Approval of the minutes of the 2015 Annual Stockholders' Meeting.
- B. Ratification of previous corporate acts

Among the major corporate acts for ratification by the stockholders during the annual stockholders' meeting are the following which were previously disclosed in the following Current Report (SEC Form 17-C):

| Date Filed | Items Reported |
|-------------------|--|
| 6 November 2015 | The Company submitted the certified list of stockholders of Paxys, Inc. as of 30 October 2015, the record date of our Annual Stockholders' Meeting, which is scheduled on 3 December 2015. |
| 23 November 2015 | The Company submitted the Certificates of Compliance for all the Directors and Officers of Paxys, Inc. in compliance with the SEC Memorandum Circular No. 20 Series of 2013. |
| 4 December 2015 | The Company advised the Exchange of the highlights and results of the Annual Stockholders' Meeting held on 3 December 2015. |
| 7 December 2015 | The Company submitted the copies of the notarized certifications which have been signed by the independent directors of Paxys, Inc. |
| 21 December 2015 | The Company submitted a copy of Mr. Lim Ghee Keong's Certificate of Attendance issued by Risk, Opportunities, Assessment and Management Inc. for the Corporate Governance he attended on 18 December 2015. |
| 5 January 2016 | The Company submitted the Directors' Attendance for 2015. |
| 29 March 2016 | The Company submitted the Corporate Governance Guidelines for Listed Companies. |
| 30 May 2016 | The Company informed the Exchange that the annual meeting of the stockholders of Paxys, Inc. for the year 2016, which is scheduled to be held on any day in May, has been postponed to a later date. The purpose of the postponement is to provide the Board of Directors and management of Paxys with greater opportunity in determining the Company's strategic direction. |
| 2 June 2016 | The Company informed the Exchange that Paxys paid the monetary penalty of Fifty Thousand Pesos (Php50,000.00) on 31 May 2016 for violation of the black-out rule arising from the transaction of one of the Company's directors during the black-out period. |
| 11 August 2016 | The Company informed the Exchange that the scheduled annual meeting of the stockholders of Paxys Inc. is on 6 December 2016 at the Manila Golf & Country Club, Harvard Road, Forbes Park, Makati City. |
| 2 September 2016 | The Company informed the Exchange that effective 15 September 2016, we will be using our new contact and fax numbers. |
| 16 September 2016 | The Company informed the Exchange of its record date and submitted a |

| Date Filed | Items Reported |
|-------------------|--|
| | copy of the notice for the annual meeting. |
| 28 September 2016 | The Company submitted a copy of Ms. Ana Maria A. Katigbak-Lim's Certificate of Attendance issued by the Institute of Corporate Directors for the Corporate Governance she attended on 16 September 2016. |

- C. Election of directors
- D. Appointment of External Auditors

Voting Procedure:

For the election of directors, the nine (9) nominees receiving the most number of votes will be elected to the Board of Directors. Cumulative voting will be applied.

For all other matters to be taken up, majority vote of the outstanding capital stock present or represented at the meeting where a quorum exists will be sufficient. Voting shall be done *viva voce* or by raising of hands and the votes cast for or against the matter submitted shall be tallied by the Corporate Secretary in case of division of the house.

PAXYS, INC.

MANAGEMENT REPORT
Pursuant to RSA Rule 20(B)

For the 2016 Annual Stockholders' Meeting

A. Audited Financial Statements for Fiscal Year Ended December 31, 2015

Please refer to the accompanying audited consolidated financial statements for 2015.

B. 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 | ₱134,700 | ₱150,509 | (11%) |
| Gross Profit | 15,767 | 17,982 | (12%) |
| EBITDA ² | (3,842) | (7,480) | 49% |
| Loss from operations ³ | (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 ₱15.8 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 ₱2.2 million in GP versus prior year.

Despite lower Service Income for the year, the Group's Operating Loss has nonetheless improved by 8% or ₱4.5 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 ₱5.3 million. This, together with favorable

² EBITDA is defined as Earnings Before Interest Expense, Income Taxes, Depreciation and Amortization.

³ Excludes Interest Income but includes Gain on Disposal of Investments and Equity Gain on Joint Ventures

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

ScopeWorks Asia, Inc. (SWA)

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

(In Php Thousands)

| For the full year ended 31 December | 2015 | 2014 | Y15 vs Y14 |
|--|-----------------|-------------|-------------------|
| Profit & Loss Data: | | | |
| Service Income | ₱134,700 | ₱145,969 | (8%) |
| Gross Profit | 15,767 | 18,321 | (14%) |
| EBITDA | 3,522 | 5,989 | (41%) |
| Income from operations | 1,734 | 3,725 | (53%) |
| Net Income | 1,273 | 3,109 | (59%) |

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

Paxys Global Services, Inc. (PGS)

The following table shows key performance indicators of PGS:

(In Php Thousands)

| For the full year ended 31 December | 2015 | 2014 | Y15 vs Y14 |
|--|--------------|-------------|-------------------|
| Profit & Loss Data: | | | |
| Service Income | ₱- | ₱4,540 | (100%) |
| Gross Profit | - | 1,627 | (100%) |
| EBITDA | (355) | 2,293 | (116%) |
| Loss from operations | (355) | (518) | (31%) |
| Net Loss | (355) | (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%) |
| Net decrease in cash and cash equivalents | (349,947) | (929,378) | 62% |

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)

| For the full year ended 31 December | 2014 | 2013 | Y14 vs Y13 |
|--|-----------------|------------------|-------------------|
| Profit & Loss Data: | | | |
| Service Income | ₱150,509 | ₱158,295 | (5%) |
| Gross Profit | 17,982 | 24,581 | 27% |
| EBITDA ⁴ | (46,329) | (99,721) | 54% |
| Loss from operations | (56,061) | (113,480) | 51% |
| Net Loss attributable to equity holders | (20,849) | (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-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 Operating Expenses has also decreased by 22% or ₱84.7 million in 2014 from ₱109.1 million in 2013.

⁴ EBITDA is defined as Earnings Before Interest, Income Taxes, Depreciation and Amortization.

ScopeWorks Asia, Inc. (SWA)

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

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

| For the full year ended 31 December | 2014 | 2013 | Y14 vs Y13 |
|--|---------------|----------------|-------------------|
| Profit & Loss Data: | | | |
| Service Income | ₱4,540 | ₱21,778 | (79%) |
| Gross Profit | 1,627 | 12,017 | (86%) |
| EBITDA | 2,293 | 9,948 | (77%) |
| Income (loss) from operations | (518) | 8,494 | (106%) |
| Net Income(loss) | (562) | 8,510 | (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 used in Operating Activities | ₱145,696 | ₱71,202 | 105% |
| Net Cash provided by Investing Activities | (1,848) | (36,361) | 95% |
| Net Cash used in Financing Activities | (1,073,226) | - | (100%) |
| Net decrease in cash and cash equivalents | (929,378) | 34,841 | (2767%) |

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 | (100%) |
| Return on Equity*** | (1%) | (2%) | 50% |
| EBITDA Margin | (31%) | (63%) | 51% |
| Net Income margin | (14%) | (47%) | 70% |

* $Current\ Assets / Current\ Liabilities$

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

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

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.

- 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.

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)

| For the full year ended 31 December | 2013 | 2012 (As restated) | Y13 vs Y12 |
|---|------------------|-----------------------|------------|
| Profit & Loss Data: | | | |
| <u>Continuing Operations</u> | | | |
| Service Income | ₱158,295 | ₱202,375 | (22%) |
| Gross Profit | 24,581 | (24,958) | 198% |
| EBITDA ⁵ | (99,721) | (67,762) | (47%) |
| Loss from operations | (113,480) | (121,560) | 7% |
| Net Income attributable to equity holders | (73,868) | (73,645) | 0% |
| <u>Discontinuing Operations</u> | | | |
| 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 and the termination of lease revenue of Paxys in 2012, the effect of which is ₱17 million. The sale of URSI resulted in a reduction in revenue amounting to ₱8 million. Revenue from its call center segment (PGSI), however, has improved by ₱8 million due to higher billable hours during the first quarter of 2013. The decrease in gross revenue of SWA by 11% or ₱17 million from ₱153 million in 2012 to ₱136 million in 2013 is due to reduction in volume requirement for its data transcription and data conversion business.

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.

⁵ EBITDA is defined as Earnings Before Interest, 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.

EBITDA margin dropped to negative 63% in 2013 from negative 33% in 2012 despite improvements in direct costs and Operating Expenses due to the effect of foreign exchange losses on AUD-denominated funds of the Group.

ScopeWorks Asia, Inc.

The following table shows key performance indicators of ScopeWorks:

(In Php Thousands)

| For the full year ended 31 December | 2013 | 2012 | Y13 vs Y12 |
|--|-----------------|-----------------|-------------------|
| Profit & Loss Data: | | | |
| Service Income | ₱136,517 | ₱153,295 | (11%) |
| Gross Profit | 12,400 | 3,216 | 286% |
| EBITDA | 13,488 | (27,324) | 149% |
| Income from operations | 7,835 | (42,530) | 118% |
| Net Income | 7,903 | (42,133) | 119% |

Despite the decline in Revenue, Direct Costs and Operating Expenses has decreased significantly due to the cost restructuring and cost improvements made in 2013 and 2012.

Operating Expenses margin has decreased by 25 points from 34% in 2012 to 9% in 2013 or decreased by ₱40 million. The main cause of the decline is the decrease in personnel costs as SWA implemented a restructuring which was completed on the last quarter of 2012.

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:

| For the full year ended 31 December | 2013 | 2012 | Y13 vs Y11 |
|--|----------------|-------------|-------------------|
| Profit & Loss Data: | | | |
| Service Income | ₱21,778 | ₱13,655 | 59% |
| Gross Profit | 9,468 | 1,057 | 796% |
| EBITDA | 7,478 | (37,260) | 120% |
| Income from operations | 5,422 | (40,044) | 114% |
| Net Income | 5,404 | (40,382) | 113% |

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) | Y12 vs Y11 |
|------------------------------|-------------------|-------------------------------------|-------------------|
| 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, 2012 to December 31, 2013 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 Paxys Australia Pty. Ltd. (PAU) amounting to ₱120 million, interest earned of ₱43.9 million, proceeds from sale of Stellar Global Solutions Philippines, Inc. and Stellar Philippines (collectively, "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 Solutions Phils., Inc. (Simpro) and Paxys Global Services Dalian Ltd. (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 ₱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)

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

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; and
- 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** | 0.01:99.9 | 0.03:99.7 | 46% |
| Return on Equity*** | (2%) | (4%) | 53% |
| EBITDA Margin~ | (63%) | (33%) | (88%) |
| Net Income margin~ | (47%) | (37%) | (28%) |

~Excludes 2012 income from discontinuing operations.

* 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, 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.

GENERAL NATURE AND BUSINESS OF THE COMPANY

Paxys, Inc. (“Paxys” or the “Company”) is an investment holding company incorporated in the Philippines and listed on the Philippine Stock Exchange (stock symbol: PAX). In 2004, the Company’s principal shareholder undertook a reverse takeover of Paxys by injecting Advanced Contact Solutions, Inc. (“ACS”) in exchange for a controlling stake in the Company. ACS at that time was a major call center in the Philippines. Effectively, Paxys became the first call center firm to be listed on the Philippine Stock Exchange. Thereafter, Paxys made several other investments in the business processes outsourcing (BPO) industry and other related businesses by means of acquisitions and joint ventures. Due to exigencies of the business, Paxys sold all of its equity interests in ACS in January 2011 and henceforth divested most of its BPO assets. At present, the 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 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 14.97% 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.

Competition

Our competition within the global BPO services industry includes U.S.-based outsourcing companies and offshore BPO companies.

Philippines is among the top 3 choices for offshore operations due to its strategic business location, steady supply of competent workers and world-class telecom infrastructure.

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 2014 mainly include cash advances for working capital advances and are accounted for at arms-length prices. In 2014, Paxys granted cash advances in support of working capital requirements of ACS Pacific Limited amounting to ₱12.4 million

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 the Board of Investments (BOI). This certification entitles SWA to a three year Income Tax Holiday (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 ITH, but shall be entitled only to the 5% Gross Income Tax (5% 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.

Need for any government approval of principal products or services

None.

Effect of existing or probable governmental regulations on the business

The limitation and conditions on ScopeWorks imposed by BOI has already ended in November 2012.

In 2013, ScopeWorks 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 fiscal 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 273 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 around 211 (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.

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.

A. Market Price of and Dividends on the Registrant's Common Equity

(1) Market Information

(i) Principal market where common equity is traded:

Philippine Stock Exchange

(ii) 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 |
| 2016 | | |
| 1 st quarter | 3.11 | 2.30 |
| 2 nd quarter | 2.85 | 2.40 |
| 3 rd quarter | 3.20 | 2.45 |
| 2015 | | |
| 1 st quarter | 3.30 | 2.52 |
| 2 nd quarter | 3.39 | 2.80 |
| 3 rd quarter | 4.00 | 2.90 |
| 4 th quarter | 4.00 | 2.90 |
| 2014 | | |
| 1 st quarter | 2.72 | 2.13 |
| 2 nd quarter | 2.85 | 2.33 |
| 3 rd quarter | 3.17 | 2.28 |
| 4 th quarter | 3.20 | 2.80 |

As of September 30, 2016, last traded price for Paxys shares at the Philippine Stock Exchange was ₱2.56 per share.

(2) Holders

The number of stockholders of record as of October 28, 2016 in the Company's stock and transfer book was 717. The common shares issued as of September 30, 2016 is 1,148,534,866 based on the last Report on Number of Shareholders.

The list of the top 20 stockholders of Paxys common shares as of September 30, 2016 is stated hereunder:

| Name | No. of Shares Held | % To Total |
|--|---------------------------|-------------------|
| All Asia Customer Services Holdings Ltd. | 621,260,820 | 54.09% |
| PCD Nominee Corporation (Non-Filipino) | 464,003,762 | 40.40% |
| PCD Nominee Corporation (Filipino) | 61,287,312 | 5.34% |
| Kho, Jimmy Jao | 300,000 | 0.03% |
| Chua, Carmen | 216,276 | 0.02% |
| Granados, Juan P. | 158,112 | 0.01% |
| Yao Shiong Shio | 95,184 | 0.01% |
| Kaw Sek & Company | 86,088 | 0.01% |
| Lim, Ghee Keong | 81,800 | 0.01% |
| Paredes, Antonio | 79,728 | 0.01% |
| Urrutia, Kevin | 75,000 | 0.01% |
| Willis, Hugh Warren | 63,111 | 0.01% |
| Jalandoni, Rodegelio M. | 62,052 | 0.01% |
| Celis, Angela | 55,776 | 0.00% |
| Martinez, Emilio G. | 55,236 | 0.00% |
| Santiago, Eduardo A. | 37,920 | 0.00% |
| Tangco, Francisco F. | 37,896 | 0.00% |
| Co, Victor C. | 31,536 | 0.00% |
| Asiamerit Securities, Inc | 24,000 | 0.00% |
| Reyes, Leopoldo T. | 19,800 | 0.00% |
| Total | 1,148,031,409 | 99.96% |

(3) Dividends

There were no dividends declared to public for the last three (3) years. As of year-end 2014, there are no restrictions imposed on the Company on the declaration of cash or property dividends. There are no recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction.

(4) Recent Sales of Unregistered or Exempt Securities

(a) Securities Sold

Not applicable.

(b) Underwriters and Other Purchasers

Not applicable.

(c) Consideration

Not applicable.

(d) Exemption from Registration Claimed

Not applicable.

D. Compliance with Corporate Governance Practices

The Board of Directors and management, employees and shareholders of Paxys, Inc. firmly believe that good corporate governance is a key component of what constitutes sound strategic business management that will support its pursuit of sustainable long-term shareholder value. Our approach to governance is predicated on the belief that good governance is closely linked to the creation of long term shareholder value. The basic structures for the company's corporate governance are primarily contained in its Articles of Incorporation and By-laws, Manual on Corporate Governance and its Code of Ethics. The Board recognizes that it is accountable to the company's shareholders for good governance.

The Company continues to have four (4) Board Committees namely the Executive Committee, the Audit and Risk Management Committee, the Nominations Committee and the Compensation and Remuneration Committee. The Audit and Risk Management Committee, in keeping with regulatory requirements, has updated its Committee Evaluation and Rating System in 2012. Upon review of its charter and evaluation of its performance based on defined rating system, the Committee in 2012 assessed its performance to be satisfactory, able to engage the Board, management and other stakeholders in risk management, control and governance processes to bring about a positive impact while furthering the goals of the company.

Management and the Board continues to assess the company's risks and implements measures to curb and address its exposures while at the same time optimizing opportunities relative to these risks. The Company monetized several investments in 2012. The Company's strong liquidity allows it financial flexibility and prepared for future growth and business opportunities. Henceforth, the Company's Directors and management believes it has adequate resources to continue in operation and as such continue to adopt a going concern basis for the annual report.

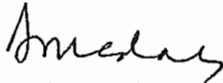
CERTIFICATION

Upon the written request of the stockholders, the Company undertakes to furnish said stockholder with a copy of SEC Form 17-A free of charge. Any written request for a copy of SEC 17A shall be addressed to the following:

Attention: Mark David P. Martinez
Corporate Secretary
15/F 6750 Ayala Office Tower
Ayala Avenue, Makati City

After reasonable inquiry and to the best of my knowledge and belief, we certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on 17 October 2016.

PAXYS, INC.

By: 
Tarcisio M. Medalla
Chairman and President


Mark David P. Martinez
Corporate Secretary

PAXYS, INC AND SUBSIDIARIES
LIST OF SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2015

| SCHEDULES | | REMARKS |
|--|--|---|
| Schedules Required Under Annex 68-E of the Securities Regulation Code Rule 68 | | |
| A. | Financial Assets | See supplementary schedule. |
| B. | Amounts Receivables from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties) | See supplementary schedule. |
| C. | Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements | See supplementary schedule. |
| D. | Intangible Assets | See supplementary schedule. |
| E. | Long-term Debt | None. |
| F. | Indebted to Related Parties | The total indebtedness to related parties does not exceed 5% of total assets. |
| G. | Guarantees of Securities of Other Issuers | None. |
| H. | Capital Stock | See supplementary schedule. |
| Other Required Information | | |
| I | Schedule of Philippine Financial Reporting Standards Effective as of December 31, 2015 | |
| J | Map showing the Relationship Between the Company and its related Parties | |
| K | Reconciliation of Retained Earnings Available for Dividend Declaration | |
| L | Schedule of Financial Ratios | |

Paxys Inc. and Subsidiaries
Schedule A: Financial Assets
December 31, 2015
(Amount in Thousands, except on no. of units)

| Name of issuing entity and association of each issue | Number of Shares or Principal Amount of Bonds | Amount Shown in the Statement of Financial Position | Income Received and Accrued |
|--|---|---|-----------------------------|
| Cash in Banks | | | |
| 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 | – | 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 |
| Cash Equivalents | | | |
| 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 |
| Available-for-Sale Financial Assets | | | |
| Fixed Income Investments: | | | |
| UBS – Bonds | \$3,000,000 | 137,012 | 848 |
| JPM - Bonds | \$2,000,000 | 94,871 | – |
| JPM - ARFI | \$1,000,000 | 47,100 | – |
| | | 278,983 | – |
| Investments in UITF: | | | |
| BDO | 924,506 units | 101,078 | – |
| | | 380,061 | 848 |
| Held-to-Maturity Securities | | | |
| UBS – Bonds | \$2,500,000 | 119,276 | 2,613 |
| JPM - Bonds | 350,000 | 16,629 | 396 |
| | | 135,905 | 3,009 |

(Forward)

| Name of issuing entity and association of each issue | Number of Shares or Principal Amount of Bonds | Amount Shown in the Statement of Financial Position | Income Received and Accrued |
|--|---|---|-----------------------------|
| Trade and Other Receivables – Net | | | |
| Trade | – | ₱13,132 | – |
| Due from related parties | – | 17,398 | – |
| Nontrade | – | 28,202 | – |
| Others | – | 12,610 | – |
| | | 71,342 | – |
| Rental and Security Deposits | | | |
| | | 5,239 | – |
| TOTAL | | ₱3,572,747 | ₱43,253 |

Paxys Inc. and Subsidiaries

Schedule B: Amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties)

December 31, 2015

(Amount 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 | ₱489 | ₱- | ₱448 | ₱- | ₱41 | ₱- | ₱41 |

PAXYS, INC.
Schedule C: Amounts Receivable from Related Parties
Eliminated during the Consolidation of Financial Statements
December 31, 2015
(Amount in Thousands)

Due from Related Parties

| | Balance at beginning of year | Additions | Amounts collected | Current | Noncurrent | Balance at end of year |
|---------------------------------|------------------------------------|-----------|----------------------|----------|------------|---------------------------|
| Paxys N.V. | ₱16,115 | ₱855 | ₱102 | ₱16,868 | ₱— | ₱16,868 |
| ScopeWorks Asia, Inc. | 59,973 | 1,384 | 1,453 | 59,904 | — | 59,904 |
| Paxys Global Services, Inc. | 63,314 | — | 392 | 62,922 | — | 62,922 |
| Paxys Global Services Ltd. | 46,467 | 55 | — | 46,522 | — | 46,522 |
| Paxys Ltd. | 10,632 | 120 | — | 10,752 | — | 10,752 |
| Paxys Global Services Ltd. ROHQ | 205 | — | — | 205 | — | 205 |
| | ₱196,706 | ₱2,414 | ₱1,947 | ₱197,173 | ₱— | ₱197,173 |

PAXYS, INC.
Schedule D: Intangible Assets
December 31, 2015
(Amount in Thousands)

| Description | Net Book Value, 1Jan2015 | Additions | Amortization | Net Book Value, 31Dec2015 |
|---|-----------------------------|-------------|-----------------|------------------------------|
| <u>With definite useful life</u> Website and Software Packages | ₱2,687 | ₱188 | (₱1,715) | ₱1,160 |

PAXYS, INC.
Schedule H: Capital Stock
December 31, 2015

| Title of Issue | Number of Shares Authorized | Number of shares issued and outstanding at shown under related balance sheet caption | Number of shares reserved for options, warrants, conversion and other rights | Number of shares held by related parties | Directors, officers and employees | Public ownership |
|----------------|-----------------------------|--|--|--|-----------------------------------|------------------|
| Common | 1,800,000,000 | 1,148,534,866 | | 976,466,515 | 219,800 | 171,848,551 |

**Schedule I: Schedule of Effective Standards and Interpretations
December 31, 2015**

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

Philippine Financial Reporting Standards (PFRSs)

| 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 12 | Disclosure of Interests in Other Entities | ✓ | | |
| | Amendments to PFRS 12: Transition Guidance | ✓ | | |
| | Amendments to PFRS 12: Investment Entities | ✓ | | |
| PFRS 13 | Fair Value Measurement | ✓ | | |

| PFRS | Title | Adopted | Not Adopted | Not Applicable |
|------|---|---------|-------------|----------------|
| | Amendment to PFRS 13: Portfolio Exception | | | ✓ |

Philippine Accounting Standards (PASs)

| 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 | ✓ | | |
| | 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 | Borrowing Costs | | | ✓ |

| PAS | Title | Adopted | Not Adopted | Not Applicable |
|------------------|---|---------|-------------|----------------|
| (Revised) | | | | |
| 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 | ✓ | | |
| | 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 | ✓ | | |

| PAS | Title | Adopted | Not Adopted | Not Applicable |
|--------|---|---------|-------------|----------------|
| | Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions | | | ✓ |
| | Amendments to PAS 39: The Fair Value Option | | | ✓ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | | | ✓ |
| | Amendments 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

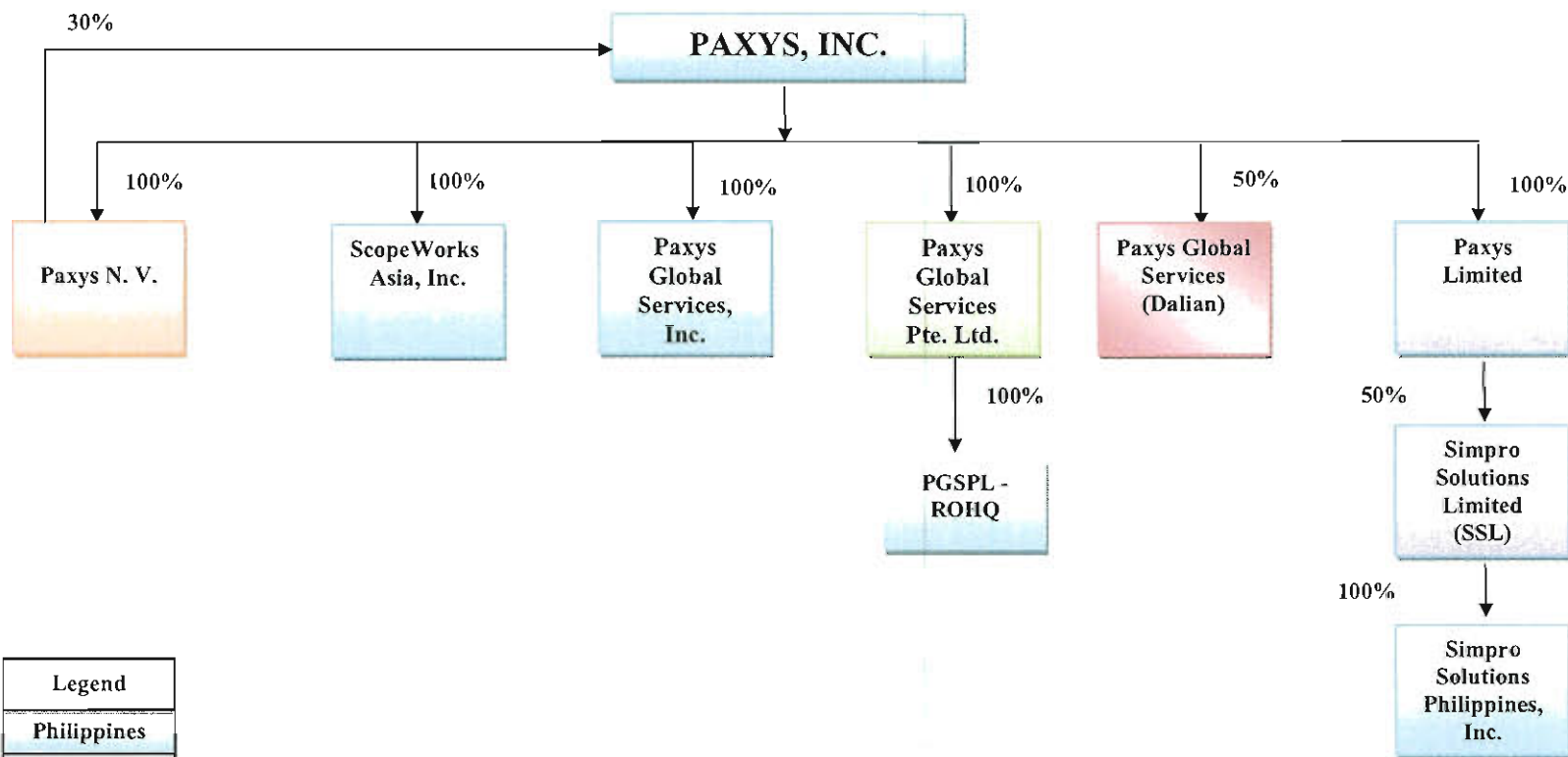
| No. | Title | Adopted | Not Adopted | Not Applicable |
|---------|---|---------|-------------|----------------|
| IFRIC 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities | | | ✓ |
| IFRIC 2 | Members' Share in Co-operative Entities and Similar Instruments | | | ✓ |
| IFRIC 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 | | | ✓ |

| No. | Title | Adopted | Not Adopted | Not Applicable |
|----------|---|---------|-------------|----------------|
| IFRIC 9 | Reassessment of Embedded Derivatives | | | ✓ |
| | Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives | | | ✓ |
| IFRIC 10 | Interim Financial Reporting and Impairment | | | ✓ |
| IFRIC 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

| | | | | |
|--------|--|---|--|---|
| 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 | ✓ | | |

PAXYS, INC.
 Schedule J: Group's Organizational Structure
 December 31, 2015



| Legend |
|-------------|
| Philippines |
| China |
| Singapore |
| Curacao |
| Hong Kong |

PAXYS, INC.

Schedule K: Reconciliation of Retained Earnings Available for Dividend Declaration

December 31, 2015

| | |
|--|----------------------|
| Deficit at beginning of year | (¥1,412,641) |
| Net unrealized foreign exchange loss in 2014 | 595,501 |
| 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) |
| Deficit at end of year | (¥26,258,014) |
| Reconciliation: | |
| Deficit at end of year as shown in the separate financial statements | (¥29,810,938) |
| Unrealized foreign exchange gain in 2015 | 3,660,677 |
| Unrealized foreign exchange gain in 2014 | (107,753) |
| Deficit at end of year | (¥26,258,014) |

PAXYS, INC.
Schedule L: Schedule of Financial Ratios
December 31, 2015

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

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 | 79.52:1 | 71.91:1 | (10%) |
| Debt to Equity Ratio | 0.01:1 | 0.02:1 | (100%) |
| Return on Equity | (.35%) | (1%) | 50% |
| EBITDA Margin | (3%) | (5%) | 51% |
| Net Income margin | (9%) | (14%) | 70% |


Republic of the Philippines)
Makati City) S.S.

UNDERTAKING

I, **MARK DAVID P. MARTINEZ**, of legal age, Filipino citizen, with office address at the 15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City, Philippines, after having been sworn into law hereby depose and state that:

1. I am the Corporate Secretary of **PAXYS, INC.** (the "Company"), a corporation duly organized in accordance with Philippine law with principal office at 15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City, Philippines;
2. I hereby undertake on behalf of the Company to submit to the Securities and Exchange Commission ("SEC") the Company's 3rd Quarter Report (SEC Form 17-Q) for 2016 and upload the same to the Company's website (www.paxys.com) once it becomes available. Copies of the report will also be distributed to the stockholders during the Annual Stockholders' Meeting on 6 December 2016; and
3. I am executing this Affidavit to attest to the truth of the foregoing and for whatever legal purpose it may serve.


IN WITNESS WHEREOF, I have signed this Affidavit on this **SEP 23 2016** at Makati City.


MARK DAVID P. MARTINEZ
Affiant

SUBSCRIBED AND SWORN on this **SEP 23 2016** at **MAKATI CITY**
affiant exhibiting to me the following competent evidence of identity:

| Name | Competent Evidence of Identity | |
|------------------------|--------------------------------------|---|
| | Type of ID and Number | Date and Place of Issue |
| Mark David P. Martinez | Philippine Passport No. EC0989976 | Issued on 2 May 2014 by DFA NCR East |

Doc. No. 287;
Page No. 57;
Book No. 349
Series of 2016.


ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M32
UNTIL DECEMBER 31, 2016
ROLL OF ATTY. NO. 48343
MCLE COMPLIANCE NO. BY 2016333/4-10-2713
BP O.R. No. 706762-LIFETIME MEMBER JAN. 20, 2007
PTR No. 532-35-05-JAN 04, 2016 MAKATI CITY
EXECUTIVE BLDG. CENTER
MAKATI AVE., COR., JUPITER

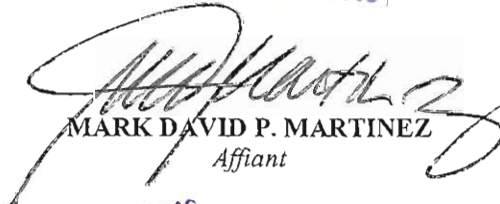
Republic of the Philippines)
Makati City) S.S.

CERTIFICATION

I, **MARK DAVID P. MARTINEZ**, of legal age, Filipino citizen, with office address at the 15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City, Philippines, after having been sworn into law hereby depose and state that:

1. I am the Corporate Secretary of **PAXYS, INC.** (the "Company"), a corporation duly organized in accordance with Philippine law with principal office at 15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City, Philippines;
2. I hereby certify that based on information provided to me, none of the following directors and officers of the Company, as of the date of this certification, are employed by and work for the Philippine Government:
 - a) Tarcisio M. Medalla
 - b) Roger Leo A. Cariño
 - c) Christopher B. Maldia
 - d) Lim Ghee Keong
 - e) Roberto A. Atendido
 - f) Jose Antonio A. Lichauco
 - g) George Y. Sycip
 - h) Sivam Kandavanam
 - i) Mark David P. Martinez
 - j) Ana Maria A. Katigbak
3. I have executed this certification to attest to the truth of the foregoing facts as required by the Securities and Exchange Commission.

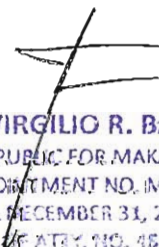
IN WITNESS WHEREOF, I have signed this Affidavit on this SEP 23 2016 at Makati City.


MARK DAVID P. MARTINEZ
Affiant

SUBSCRIBED AND SWORN on this SEP 23 2016 at MAKATI CITY affiant exhibiting to me the following competent evidence of identity:

| Name | Competent Evidence of Identity | |
|------------------------|--------------------------------------|---|
| | Type of ID and Number | Date and Place of Issue |
| Mark David P. Martinez | Philippine Passport No. EC0989976 | Issued on 2 May 2014 by DFA NCR East |

Doc. No. 281;
Page No. 48;
Book No. 2019
Series of 2016.


ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. IM32
UNTIL DECEMBER 31, 2016
ROLL OF ATTY. NO. 45348
MCLE COMPLIANCE NO. MA-0716333/4-10-2013
IBP O.R. No. 706762-11-11-2015 MEMBER J.A.P. 29,2009
PTR No. 532-85-03-14704, 2015 MAKATI CITY
EXECUTIVE BLDG. CENTER
MAKATI AVE., COR. JUPITER

Republic of the Philippines)
Makati City) S.S.

UNDERTAKING

I, **MARK DAVID P. MARTINEZ**, of legal age, Filipino citizen, with office address at the 15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City, Philippines, after having been sworn into law hereby depose and state that:

1. I am the Corporate Secretary of **PAXYS, INC.** (the "Company"), a corporation duly organized in accordance with Philippine law with principal office at 15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City, Philippines;
2. On behalf of the Company, I hereby undertake to submit the Company's Certification on the qualifications and disqualifications of its independent directors to the Securities and Exchange Commission within thirty (30) days after the Company's annual shareholders' meeting; and
3. I have executed the foregoing to confirm the Company's undertaking as required by the Securities and Exchange Commission.


IN WITNESS WHEREOF, I have signed this Affidavit on this SEP 23 2016 at Makati City.


MARK DAVID P. MARTINEZ
Affiant

SUBSCRIBED AND SWORN on this SEP 23 2016 at MAKATI CITY affiant exhibiting to me the following competent evidence of identity:

| Name | Competent Evidence of Identity | |
|------------------------|--------------------------------------|---|
| | Type of ID and Number | Date and Place of Issue |
| Mark David P. Martinez | Philippine Passport No. EC0989976 | Issued on 2 May 2014 by DFA NCR East |

Doc. No. 282
Page No. 58
Book No. 349
Series of 2016.


ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M32
UNTIL DECEMBER 31, 2016
ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. IV-0016333/4-10-2013
IBP O.R No. 706762-LIFETIME MEMBER JAN. 29, 2007
PTR No. 532-35-05- JAN 04, 2016 MAKATI CITY
EXECUTIVE BLDG. CENTER
MAKATI AVE., COR., JUPITER

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 5th day of April 2016

SUBSCRIBED AND SWORN TO BEFORE ME
ON THIS DAY OF APR 14 2016 AT THE
CITY OF MANILA AFFIANT EXHIBITING
HIS/HER COMPETENT IDENTITY NO. _____

DOC. NO. 2016
PAGE NO. 02
BOOK NO. 11
SERIES OF 11

ATTY. SOCORRO M. NEPOMUCENO

Notary public for and in the City, Metro Manila
NP No. 102-11110-10-03, 2013
Roll No. 50750; MCEP 05, 10, 15, 20, 25, 30, 35, 40, 45, 50, 55, 60, 65, 70, 75, 80, 85, 90, 95, 100, 105, 110, 2013
PTR No. 214300810000210-Quezon City
IBP No. 1012545 for 2013-2014-Quezon City
3rd Floor Vargas Building, 4103 Vargas Avenue
Diliman, Quezon City, 1104 Philippines

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

6 6 0 9

COMPANY NAME

P A X Y S , I N C . A N D S U B S I D I A R I E S

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

1 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

Form Type

A A C F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

-

Company's Telephone Number/s

(02) 908-7500

Mobile Number

-

No. of Stockholders

717

Annual Meeting (Month / Day)

Any day of May

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Mark David P. Martinez

Email Address

mark.martinez@paxys.com

Telephone Number/s

(02) 908-7500

Mobile Number

-

CONTACT PERSON'S ADDRESS

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

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

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

Paxys, Inc. and Subsidiaries

Consolidated Financial Statements December 31, 2015 and 2014 *(With Comparative Figures for 2013)*

With independent auditor's report provided by



REYES TACANDONG & Co.
FIRM PRINCIPLES WISE SOLUTIONS



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 |
|-------------------------------------|------|-------------|-------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 7 | P2,980,255 | P3,207,725 |
| 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 |
| Noncurrent Assets | | | |
| Property and equipment | 12 | 2,970 | 4,709 |
| Intangible assets | 13 | 1,160 | 2,687 |
| Other noncurrent assets | 14 | 11,907 | 11,870 |
| Total Noncurrent Assets | | 16,037 | 19,266 |
| | | P3,595,202 | P3,498,046 |
| LIABILITIES AND EQUITY | | | |
| Current Liabilities | | | |
| Trade and other payables | 15 | P44,565 | P47,715 |
| Income tax payable | | 445 | 665 |
| Total Current Liabilities | | 45,010 | 48,380 |
| Noncurrent Liabilities | | | |
| 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 |
| Equity | | | |
| 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 |
| | | P3,595,202 | P3,498,046 |

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 | | ₱134,700 | ₱150,509 | ₱158,295 |
| COST OF SERVICES | 19 | (118,933) | (132,527) | (133,714) |
| GROSS PROFIT | | 15,767 | 17,982 | 24,581 |
| GENERAL AND ADMINISTRATIVE EXPENSES | 20 | (79,608) | (84,727) | (109,127) |
| INTEREST INCOME | 7 | 43,253 | 38,850 | 43,888 |
| NET FOREIGN EXCHANGE GAIN (LOSS) | | 4,083 | (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 | 8,170 | 14,020 | 29,353 |
| LOSS BEFORE INCOME TAX | | (8,335) | (17,211) | (70,046) |
| CURRENT INCOME TAX EXPENSE | 23 | 4,234 | 3,638 | 3,822 |
| NET LOSS | | (12,569) | (20,849) | (73,868) |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| <i>Items to be reclassified to profit or loss</i> | | | | |
| Translation gain | | 118,402 | 19,147 | 268,794 |
| Unrealized gain (loss) on fair value changes on available-for-sale financial assets | 8 | (4,404) | 1,306 | 800 |
| <i>Item not to be reclassified to profit or loss</i> | | | | |
| Remeasurement gain (loss) on retirement liability | 16 | 3,430 | (1,180) | 3,224 |
| | | 117,428 | 19,273 | 272,818 |
| TOTAL COMPREHENSIVE INCOME (LOSS) | | ₱104,859 | (₱1,576) | ₱198,950 |
| BASIC/DILUTED LOSS PER SHARE | 24 | (₱0.02) | (₱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 |
|---|------|-------------|-------------|------------|
| CAPITAL STOCK | | | | |
| 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 |
| ADDITIONAL PAID-IN CAPITAL | | | | |
| Balance at beginning and end of year | 17 | 451,364 | 451,364 | 451,364 |
| PARENT SHARES HELD BY A SUBSIDIARY | | | | |
| 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) | - |
| OTHER EQUITY RESERVES | | | | |
| Cumulative Translation Adjustment | | | | |
| 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 |
| Fair Value Changes on Available-for-sale | | | | |
| Financial Assets | | | | |
| 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 |
| Cumulative Remeasurement Gain (Loss) | | | | |
| on Retirement Liability | | | | |
| 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 |
| RETAINED EARNINGS | | | | |
| 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 |
|---|------|-----------|-----------|-----------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| 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 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| 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 |
|---|------|-------------------|-------------------|-------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Purchase of Parent shares by a subsidiary | 17 | P- | (P1,107,646) | P- |
| Collection of subscription receivable | 17 | - | 34,420 | - |
| Net cash flows used in financing activities | | - | (1,073,226) | - |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | | |
| | | (349,957) | (929,378) | 34,841 |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | | | | |
| | | 122,487 | 30,004 | 172,164 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | | | |
| | | 3,207,725 | 4,107,099 | 3,900,094 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 7 | P2,980,255 | P3,207,725 | P4,107,099 |

See accompanying Notes to Consolidated Financial Statements.

PAXYS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(With Comparative Information for 2013)

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.

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).

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 Reconciliation 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.

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 or 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.

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 | ₱2,970 | ₱4,709 |
| Intangible assets | 13 | 1,160 | 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 | ₱2,970 | ₱4,709 |
| Intangible assets | 13 | 1,160 | 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).

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 |
| Results of Operations | | | | | |
| Revenue from external customers | R- | R134,700 | R- | R- | R134,700 |
| 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) |
| Net income (loss) | (R356) | R1,271 | R35,825 | (R49,309) | (R12,569) |
| Assets and Liabilities | | | | | |
| Assets | R108 | R58,395 | R5,187,257 | (R1,650,558) | R3,595,202 |
| Liabilities | 77,296 | 78,147 | 93,659 | (197,303) | 51,799 |
| Other Segment Information | | | | | |
| Capital expenditures: | | | | | |
| Property and equipment | R- | R1,039 | R- | R- | R1,039 |
| Intangible assets | - | 188 | - | - | 188 |
| Depreciation and amortization | - | 1,788 | 2,705 | - | 4,493 |
| <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 |
| Results of Operations | | | | | |
| Revenue from external customers | R4,540 | R145,969 | R- | R- | R150,509 |
| 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) |
| Net income (loss) | (R512) | R3,108 | R4,398 | (R27,843) | (R20,849) |
| Assets and Liabilities | | | | | |
| Assets | R830 | R60,700 | R5,115,546 | (R1,679,030) | R3,498,046 |
| Liabilities | 77,613 | 85,153 | 172,577 | (275,841) | 59,502 |
| Other Segment Information | | | | | |
| Capital expenditures: | | | | | |
| Property and equipment | R- | R2,683 | R238 | R- | R2,921 |
| Intangible assets | 404 | 565 | - | - | 969 |
| Depreciation and amortization | 2,811 | 2,213 | 4,708 | - | 9,732 |

| | 2013 | | | | |
|---|---------------|-----------------|----------------|------------------|------------------|
| | Call Center | Data Conversion | Others | Eliminations | Consolidated |
| Results of Operations | | | | | |
| 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) |
| Net income (loss) | R1,922 | R5,533 | R16,227 | (R97,550) | (R73,868) |
| Assets and Liabilities | | | | | |
| Assets | R21,982 | R61,196 | R5,024,929 | (R529,801) | R4,578,306 |
| Liabilities | (99,257) | (87,737) | (189,229) | 311,161 | (65,062) |
| Other Segment Information | | | | | |
| 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 | R134,700 | R139,923 | R109,313 |
| Speedscan Pty. Ltd. | - | - | 27,118 |
| Singnet Pte. Ltd. | - | - | 18,808 |
| | R134,700 | R139,923 | R155,239 |

7. Cash and Cash Equivalents

Cash and cash equivalents consists of:

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

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 | | ₹39,396 | ₹38,653 | ₹38,540 |
| HTM Securities | 8 | 3,009 | – | – |
| AFS financial assets | 8 | 848 | – | – |
| Escrow fund | | – | 197 | 5,348 |
| | | ₹43,253 | ₹38,850 | ₹43,888 |

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) | ₹278,983 | ₹50,602 |
| Fixed income investment | 101,078 | 135,753 |
| | ₹380,061 | ₹186,355 |

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 | ₹2,106 | ₹800 | ₹– |
| Unrealized gain (loss) | (4,404) | 1,306 | 800 |
| Balance at end of year | (₹2,298) | ₹2,106 | ₹800 |

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 | | ₱24,185 | ₱50,748 |
| Due from related parties | 18 | 55,735 | 34,364 |
| Nontrade | | 28,202 | 28,202 |
| Others | | 26,661 | 15,404 |
| | | 134,783 | 128,718 |
| Allowance for impairment losses | | (63,441) | (52,865) |
| | | ₱71,342 | ₱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 | | ₱11,053 | ₱27,761 | ₱14,051 | ₱52,865 |
| Provisions | 20 | – | 10,576 | – | 10,576 |
| Balance at end of year | | ₱11,053 | ₱38,337 | ₱14,051 | ₱63,441 |

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

10. Other Current Assets

This account consists of:

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

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

| | Note | 2015 | 2014 |
|------------------------------|------|----------------|---------|
| Balance at beginning of year | | ₱50,019 | ₱48,290 |
| Write-off | | (4,699) | – |
| Provisions | 20 | 2,448 | 1,729 |
| Balance at end of year | | ₱47,768 | ₱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 | 50.0% | 50.0% |
| Simpro | Hong Kong | Call center | 50.0% | 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 | ₱7,341 | ₱6,940 |
| Noncurrent assets | 1,660 | 2,283 |
| Current liabilities | (18,373) | (18,722) |
| Revenue | 32,342 | 32,600 |
| Net loss | (1,609) | (3,287) |

12. Property and Equipment

Movements in this account are as follows:

| | 2015 | | | | | |
|--|--------------------|-------------------------|------------------------|--|--------------------------|----------------|
| | Computer Equipment | Communication Equipment | Leasehold Improvements | Office Furniture, Fixtures and Equipment | Transportation Equipment | Total |
| Cost | | | | | | |
| 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) |
| Balance at end of year | 109,168 | 7,836 | 161,610 | 12,089 | 13,649 | 304,352 |
| Accumulated Depreciation and Amortization | | | | | | |
| 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) |
| Balance at end of year | 108,592 | 7,836 | 160,849 | 11,177 | 12,928 | 301,382 |
| Net Book Value | ₱576 | ₱- | ₱761 | ₱912 | ₱721 | ₱2,970 |
| | 2014 | | | | | |
| | Computer Equipment | Communication Equipment | Leasehold Improvements | Office Furniture, Fixtures and Equipment | Transportation Equipment | Total |
| Cost | | | | | | |
| 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) |
| Balance at end of year | 108,882 | 7,836 | 161,319 | 11,627 | 16,170 | 305,834 |
| Accumulated Depreciation and Amortization | | | | | | |
| 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) |
| Balance at end of year | 108,069 | 7,836 | 159,704 | 10,356 | 15,160 | 301,125 |
| Net Book Value | ₱813 | ₱- | ₱1,615 | ₱1,271 | ₱1,010 | ₱4,709 |

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 | | ₱2,778 | ₱6,333 | ₱10,133 |
| Intangible assets | 13 | 1,715 | 3,399 | 3,626 |
| | | ₱4,493 | ₱9,732 | ₱13,759 |

Depreciation and amortization are allocated as follows:

| | Note | 2015 | 2014 | 2013 |
|-------------------------------------|------|---------------|--------|---------|
| Cost of services | 19 | ₱1,368 | ₱1,527 | ₱4,279 |
| General and administrative expenses | 20 | 3,125 | 8,205 | 9,480 |
| | | ₱4,493 | ₱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 |
|---------------------------------|------|----------------|---------|
| Cost | | | |
| Balance at beginning of year | | ₱13,934 | ₱12,965 |
| Additions | | 188 | 969 |
| Balance at end of year | | 14,122 | 13,934 |
| Accumulated Amortization | | | |
| Balance at beginning of year | | 11,247 | 7,848 |
| Amortization | 12 | 1,715 | 3,399 |
| Balance at end of year | | 12,962 | 11,247 |
| Net Book Value | | ₱1,160 | ₱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 | ₱5,239 | ₱5,208 |
| Others | | 6,668 | 6,662 |
| | | ₱11,907 | ₱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 | | ₱7,694 | ₱7,915 |
| Nontrade | | 11,386 | 11,386 |
| Dividends | 17 | 6,554 | 6,554 |
| Statutory payables | | 6,215 | 7,239 |
| Accrued expenses | | | |
| Salaries and wages | | 3,281 | 3,071 |
| Professional fees | | 2,511 | 2,101 |
| Others | | 6,362 | 9,075 |
| Due to related parties | 18 | 53 | 53 |
| Others | | 509 | 321 |
| | | ₱44,565 | ₱47,715 |

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 | | (₱1,190) | ₱- | ₱- |
| Current service cost | | 214 | 2,037 | 2,257 |
| Interest cost | | 71 | 430 | 454 |
| Reversal of retirement liability | | - | (364) | - |
| | 21 | (₱905) | ₱2,103 | ₱2,711 |

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 |
| Curtailment 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 |
| Common Stock "Class A" - ₱1 par value | | | | |
| 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 | - | - | - | - |
| | 1,148,534,866 | ₱1,148,535 | 1,148,534,866 | ₱1,148,535 |

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 |
| | ₱451,364 |

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) |
|--|------|------------------------------|---------------------------------------|--------------------------------------|
| Joint Venture | | | | |
| PGS Dalian | 2015 | R4,131 | R8,679 | R- |
| | 2014 | - | 4,548 | - |
| Simpro* | 2015 | 6,408 | 7,554 | - |
| | 2014 | - | 1,146 | - |
| Entities with Common Stockholders | | | | |
| NGL Pacific Limited | 2015 | 46 | 2,173 | - |
| | 2014 | 13 | 2,127 | - |
| ACS Pacific Limited | 2015 | 10,786 | 33,457 | - |
| | 2014 | 12,434 | 22,671 | - |
| Others | 2015 | - | 3,872 | 53 |
| | 2014 | 151 | 3,872 | 53 |
| | 2015 | | R55,735 | R53 |
| | 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 R38.3 million and R27.8 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 | R10,587 | R10,256 | R10,585 |
| Other short-term benefits | 780 | 1,740 | 3,822 |
| | R11,367 | R11,996 | R14,407 |

19. Cost of Services

This account consists of:

| | Note | 2015 | 2014 | 2013 |
|------------------|------|---------|---------|---------|
| Personnel cost | 21 | R67,236 | R86,476 | R96,889 |
| Outside services | | 18,021 | 10,947 | - |
| Rent | 25 | 10,246 | 10,220 | 8,771 |
| Utilities | | 6,531 | 8,566 | 8,735 |
| Communication | | 4,811 | 5,237 | 5,205 |

(Forward)

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

20. General and Administrative Expenses

This account consists of:

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

21. Personnel Cost

This account consists of:

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

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 | ₱67,236 | ₱86,476 | ₱96,889 |
| General and administrative expenses | 20 | 17,120 | 21,056 | 35,486 |
| | | ₱84,356 | ₱107,532 | ₱132,375 |

22. Other Income

This account consists of:

| | Note | 2015 | 2014 | 2013 |
|---|------|---------------|---------|---------|
| Rent | 25 | ₱6,184 | ₱10,018 | ₱2,126 |
| Gain on disposal of property and equipment | 12 | 982 | 1,873 | 4 |
| Gain on redemption of AFS financial assets | 8 | 900 | — | — |
| Reversal of accruals | | — | 760 | 24,706 |
| Mark-to-market loss on derivative instruments | | — | — | (98) |
| Others | | 104 | 1,369 | 2,615 |
| | | ₱8,170 | ₱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 | ₱3,594 | ₱2,558 | ₱2,823 |
| MCIT | 515 | 1,080 | 999 |
| Special tax | 125 | — | — |
| | ₱4,234 | ₱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 | (₱2,483) | (₱5,163) | (₱21,014) |
| Income tax effects of: | | | |
| Expired NOLCO | 17,641 | 12,687 | — |
| Nondeductible expenses | 13,909 | 7,055 | 39,273 |
| Nontaxable income | (10,448) | (8,050) | (37,647) |
| Interest income subjected to final tax | (2,006) | (1,279) | (1,409) |
| Expired MCIT | 1,988 | 1,246 | 622 |
| Equity in earnings of joint ventures | — | — | (860) |
| Net changes in unrecognized deferred tax assets | (14,367) | (2,858) | 24,857 |
| | ₱4,234 | ₱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 | P33,187 | P47,624 |
| Allowance for impairment losses on receivables and input VAT | 21,773 | 19,283 |
| Retirement liability | 3,615 | 3,888 |
| Unrealized foreign exchange gain | (2,973) | (2,689) |
| MCIT | 2,594 | 4,067 |
| Accruals and provision | 322 | 712 |
| | P58,518 | P72,885 |

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 | P82,019 | (P23,215) | (P58,804) | P- | 2015 |
| 2013 | 52,702 | (6,528) | - | 46,174 | 2016 |
| 2014 | 24,026 | (2,126) | - | 21,900 | 2017 |
| 2015 | - | 42,549 | - | 42,549 | 2018 |
| | P158,747 | P10,680 | (P58,804) | P110,623 | |

MCIT

| Year Incurred | Balance as at December 31, 2014 | Additions | Expired | Balance as at December 31, 2015 | Available Until |
|---------------|---------------------------------|-------------|-----------------|---------------------------------|-----------------|
| 2012 | P1,988 | P- | (P1,988) | P- | 2015 |
| 2013 | 999 | - | - | 999 | 2016 |
| 2014 | 1,080 | - | - | 1,080 | 2017 |
| 2015 | - | 515 | - | 515 | 2018 |
| | P4,067 | P515 | (P1,988) | P2,594 | |

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) | (P12,569) | (P20,849) | (P73,868) |
| Issued and outstanding shares | 1,148,535 | 1,148,535 | 1,148,535 |
| Treasury shares | (345,622) | (345,622) | - |
| Weighted average number of shares issued and outstanding (b) | 802,913 | 802,913 | 1,148,535 |
| Basic/diluted loss per share (a/b) | (P0.02) | (P0.03) | (P0.06) |

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 | ₱10,246 | ₱10,220 | ₱8,771 |
| General and administrative expenses | 20 | 5,352 | 5,131 | 4,783 |
| | | ₱15,598 | ₱15,351 | ₱13,554 |

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

| | 2015 | 2014 |
|---|----------------|----------------|
| Within one year | ₱7,196 | ₱15,706 |
| After one year but not more than five years | 11,618 | 18,814 |
| | ₱18,814 | ₱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 | 511 | - | 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 ^(a) | ₱2,980,200 | ₱3,207,665 |
| Trade and other receivables | 71,342 | 75,853 |
| Rental and security deposits ^(b) | 5,239 | 5,208 |
| AFS financial assets | 380,061 | 186,355 |
| HTM securities | 135,905 | - |
| Total credit risk exposure | ₱3,572,747 | ₱3,475,081 |

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

^(b) 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 | | | |
| Loans and Receivables | | | | | | | |
| Cash and cash equivalents ^(a) | R2,980,200 | R- | R- | R- | R- | R- | R2,980,200 |
| 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 ^(b) | 5,239 | - | - | - | - | - | 5,239 |
| AFS Financial Assets | 380,061 | - | - | - | - | - | 380,061 |
| HTM Securities | 135,905 | - | - | - | - | - | 135,905 |
| | R3,514,537 | R2,743 | R4,114 | R51,353 | R58,210 | R63,441 | R3,636,188 |

^(a) Excluding cash on hand amounting to P55.

^(b) 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 | | | |
| Loans and Receivables | | | | | | | |
| Cash and cash equivalents ^(a) | R3,207,665 | R- | R- | R- | R- | R- | R3,207,665 |
| 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 ^(b) | 5,208 | - | - | - | - | - | 5,208 |
| AFS Financial Assets | 186,355 | - | - | - | - | - | 186,355 |
| | R3,463,156 | R3,969 | R828 | R7,128 | R11,925 | R52,865 | R3,527,946 |

^(a) Excluding cash on hand amounting to P60.

^(b) Included under "Other noncurrent assets."

The table below shows the credit quality of the financial assets classified as neither past due nor impaired as at December 31, 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 |
| Loans and Receivables | | | | | | |
| Cash and cash equivalents ^(a) | R2,980,200 | R- | R2,980,200 | R3,207,665 | R- | R3,207,665 |
| Trade and other receivables | 13,132 | - | 13,132 | 63,928 | - | 63,928 |
| Rental and security deposits ^(b) | 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 | - | - | - |
| | R3,514,537 | R- | R3,514,537 | R3,463,156 | R- | R3,463,156 |

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

^(b) Included under "Other noncurrent assets."

Credit Quality of Financial Assets

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

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

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

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk 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 | |
| Financial Assets | | | | | | |
| 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 |
| Total undiscounted financial assets | 3,467,164 | 5,707 | 3,567 | 47,299 | 49,010 | 3,572,747 |
| Financial Liabilities | | | | | | |
| 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 |
| Total undiscounted financial liabilities | 15,121 | - | 2 | - | 23,227 | 38,350 |
| Net undiscounted financial assets | R3,452,043 | R5,707 | R3,565 | R47,299 | R25,783 | R3,534,397 |

*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 | |
| Financial Assets | | | | | | |
| 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 |
| Total undiscounted financial assets | 3,461,916 | 1,083 | 271 | - | 11,811 | 3,475,081 |
| Financial Liabilities | | | | | | |
| 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 |
| Total undiscounted financial liabilities | 13,191 | 54 | - | - | 27,231 | 40,476 |
| Net undiscounted financial assets (liabilities) | R3,448,725 | R1,029 | R271 | R- | (R15,420) | R3,434,605 |

*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 |
| | <u>12,658</u> |
| Fair value of settled instruments | (12,658) |
| Balance at end of year | <u>₱-</u> |

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 |
| | <u>₱3,542,374</u> | <u>₱3,438,544</u> |

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 | - | - | - | - |
| | P515,966 | P5,239 | P- | P521,205 | P186,355 | P4,453 | P- | P190,808 |

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.

HAYDÉE 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

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.

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

| | |
|--|---------------|
| Deficit at beginning of year | (R1,412,641) |
| Net unrealized foreign exchange loss in 2014 | 595,501 |
| 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) |
| Deficit at end of year | (R26,258,014) |
| Reconciliation: | |
| Deficit at end of year as shown in the separate financial statements | (R29,810,938) |
| Unrealized foreign exchange gain in 2015 | 3,660,677 |
| Unrealized foreign exchange gain in 2014 | (107,753) |
| Deficit at end of year | (R26,258,014) |



**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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| C | Amounts Receivable from Related Parties which are eliminated during the consolidation of the financial statements | 3 |
| 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 |
|--|---|---|-----------------------------------|
| Cash in Banks | | | |
| 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 |
| Cash Equivalents | | | |
| 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 |
| Available-for-Sale Financial Assets | | | |
| 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 |
| Held-to-maturity Securities | | | |
| 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 |
|--|---|---|-----------------------------------|
| Trade and Other Receivables - Net | | | |
| Trade | – | ₱13,132 | ₱– |
| Due from related parties | – | 17,398 | – |
| Nontrade | – | 28,202 | – |
| Others | – | 12,610 | – |
| | – | 71,342 | – |
| Rental and Security Deposits | – | 5,239 | – |
| | | ₱3,572,747 | ₱43,253 |

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 |

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

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 Additions (Deductions) | Ending Balance |
|-------------------------------|----------------------|----------------------|--------------|------------------------------|--|----------------|
| Website and software packages | P2,687 | P188 | P1,715 | P- | P- | P1,160 |

SCHEDULE H

PAXYS, INC. AND SUBSIDIARIES

CAPITAL STOCK
AS AT DECEMBER 31, 2015

| Title of issue | Number of shares authorized | Number of shares issued and outstanding as shown under related consolidated statement of financial position caption | Number of shares reserved for options, warrants, conversion, and other rights | Number of shares held by related parties | Directors and officers | Others |
|---|--------------------------------|--|--|--|---------------------------|-------------|
| Common shares – “Class A” at \$1 par value | 1,800,000,000 | 1,148,534,866 | – | 976,466,515 | 219,800 | 171,848,551 |

PAXYS, INC. AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

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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. AND SUBSIDIARIES

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

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

Philippine Financial Reporting Standards (PFRS)

| PFRS | Title | Adopted | Not Adopted | Not Applicable |
|------------------|--|---------|----------------|-------------------|
| PFRS 1 (Revised) | First-time Adoption of Philippine Financial Reporting Standards | | | ✓ |
| | Amendments to PFRS 1: Additional Exemptions for First-time Adopters | | | ✓ |
| | Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters | | | ✓ |
| | Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters | | | ✓ |
| | Amendments to PFRS 1: Government Loans | | | ✓ |
| PFRS 2 | Share-based Payment | ✓ | | |
| | Amendments to PFRS 2: Vesting Conditions and Cancellations | ✓ | | |
| | Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions | ✓ | | |
| PFRS 3 (Revised) | Business Combinations | ✓ | | |
| | Amendment to PFRS 3: 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 | ✓ | | |

(For Individual Shareholders)

P R O X Y F O R M

That I/We, the undersigned stockholder(s) of PAXYS, INC., a Philippine Corporation, do hereby nominate, constitute and appoint _____, as my/our true and lawful attorney or proxy, with full power of substitution and revocation, to represent me/us and vote all shares registered in my/our name(s) on the books of said Corporation, at the Annual Shareholders' Meeting of the Corporation to be held on 6 December 2016 at the Manila Golf & Country Club, Harvard Road, Forbes Park, Makati City, Philippines, or any adjournment or adjournments thereof, or any and all matters and things that may come at said meetings or any adjournments thereof, as fully to all intents and purposes as I/We might or could do if personally present, hereby revoking any proxy or proxies heretofore given to vote such stock, and ratifying and confirming all that my/our above mentioned attorney or proxy or his/her/their substitute(s), may do or cause to be done by virtue of these presents.

In case of the non-attendance of my/our said attorney or proxy above named or his/her/their duly designated substitute(s) at any particular meeting, I/We hereby authorize and empower the Chairman of the meeting to fully exercise all rights as my/our attorney or proxy at such meeting. The power and authority hereby granted shall remain valid and effective until such time as the same is withdrawn by me/us through notice in writing delivered to the Corporate Secretary before the date of any such meeting or adjournment(s) thereof, or until the last day of the fifth year from the date hereof, whichever comes first, but shall be deemed suspended and inapplicable in instances where I personally attend the meeting.

I/we have hereunto set my/our hand(s) this _____ day of _____
_____ 2016, at _____.

Printed Name and Signature of Stockholder

Address

(For Corporate Shareholders)

SECRETARY'S CERTIFICATION

I, _____, of legal age, Filipino, and with office address at _____, do hereby certify that:

1. I am the duly appointed Corporate Secretary of _____ (the "Corporation"), a corporation duly organized and existing under laws of the Republic of the Philippines, with office address at _____.

2. Based on the records, during the lawfully convened meeting of the Board of Directors of the Corporation held on _____, the following resolutions were passed and approved:

"RESOLVED, That _____ be authorized and appointed, as he is hereby authorized and appointed, as the Corporation's Proxy (the "Proxy") to attend the Annual Shareholders' Meeting of PAXYS, INC. ("PAXYS") to be held on 6 December 2016 at the Manila Golf & Country Club, Harvard Road, Forbes Park, Makati City, Philippines or at any meeting postponed or adjourned therefrom, with full authority to vote the Corporation's shares of stock held in PAXYS and to act upon all matters and resolution that may come before or presented during meetings, or any adjournments thereof, in the name, place and stead of the Corporation.

RESOLVED FURTHER, That PAXYS be furnished with a certified copy of this resolution and PAXYS may rely on the continuing validity of this resolution until receipt of written notice of its revocation."

3. The foregoing resolution has not been modified, amended or revoked, and is in accordance with the records of the Corporation presently in my custody.

Corporate Secretary

Date and Place of Execution