Xurpas Inc. and Subsidiary

Consolidated Financial Statements
As at December 31, 2014, 2013, and January 1, 2013
and for the Years ended December 31, 2014 and 2013

and

Independent Auditors' Report

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Xurpas Inc. and Subsidiary

We have audited the accompanying consolidated financial statements of Xurpas Inc. and Subsidiary which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Xurpas Inc. and Subsidiary as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna

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PTR No. 4751262, January 5, 2015, Makati City

March 26, 2015

XURPAS INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31		January 1
	2014	2013 (As restated, Note 18)	2013 (As restated, Note 18)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 4 and 22)	**₱957,917,228**	₱86,502,675	₱20,779,934
Accounts receivable (Notes 5, 16 and 22)	**138,686,070**	83,431,446	53,021,034
Financial assets at fair value through profit or loss (Notes 6 and 22)	**500,431,059**	–	–
Other current assets (Note 7)	**5,311,291**	2,314,388	1,306,214
Total Current Assets	**1,602,345,648**	172,248,509	75,107,182
Noncurrent Assets			
Available-for-sale financial assets (Notes 8 and 22)	**3,827,123**	3,822,123	230,000
Investment in an associate (Note 9)	**33,220,576**	–	–
Property and equipment (Note 10)	**8,918,583**	4,260,999	3,104,610
Deferred tax assets - net (Note 17)	**4,967,223**	2,403,034	–
Other noncurrent assets	**1,179,491**	120,370	515,996
Total Noncurrent Assets	**52,112,996**	10,606,526	3,850,606
Total Assets	**₱1,654,458,644**	₱182,855,035	₱78,957,788
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables (Notes 11, 16 and 22)	**₱106,434,122**	₱38,440,439	₱22,064,191
Income tax payable	**22,608,350**	13,416,973	2,887,607
Total Current Liabilities	**129,042,472**	51,857,412	24,951,798
Noncurrent Liabilities			
Deferred tax liabilities - net (Note 17)	**9,208,973**	7,268,760	12,029,376
Pension liabilities (Note 18)	**25,649,287**	6,841,418	5,456,870
Total Noncurrent Liabilities	**34,858,260**	14,110,178	17,486,246
Total Liabilities	**163,900,732**	65,967,590	42,438,044
Equity			
Capital stock	**172,000,066**	3,250,000	3,250,000
Additional paid-in capital	**1,219,718,163**	–	–
Retained earnings	**98,539,176**	105,218,614	25,527,936
Net unrealized loss on available-for-sale financial assets	**(225,000)**	(230,000)	(220,000)
Actuarial gain (loss) on pension liabilities	**(10,737,981)**	13,475	–
Equity attributable to equity holders of Xurpas Inc. (Notes 8, 19 and 21)	**1,479,294,424**	108,252,089	28,557,936
Noncontrolling interests (Note 20)	**11,263,488**	8,635,356	7,961,808
Total Equity	**1,490,557,912**	116,887,445	36,519,744
Total Liabilities and Equity	**₱1,654,458,644**	₱182,855,035	₱78,957,788

See accompanying Notes to Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2014	2013 (As restated, Note 18)	2012 (As restated, Note 18)
REVENUE			
Service income (Note 12)	**₱378,315,389**	₱251,814,243	₱136,042,440
Interest income (Note 4)	**1,187,715**	174,986	111,930
Other income (Notes 6 and 10)	**12,715,666**	67,219	300
	392,218,770	252,056,448	136,154,670
COST AND EXPENSES			
Cost of services (Note 13)	**114,467,590**	89,084,360	63,955,454
General and administrative expenses (Note 14)	**38,610,641**	23,305,781	17,897,572
	153,078,231	112,390,141	81,853,026
INCOME BEFORE INCOME TAX	**239,140,539**	139,666,307	54,301,644
PROVISION FOR INCOME TAX (Note 17)	**48,421,091**	20,178,200	16,968,320
NET INCOME	**₱190,719,448**	₱119,488,107	₱37,333,324
OTHER COMPREHENSIVE INCOME			
Item that may be reclassified to profit or loss in subsequent periods:			
Unrealized gain on available-for-sale financial assets (Note 8)	**5,000**	(10,000)	20,000
Item that will not be reclassified to profit or loss in subsequent periods:			
Actuarial gain (loss) on pension liabilities, net of income tax effect (Note 18)	**(12,105,543)**	6,261	–
TOTAL COMPREHENSIVE INCOME	**₱178,618,905**	₱119,484,368	₱37,353,324
Net income attributable to:			
Equity holders of Xurpas Inc.	**₱182,070,562**	₱112,390,678	₱29,736,775
Noncontrolling interests (Note 20)	**8,648,886**	7,097,429	7,596,549
	₱190,719,448	₱119,488,107	₱37,333,324
Total comprehensive income attributable to:			
Equity holders of Xurpas Inc.	**₱171,324,106**	₱112,394,153	₱29,756,775
Noncontrolling interests (Note 20)	**7,294,799**	7,090,215	7,596,549
	₱178,618,905	₱119,484,368	₱37,353,324
Basic Earnings Per Share (Note 21)	**₱0.17**	₱0.26	₱0.06

See accompanying Notes to Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Years Ended December 31		
	2014	2013 (As restated, Note 18)	2012 (As restated, Note 18)
ATTRIBUTABLE TO EQUITY HOLDERS OF XURPAS INC.			
Capital stock (Note 19)			
Issued and outstanding			
Balance at beginning of year	**₱3,250,000**	₱3,250,000	₱3,250,000
Issuance of common shares through cash subscription	**168,750,066**	–	–
Balance at end of year	**172,000,066**	3,250,000	3,250,000
Additional paid-in capital (Note 19)			
Issuance of common shares through cash subscription	**1,219,718,163**	–	–
Retained earnings (Note 19)			
Appropriated			
Balance at beginning of year	**91,500,000**	–	–
Appropriations for dividend declaration	**97,250,000**	91,500,000	–
Release of appropriation for dividend declaration	**(188,750,000)**	–	–
Balance at end of year	**–**	91,500,000	–
Unappropriated			
Balance at beginning of year, as previously reported	**17,424,350**	28,481,090	21,955,730
Effect of restatement	**(3,705,736)**	(2,953,154)	(2,274,956)
Balance at beginning of year, as restated	**13,718,614**	25,527,936	19,680,774
Net income	**182,070,562**	112,390,678	29,736,775
Appropriations for dividend declaration	**(97,250,000)**	(91,500,000)	–
Release of appropriation for dividend declaration	**188,750,000**	–	–
Stock dividend	**(122,500,000)**	–	–
Cash dividend	**(66,250,000)**	(32,700,000)	(23,889,613)
Balance at end of year	**98,539,176**	13,718,614	25,527,936
	98,539,176	105,218,614	25,527,936
Net unrealized loss on available-for-sale financial assets (Note 8)			
Balance at beginning of year	**(230,000)**	(220,000)	(240,000)
Changes in fair value of available-for-sale financial assets	**5,000**	(10,000)	20,000
Balance at end of year	**(225,000)**	(230,000)	(220,000)

(Forward)

	Years Ended December 31		
	2014	2013 (As restated, Note 18)	2012 (As restated, Note 18)
Actuarial gain (loss) on pension liabilities, net of income tax effect (Note 18)			
Balance at beginning of year	**13,475**	–	–
Movement during the year	**(10,751,456)**	13,475	–
Balance at end of year	**(10,737,981)**	13,475	–
	1,479,294,424	108,252,089	28,557,936
NONCONTROLLING INTERESTS (Note 20)			
Balance at beginning of year, as previously reported	**9,732,087**	8,828,463	4,667,216
Effect of restatement	**(1,096,731)**	(866,655)	(665,846)
Balance at beginning of year, as restated	**8,635,356**	7,961,808	4,001,370
Net income	**8,648,886**	7,097,429	7,596,549
Dividends paid to noncontrolling interests	**(4,666,667)**	(6,416,667)	(3,636,111)
Actuarial losses on pension liabilities	**(1,354,087)**	(7,214)	–
Balance at end of year	**11,263,488**	8,635,356	7,961,808
	₱1,490,557,912	₱116,887,445	₱36,519,744

See accompanying Notes to Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2014	2013 (As restated, Note 18)	2012 (As restated, Note 18)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱239,140,539**	₱139,666,307	₱54,301,644
Adjustments for:			
Depreciation and amortization (Notes 13 and 14)	**2,810,842**	2,190,522	1,292,447
Pension expense (Note 18)	**1,514,237**	1,393,492	1,255,726
Provision for impairment losses (Note 14)	**1,828**	317,424	1,641,024
Unrealized foreign currency exchange (loss) gain	**(4,436)**	(67,219)	56,420
Gain from disposal of assets (Note 10)	**(58,517)**	–	–
Unrealized gain from financial assets at FVPL (Note 6)	**(431,059)**	–	–
Interest income (Note 4)	**(1,187,715)**	(174,986)	(111,930)
Provision for probable loss	**–**	–	1,620,501
Loss on write-off of property and equipment	**–**	–	579,356
Operating income before changes in working capital	**241,785,719**	143,325,540	60,635,187
Decrease (increase) in:			
Accounts receivable	**(54,752,342)**	(30,727,836)	(17,218,001)
Other current assets	**(2,996,903)**	(1,008,174)	1,923,440
Increase in accounts and other payables	**52,753,107**	16,376,248	290,431
Net cash generated from operations	**236,789,581**	127,965,778	45,631,057
Interest received	**683,605**	174,986	111,930
Income taxes paid	**(34,665,601)**	(16,815,167)	(6,379,793)
Net cash provided by operating activities	**202,807,585**	111,325,597	39,363,194
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Financial assets at FVPL (Note 6)	**(500,000,000)**	–	–
Available-for-sale financial assets (Note 8)	**–**	(3,602,123)	–
Investment in an associate (Note 9)	**(17,980,000)**	–	–
Property and equipment (Note 10)	**(7,447,866)**	(3,346,911)	(2,876,197)
Proceeds from disposal of property and equipment (Note 10)	**58,576**	–	–
Decrease (increase) in other noncurrent assets	**(1,079,740)**	395,626	(232,820)
Net cash used in investing activities	**(526,449,030)**	(6,553,408)	(3,109,017)

(Forward)

	Years Ended December 31		
	2014	2013 (As restated, Note 18)	2012 (As restated, Note 18)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of shares (Note 19)	**1,377,530,064**	–	–
Transaction cost (Note 19)	**(111,561,835)**	–	–
Dividends paid (Notes 19 and 20)	**(70,916,667)**	(39,116,667)	(27,525,724)
Net cash provided by (used in) financing activities	**1,195,051,562**	(39,116,667)	(27,525,724)
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH	**4,436**	67,219	(56,420)
NET INCREASE IN CASH	**871,414,553**	65,722,741	8,672,033
CASH AT BEGINNING OF YEAR	**86,502,675**	20,779,934	12,107,901
CASH AT END OF YEAR (Note 4)	**₱957,917,228**	₱86,502,675	₱20,779,934

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

Xurpas Inc. (the Parent Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on November 26, 2001. The Parent Company owns 65% of Fluxion, Inc. (the Subsidiary). The principal activities of the Parent Company and Subsidiary (collectively referred to as the Group) are to develop, produce, sell, buy or otherwise deal in products, goods or services in connection with the transmission, receiving, or exchange of voice, data, video or any form or kind of communication whatsoever.

The Parent Company's registered office address and principal place of business is at 7th Floor, Cambridge Centre, 108 Tordesillas St. Salcedo Village, Makati City. On May 5, 2014, the BOD approved the amended Articles of Incorporation to reflect the change in business address from its previous office address at 1903 Antel 2000 Corporate Centre 121 Valero St. Salcedo Village, Makati City and its principal place of business, which is also registered with BIR is at 24B Trafalgar Plaza, 105 HV Dela Costa St., Salcedo Village, Makati City. On June 25, 2014, the SEC certified the amended Articles of Incorporation amending the principal place of business.

On November 12, 2014, Philippine Stock Exchange (PSE) has approved the 344.00 million common shares at an offer price of ₱3.97 per share (₱1,365.68 million) for initial public offering of Xurpas Inc.

On November 13, 2014, the Securities and Exchange Commission (SEC) granted Xurpas Inc. permit to sell or offer its securities which consist of 1,720.00 million common shares.

On December 2, 2014, the Parent Company's shares of stock were listed in the Philippine Stock Exchange (PSE) (see Note 19).

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 26, 2015.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss and available-for-sale (AFS) financial assets which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), the Group's presentation currency. All amounts were rounded off to the nearest peso, except when otherwise indicated.

Statement of Compliance
The accompanying consolidated financial statements of the Group as at December 31, 2014 and 2013, and for each of the three years in the period ended December 31, 2014 have been prepared in accordance with Philippine Financial Reporting Standard (PFRS).

In view of the IPO, the Group prepared consolidated financial statements as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 in accordance with PFRS. The Group adopted full PFRS in view of their initial public offering on December 2, 2014. Accordingly, these are the Group's first annual financial statements prepared in accordance with PFRS. The Group applied PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*, in preparing these consolidated financial statements with January 1, 2011 as the date of transition. The Group previously prepared and filed its consolidated financial statements in accordance with PFRS for Small and Medium-Sized Entities.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Xurpas Inc. and its Subsidiary.

Investment in subsidiary represents 65% ownership in Fluxion, Inc. The Subsidiary is incorporated and domiciled in the Philippines which is engaged in mobile and internet systems design and programming languages, usability and social media.

The financial statements of the subsidiary are prepared for the same reporting year as the Parent Company using consistent accounting policies for like transactions and other events in similar circumstances.

The Subsidiary is consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continues to be consolidated until the date that such control ceases.

All intragroup balances, transactions, income, expenses, dividends and profits and losses resulting from intragroup transactions that are recognized in assets are eliminated in full.

Noncontrolling interests represent the portion of profit or loss and net assets in a subsidiary not wholly owned and are presented separately in the consolidated statement of comprehensive income and consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from the Parent Company's equity.

Total comprehensive income within a subsidiary is attributed to the noncontrolling interest even if that results in a deficit balance.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any noncontrolling interest and the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate

Adoption of New and Amended Accounting Standards and Group's Interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial years except for the adoption of the following new and amended PFRS and Philippine Interpretations which became effective beginning January 1, 2014. Except as otherwise stated, the adoption of these new and amended standards and Philippine Interpretations did not have any impact on the consolidated financial statements.

New and amended standards and interpretations

Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
These Amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10, *Consolidated Financial Statements*. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group, since none of the entities within the Group qualifies to be an investment entity under PFRS 10.

PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
The Amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The Amendments to PAS 32 are to be retrospectively applied. The Amendments affect presentation only on the Group's financial position or performance.

PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
These Amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement* on the disclosures required under PAS 36. In addition, these Amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These Amendments are effective retrospectively with earlier application permitted, provided PFRS 13 is also applied. The Amendments affect disclosures only and have no impact on the Group's financial position or performance.

PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
These Amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. The Group does not expect these Amendments to have an impact on its financial position and performance.

Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The Philippine Interpretation has no impact on the Group's future financial statements as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements to PFRSs (2010-2012 cycle)
In the 2010 – 2012 annual improvements cycle, seven Amendments to six standards were issued, which included an Amendment to PFRS 13, *Fair Value Measurement*. The Amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This Amendment has no impact on the Group.

Annual Improvements to PFRSs (2011-2013 cycle)
In the 2011 – 2013 annual improvements cycle, four Amendments to four standards were issued, which included an Amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards–First-time Adoption of PFRS*. The Amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This Amendment has no impact on the Group.

<u>Standards and interpretation issued but not yet effective</u>
The Group will adopt the following amended standards and Philippine Interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on the consolidated financial statements.

Standards issued but not yet effective

PFRS 9, *Financial Instruments - Classification and Measurement (2010 Version)*
PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities, as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 Version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption was moved to January 1, 2018 when the final version of PFRS 9 was adopted by Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by BOA.

Effective 2015

Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These Amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This Amendment is effective for annual periods beginning on or after January 1, 2015 and it is not expected that this would be relevant to the Group since the Group has no contributory defined benefit plan.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact to the Group. They include:

PFRS 2, *Share-based Payment – Definition of Vesting Condition*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same Parent Company
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

This amendment does not apply to the Group as it does not have share-based compensation.

PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
The Amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The Amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this Amendment for future business combinations.

PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The Amendments are applied retrospectively and clarify that:
- An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Amendments affect disclosures only and have no impact on the Group's consolidated financial position and performance.

PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets- Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
The Amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation and amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

PAS 24, *Related Party Disclosures – Key Management Personnel*
The Amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary Amendments to the following standards. The Amendments are effective for annual periods beginning on or after July 1, 2015 and are not expected to have a material impact on the Group unless otherwise stated. They include:

PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
The Amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
- Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

PFRS 13, *Fair Value Measurement – Portfolio Exception*
The Amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable).

PAS 40, *Investment Property*
The Amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective 2016

PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
The Amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The Amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These Amendments are not expected to have any impact to the Group given that it has not used a revenue-based method to depreciate its non-current assets.

PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)
The Amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the Amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The Amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The Amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These Amendments are not expected to have any impact to the Group as it does not have any bearer plants.

PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments)
The Amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The Amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These Amendments will not have any impact on the Group's consolidated financial statements.

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*
These Amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The Amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These Amendments are effective from annual periods beginning on or after January 1, 2016. The Group shall consider this amendment for future sale or contribution of assets of the Group to the joint venture.

PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
The Amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The Amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the Amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The Amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These Amendments are not relevant to the Group.

PFRS 14, *Regulatory Deferral Accounts*
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRSs (2012-2014 cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include:

PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
The Amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The Amendment also clarifies that changing the disposal method does not change the date of classification.

PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The Amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The Amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the Amendments.

PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
This Amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

PAS 19, *Employee Benefits - regional market issue regarding discount rate*
This Amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*
The Amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective 2018

PFRS 9, *Financial Instruments* - Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

The adoption of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.

PFRS 9, *Financial Instruments* (2014 or final version)
In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets but will have no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of adopting this standard.

The following new standard issued by the IASB has not yet been adopted by the FRSC:

IFRS 15, *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

<u>Cash and Cash Equivalents</u>
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amount of cash with original maturities of three (3) months or less from date of placement and that are subject to an insignificant risk of changes in value.

<u>Financial Instruments</u>
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Fair value measurement
The Group measures financial instruments at fair value at each reporting date.

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy (see Note 22).

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 period.

Initial recognition of financial instrument
Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at FVPL.

The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity investments (HTM), AFS investments and loans and receivables. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

Financial instruments are classified as liability 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 reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

As at December 31, 2014 and 2013, the Group’s financial instruments consist of loans and receivables, financial assets at FVPL, AFS financial assets and other financial liabilities.

'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 from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the profit or loss (interest income or interest expense and other financing charges accounts) unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'day 1' difference amount. Accounts receivable are recognized initially at original invoice amounts. These are subsequently carried at cost unless when it is collectible beyond one year, in which, they are carried at amortized cost using the effective interest method.

At the end of each reporting period, the carrying amount of receivables is reviewed to determine whether there is any objective evidence that the amount is not recoverable. Any impairment loss is recognized immediately in profit or loss. The amount of impairment 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 shall be reduced either directly or through the use of an allowance account.

Financial assets at FVPL
Financial assets at FVPL include financial assets held-for-trading and financial assets designated upon initial recognition as at FVPL.

Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at FVPL, except where the embedded derivatives does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at FVPL if any of the following criteria is met:
- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative that would need to be separately recorded.

Financial assets at FVPL are recorded in the consolidated statements of financial position at fair value, with changes in the fair value recorded in the consolidated statement of comprehensive income, included under "Other income" account.

As at December 31, 2014, the Group holds its investment in Unit Investment Trust Fund (UITF) Security Bank Peso money market fund as held for trading and classified these as financial assets at FVPL (see Note 6). As at December 31, 2013 and January 1, 2013, the Group has no financial assets at FVPL.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed 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 classified as other financial assets held for trading, designated as AFS investments or financial assets designated at FVPL. This accounting policy relates to "Cash and cash equivalents" and "Accounts receivable" accounts in the consolidated statements of financial position.

After initial measurement, accounts receivable are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in "Interest income" account in the profit or loss. The losses arising from impairment of such loans and receivables are recognized in the profit or loss as "Provision for impairment losses" under "General and administrative expenses" account. Accounts receivable are included in current assets if maturity is within 12 months from the reporting date.

AFS financial assets
AFS financial assets are those which are designated as such or do not qualify to be classified or designated as financial assets at FVPL, HTM financial assets, or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS financial assets include convertible bonds and equity investments.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in 'Net unrealized gain (loss) on available-for-sale financial assets' in the statement of comprehensive income until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is recognized in the profit or loss and removed from unrealized gain or loss on AFS financial assets. AFS financial assets which are not quoted are subsequently carried at cost less allowance for impairment losses.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any allowance for impairment losses.

The Group evaluated its AFS financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the forseeable future, the Group may reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the ability and intent to hold these assets for the forseeable future or until maturity. Reclassification to HTM financial assets category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

When the security is disposed of, the cumulative gain or loss previously recognized in changes in equity is recognized as 'Other income' in the profit or loss. Where the Group holds more than one investment in the same security these are deemed to be disposed of on a first-in first-out basis.

Interest earned on holding AFS financial assets is reported as interest income using the effective interest rate. Dividends earned on holding AFS financial assets are recognized in the profit or loss when the right to receive payment has been established. The losses arising from impairment of such financial assets are recognized as 'Provision for impairment losses' in the profit or loss.

The Group's AFS financial assets pertain to convertible bonds and quoted equity securities. AFS financial assets are included in current assets if expected to be realized within 12 months from the reporting date.

Other financial liabilities
Other financial liabilities pertains to issued financial instruments that are not classified or designated at FVPL and contains contractual obligations to deliver cash or another financial assets to the holder or to settle the obligation other than the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

This accounting policy applies primarily to the Group's "Accounts and other payables" (except "Taxes payable", "Deferred output VAT" and statutory payables included as "Others") and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Impairment of Financial Assets
The Group assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the profit or loss. Interest income continues to be recognized based on the original effective interest rate of the asset. Accounts receivable, together with associated allowance accounts, are written off when there is no realistic prospect of the future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of 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.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as customer type, credit history, past-due status and terms.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

AFS financial assets
For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its 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 that financial asset previously recognized in the profit or loss - is removed from other comprehensive income and recognized in the profit or loss as "Miscellaneous" under "General and administrative expenses" account. Impairment losses on equity investments are not reversed through the profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss and is recorded as part of "Interest income" account in the profit or loss. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the profit or loss, the impairment loss is reversed through the loss.

Derecognition of Financial Assets and Liabilities

Financial asset

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

a. the right to receive cash flows from the asset have expired;
b. 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
c. the Group has transferred its right 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 the risk and rewards of the asset but has transferred the control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over 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 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 repay.

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Group's statements 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.

Investment in an Associate

The Group's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

An investment is accounted for using the equity method from the day it becomes an associate. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the associate.

Under the equity method, the investment in an associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the associate, less any impairment in values. The consolidated statement of comprehensive income reflects the share of the results of the operations of the associate. The Group's share of post-acquisition movements in the associate's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate 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 investment.

The Group discontinues applying the equity method when their investment in associate is reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the associate. When the associate subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

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

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price and other directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. It excludes the cost of day-to-day servicing.

Major repairs are capitalized as part of property and equipment 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 against current operations as incurred.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the property and equipment which are as follows:

	Years
Transportation equipment	3
Office equipment	3 to 4
Information Technology (IT) equipment	4
Furniture and fixtures	3 to 5
Leasehold improvements	4 years or lease term, whichever is shorter

The estimated residual values, useful life and depreciation and amortization method are reviewed at least annually to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment. If there is an indication that there has been a significant change in depreciation and amortization rate or the useful lives, the depreciation of that property and equipment is revised prospectively to reflect the new expectations.

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

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged against current operations.

Intangible Assets

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

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested 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 the statement of profit or loss when the asset is derecognized.

Patents and trademarks

The Group made upfront payments to purchase patents and trademarks. The patents and trademarks have been granted for a period of 10 years by the relevant government agency without the option of renewal at the end of this period. As a result, those patents and trademarks are assessed as having a definite useful life and amortized over a ten year period.

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

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

The Group also determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount and the carrying value of the associate and recognizes the difference in the Group consolidated statement of income.

In assessing impairment indicators, the Group considers, as a minimum, the following indicators: (a) dividends exceeding the total comprehensive income of the associate in the period the dividend is declared; or (b) the carrying amount of the investment in the separate financial statements exceeding the carrying amount of the associate's net assets, including goodwill.

Pension Liability
The net pension liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any). The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

Remeasurements comprising actuarial gains and losses are recognized immediately in the statements of financial position with a corresponding debit or credit through other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Equity

Capital stock and additional paid-in capital

Capital stock is measured at par value for all shares issued. When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital". When the shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

The Group incurred various costs in issuing its own equity instruments. Those costs includes registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognized as an expense.

Retained earnings

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

Unappropriated retained earnings

Unappropriated retained earnings represent the portion of retained earnings that is free and can be declared as dividends to stockholders.

Appropriated retained earnings

Appropriated retained earnings represent the portion of retained earnings which has been restricted and therefore is not available for dividend declaration.

Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, and sales taxes, if any. The Group assesses its revenue recognition arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group is acting as principal in all arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Service income
Service income is recognized when the service has been rendered in accordance with the terms of the contract.

Interest income
Interest income is recognized as it accrues.

Other income
Other income is recognized as they accrue.

<u>Cost and Expenses</u>
"Cost of services" and "General and administrative expenses" are expenditures that arise in the course of the ordinary operations of the Group. The following specific recognition criteria must also be met before costs and expenses are recognized.

Cost of services
Cost that includes all expenses associated with the specific sale of services. Cost of services include salaries, wages and employee benefits, utilities and communication, supplies and other expenses related to services. Such costs are recognized when the related sales have been recognized.

General and administrative expense
General and administrative expenses constitute expenses of administering the business and are recognized in the profit or loss as incurred.

<u>Operating Leases</u>
The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of 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 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 a substantial change to the asset.

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

Group as lessee
Leases where the lessor retains substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Income Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting period.

Deferred tax

Deferred tax is provided using the balance sheet liability method on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic associates and interests in joint ventures.

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

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the financial reporting date. Movements in deferred tax assets and liabilities arising from changes in tax rates are charged or credited to income for the period.

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

Foreign Currency Transactions

Transactions denominated in foreign currencies are initially recorded in Philippine Peso at the exchange rate based on the Philippine Dealing and Exchange (PDEx) rate at the date of transaction. Foreign currency-denominated monetary assets and liabilities are retranslated at the closing PDEx rate at reporting date. Exchange gains or losses arising from foreign currency transactions are recognized in profit or loss.

Value-Added Tax (VAT)

Revenue, expenses and assets are recognized net of the amount of sales tax except:

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

The net amount of tax recoverable from, or payable to, the tax authority is included as part of other current assets or payables in the consolidated statements of financial position.

Earnings Per Share (EPS)
Basic EPS is computed by dividing net income for the year attributable to common stockholders of the parent by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year attributable to common stockholders of the parent by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares, if any.

Segment Reporting
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 markets. Financial information on business segments is presented in Note 24 of the consolidated financial statements.

Provisions
Provisions are recognized when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes 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 when an inflow of economic benefits is probable.

Events after the Reporting Period
Post year-end events up to date when the consolidated financial statements are authorized for issue that provide additional information about the Group's position at the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. Significant Accounting Judgments and Estimates and Assumptions

The preparation of the accompanying consolidated financial statements in compliance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments and estimates used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statement. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

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

Judgments

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

a. *Determining functional currency*

   The Group, based on the relevant economic substance of the underlying circumstances, has determined its functional currency to be the Philippine Peso. It is the currency of the economic environment in which the Group primarily operates.

b. *Existence of significant influence over an associate*

   The Group determined that it exercises significant influence over its associate (see Note 9) by considering, among others, its ownership interest (holding 20% or more of the voting power of the investee) and board representation.

c. *Operating lease commitments - Group as lessee*

   The Group has entered into contract of lease for the office space it occupies. The Group has determined, based on an evaluation of the terms and conditions of the arrangement, that the lessor retains all the significant risks and rewards of ownership of this property and so accounts for the contract as operating lease. In determining whether a lease contract is cancellable or not, the Group considers among others, the significance of the penalty, including the economic consequence to the Group. The Group accounts for its contract of lease as a noncancellable operating lease.

Management's Use of Estimates

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

Estimating allowance for impairment losses

The Group estimates the level of allowance for impairment losses on accounts receivable at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts.

These factors include among others, the length of the relationships with the customers, customers' payment behavior, known market factors, age and status of receivables. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis.

The amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year. An increase in allowance for impairment losses would increase the recorded operating expenses and decrease current assets.

The carrying values of the Group's accounts receivable amounted to ₱138.69 million and ₱83.43 million as at December 31, 2014 and 2013 respectively (see Note 5).

Evaluating impairment of AFS equity securities
The Group treats AFS equity securities as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more and 'prolonged' as greater than 6 months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities (Note 8).

The carrying values of the Group's AFS quoted equity securities amounted to ₱0.23 million and ₱0.22 million as at December 31, 2014 and 2013, respectively (see Note 8).

Estimating pension liabilities and other retirement benefits
The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. See Note 18 for the related balances.

Estimating useful lives of property and equipment
The Group estimates the useful lives of these assets based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives based on expected asset utilization as anchored on business plans and strategies that also consider expected future technological developments and market behavior. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives would increase the recorded depreciation and amortization expense and decrease noncurrent assets.

The net book value of property and equipment as of December 31, 2014 and 2013 amounted to ₱8.92 million and ₱4.26 million, respectively (see Note 10).

Evaluating impairment of nonfinancial assets
The Group assesses impairment on its other current assets, investment in an associate, property and equipment, and other noncurrent assets whenever events or changes in circumstances indicate that the carrying amount of the property and equipment and other current assets may not be recoverable. The factors that the Group considers important which could trigger an impairment review include significant underperformance relative to expected historical or projected future operating results and significant changes in the manner of use of the acquired assets or the strategy for overall business.

The carrying values of these nonfinancial assets follow:

	2014	2013
Other current assets (Note 7)	**₱5,311,291**	₱2,314,388
Investment in an associate (Note 9)	**33,220,576**	–
Property and equipment (Note 10)	**8,918,583**	4,260,999
Other noncurrent assets	**1,179,491**	120,370
	₱48,629,941	₱6,695,757

Recognizing deferred tax assets
The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient income will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized.

The Group's deferred tax assets amounted to ₱4.97 million, ₱2.40 million and ₱0.58 million as at December 31, 2014, 2013 and 2012, respectively (see Note 17).

Fair value of financial instruments
PFRS requires certain financial assets and liabilities to be carried at fair value or have the fair values disclosed in the notes, which requires use of extensive accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates and interest rates), the amount of changes in fair value would differ if the Group utilized different valuation methodology. Any changes in fair value of these financial assets and liabilities would affect directly the consolidated statement of comprehensive income and consolidated statement of changes in equity. Certain financial assets and liabilities of the Group were initially recorded at its fair value by using the discounted cash flow methodology. See Note 22 for the related balances.

4. **Cash and Cash Equivalents**

This account consists of:

	2014	2013
Cash on hand and in banks	**₱457,917,228**	₱86,502,675
Cash equivalents	**500,000,000**	–
	₱957,917,228	₱86,502,675

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

Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term rates.

Interest income earned from cash in banks and cash equivalents amounted to ₱1.19 million and ₱0.17 million for the years ended December 31, 2014 and 2013, respectively.

5. **Accounts receivable**

This account consists of:

	2014	2013
Trade receivables	**₱137,108,320**	₱81,020,066
Advances to employees	**665,563**	490,088
Interest receivable (Note 4)	**504,110**	−
Receivable from related parties (Note 16)	**381,188**	1,918,477
Others	**26,889**	2,815
	₱138,686,070	₱83,431,446

Trade receivables arise mainly from the mobile content development services rendered by the Group to its major customer, Globe Telecommunications, Inc. (GTI) and other telecommunication companies. These are noninterest-bearing and are generally settled on a 30- to 60-day term. As at December 31, 2014 and 2013, the Group's receivables from GTI amounted to ₱127.41 million and ₱76.92 million, respectively, which comprise 94% and 95%, respectively, of the total trade receivables (see Note 22).

Advances to employees pertain to noninterest-bearing salary loans made by the employees and are collectible in one year.

Receivable from related parties are noninterest-bearing and are due and demandable.

Others are noninterest-bearing and are generally collectible within one year.

6. **Financial Assets at Fair Value through Profit or Loss**

The Group invested in the Security Bank Peso Money Market Fund (the Fund) on December 9, 2014. The Fund, which is structured as a money market unit investment trust fund (UITF), aims to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments. As at December 31, 2014, the total Net Asset Value (NAV) and fair value of the Fund amounted to ₱500.43 million.

The fair value of the investment in UITF is valued at ₱124.10 NAV per unit as at December 31, 2014 and is determined using the valuation techniques. These valuation techniques maximize the use of observable market data where it is available such as quoted market prices or dealer quotes for similar instruments. Thus, the fair value measurement is categorized under Level 2 of fair value hierarchy.

For the year ended December 31, 2014, the Group recognized unrealized gain from financial assets at FVPL under "Other income" amounting to ₱0.43 million.

7. **Other Current Assets**

This account consists of:

	2014	2013
Deferred input VAT	**₱3,663,742**	₱1,670,213
Refundable deposits	**1,015,900**	374,371
Prepaid expenses	**631,649**	269,804
	₱5,311,291	₱2,314,388

Deferred input VAT represents input VAT related to the unpaid balances of the services availed by the Group. These will be recognized as input VAT and applied against output VAT upon payment. Any remaining balance is recoverable in the future periods.

Refundable deposits represent payments to and held by the lessor as security for the performance by the Group of all its obligations and compliance with all provisions of the lease agreements. These can be refunded within one year.

Prepaid expenses mainly include prepayments for rentals, and membership dues.

Creditable withholding taxes are available for offset against the income tax payable in the future periods.

8. **Available-for-Sale Financial Assets**

This account consists of:

	2014	2013
Unquoted		
Pico Candy Pte. Ltd. bonds	**₱3,602,123**	₱3,602,123
Quoted shares		
Club Punta Fuego	**225,000**	220,000
	₱3,827,123	₱3,822,123

The rollforward analysis of net unrealized loss on AFS financial asset follows:

	2014	2013
Balance at beginning of period	**(₱230,000)**	(₱220,000)
Unrealized gain (loss) on AFS financial asset	**5,000**	(10,000)
Balance at end of period	**(₱225,000)**	(₱230,000)

In August 2013, the Group invested in Pico Candy Pte. Ltd.'s bonds amounting to $0.10 million, which is equivalent to ₱3.60 million.

The quoted shares are categorized under the Level 1 of the fair value hierarchy.

9. Investment in an Associate

On December 11, 2014, the Parent Company acquired 11.76% stake for 13.33 million ordinary shares in Altitude Games PTE Ltd ("Altitude Games"), a Singaporean IT company engaged in computer game development and publishing. The Parent Company paid ₱17.98 million as consideration for the said investment.

On the same date, Mr. Nico Jose S. Nolledo, a stockholder, assigned his 11.36 million ordinary shares representing 10.02% ownership in Altitude Games pursuant to the Deed of Assignment to the Parent Company. Accordingly, the Parent Company recognized payable to a stockholder amounted to ₱15.24 million from the said assignment (see Note 16).

As of December 31, 2014, the Parent Company owns 21.78% ownership in Altitude Games resulting from the said acquisitions. The Parent Company owned a total of 24.69 million shares with par value of US$0.01 per share for a total consideration of US$740,800 or US$0.03 per share.

10. Property and Equipment

Rollforward of this account follows:

December 31, 2014

	Transportation Equipment	Office Equipment	IT Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Cost						
At beginning of year	**₱3,619,435**	**₱3,358,458**	**₱1,564,601**	**₱1,339,539**	**₱397,641**	**₱10,279,674**
Additions	**–**	**1,418,499**	**1,185,428**	**487,900**	**4,356,039**	**7,447,866**
Disposals and retirement	**–**	**(787,695)**	**–**	**(289,574)**	**(397,641)**	**(1,454,910)**
At end of year	**3,619,435**	**3,989,262**	**2,750,029**	**1,537,867**	**4,356,039**	**16,252,630**
Accumulated Depreciation and Amortization						
At beginning of year	**1,268,793**	**2,594,338**	**930,017**	**944,339**	**281,188**	**6,018,675**
Depreciation and amortization	**1,206,478**	**561,920**	**365,750**	**221,470**	**434,605**	**2,790,223**
Disposals and retirement	**–**	**(787,662)**	**–**	**(289,548)**	**(397,641)**	**(1,474,851)**
At end of year	**2,475,271**	**2,368,596**	**1,295,767**	**876,261**	**318,152**	**7,334,047**
Net Book Value	**₱1,144,164**	**₱1,620,666**	**₱1,454,262**	**₱661,606**	**₱4,037,887**	**₱8,918,583**

December 31, 2013

	Transportation Equipment	Office Equipment	IT Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Cost						
At beginning of year	₱1,196,500	₱2,926,245	₱3,360,495	₱1,310,119	₱397,641	₱9,191,000
Additions	2,422,935	432,213	462,343	29,420	–	3,346,911
Retirement	–	–	(2,258,237)	–	–	(2,258,237)
At end of year	3,619,435	3,358,458	1,564,601	1,339,539	397,641	10,279,674
Accumulated Depreciation and Amortization						
At beginning of year	239,300	2,217,045	2,807,527	740,406	82,112	6,086,390
Depreciation and amortization	1,029,493	377,293	380,727	203,933	199,076	2,190,522
Retirement	–	–	(2,258,237)	–	–	(2,258,237)
At end of year	1,268,793	2,594,338	930,017	944,339	281,188	6,018,675
Net Book Value	₱2,350,642	₱764,120	₱634,584	₱395,200	₱116,453	₱4,260,999

Depreciation and amortization for the years ended December 31, 2014 and 2013 are charged as follows:

	2014	2013
Cost of services (Note 13)	**₱431,572**	₱292,977
General and administrative expenses (Note 14)	**2,358,651**	1,897,545
	₱2,790,223	₱2,190,522

The Group retired fully depreciated and not in use property and equipment amounting to ₱1.39 million and ₱2.26 million as of December 31, 2014 and 2013, respectively.

The Group's fully depreciated property and equipment with aggregate cost of ₱3.14 million and ₱2.48 million are still in use as at December 31, 2014 and 2013, respectively.

In 2014, the Group disposed of its office equipment and furniture and fixtures costing ₱0.05 million for a gain of ₱0.06 million recognized under "Other income" account in the consolidated statements of comprehensive income.

11. Accounts and Other Payables

This account consists of:

	2014	2013
Taxes payable	**₱66,049,397**	₱8,848,969
Payable to related parties (Note 16)	**15,240,576**	11,228,326
Deferred output VAT	**10,056,886**	5,650,871
Trade payable	**9,258,583**	10,179,143
Accrued expenses	**5,407,804**	1,898,631
Others	**420,876**	634,499
	₱106,434,122	₱38,440,439

Taxes payable mainly consists of percentage tax imposed on proceeds from initial public offering (IPO) amounting to ₱54.63 million. This account also include output VAT after application of available input VAT and expanded withholding tax on payment to suppliers and employees' compensation which are settled within one year.

Deferred output VAT represents deferral of output VAT related to trade receivables for the services rendered by the Group. These will be recognized as output VAT and applied against input VAT upon receipt of payment.

Trade payable represents the unpaid subcontracted services and other cost of services to third parties. These are noninterest-bearing and are normally settled within one year.

Accrued expenses mainly consist of accruals for professional fees, utilities, transportation and travel and supplies. These are noninterest-bearing and are normally settled within one year.

Others consist of statutory payables to SSS, Philhealth and HDMF. These are noninterest-bearing and are normally settled within one year.

12. Service Income

Service income, amounting to ₱378.32 million, ₱251.81 million and ₱136.04 million for the periods ended December 31, 2014, 2013 and 2012, respectively, pertain to revenues earned from mobile content services and mobile application development services rendered by the Group to its major customer, GTI and other telecommunication companies.

For the years ended December 31, 2014, 2013 and 2012, the Group's revenue from GTI amounted to ₱362.65 million, ₱238.86 million and ₱118.50 million, respectively, which comprise approximately 96%, 95% and 87%, respectively, of the total service income of the Group.

13. Cost of Services

This account consists of:

	2014	2013	2012
Contractual services (Note 16)	**₱53,079,503**	₱37,505,321	₱18,159,451
Salaries, wages and employee benefits	**42,248,106**	33,712,834	27,202,803
Web hosting	**6,677,454**	7,702,567	7,527,663
Rent (Note 15)	**3,517,592**	1,859,345	1,816,836
Prizes and winnings	**1,992,172**	1,218,397	2,661,765
Seminar and trainings	**1,602,752**	500,000	44,400
Professional fees	**955,727**	3,407,184	3,502,608
Commission	**666,667**	1,055,556	380,556
Utilities	**472,652**	448,986	389,019
Depreciation and amortization (Note 10)	**452,191**	292,977	179,995
Transportation and travel	**214,442**	332,689	304,293
Others	**2,588,332**	1,048,504	1,786,065
	₱114,467,590	₱89,084,360	₱63,955,454

14. **General and Administrative Expenses**

This account consists of:

	2014	2013 (As restated, Note 18)	2012 (As restated, Note 18)
Salaries, wages and employee benefits	**₱11,057,166**	₱4,456,481	₱2,289,609
Professional fees	**7,690,432**	2,112,290	352,000
Transportation and travel	**2,755,095**	3,553,198	1,564,966
Supplies	**2,637,523**	3,581,395	2,110,539
Entertainment, amusement and recreation	**2,433,532**	2,284,633	1,455,960
Depreciation and amortization (Note 10)	**2,358,651**	1,897,545	1,112,452
Advertising	**1,792,787**	78,600	81,600
Taxes and licenses	**1,559,311**	385,854	696,881
Utilities	**1,324,074**	1,143,338	1,393,487
Marketing and promotions	**1,349,675**	711,415	604,414
Dues and subscription	**615,872**	509,672	319,684
Repairs and maintenance	**559,936**	471,035	108,613
Rent (Note 15)	**549,519**	326,785	283,771
Seminars and trainings	**395,011**	9,000	142,500
Insurance	**115,867**	602,340	297,543
Provision for impairment losses	**1,828**	317,424	1,641,024
Provision for probable loss	**–**	–	1,620,501
Miscellaneous	**1,414,362**	864,776	1,822,028
	₱38,610,641	₱23,305,781	₱17,897,572

Included in the amounts recognized as general and administrative expenses above are IPO-related costs as follows:

Professional fees	₱4,468,893
Advertisement	1,654,487
Taxes and licenses	1,130,384
Representation	99,000
Total	₱7,352,764

15. **Operating Lease Commitments**

The Group entered into various lease agreements with third parties for the office spaces it occupies. Leases have terms ranging from one to three years and renewable subject to new terms and conditions to be mutually agreed upon by both parties.

a. In 2012, the Parent Company executed a noncancellable lease contract with Trends and Technologies Holdings, Inc. for a period of two years commencing on May 1, 2012 and expiring on April 30, 2014. The lease contract may be renewed in writing by mutual agreement of the parties. The applicable rate per month is ₱0.10 million and a corresponding increase of 5% on the second year of the lease.

b. The Parent Company renewed its contract with Trends and Technologies Holdings, Inc. for a period of four months commencing on May 1, 2014 and expiring on August 31, 2014. The Parent Company has no intention to further extend the lease period beyond August 31, 2014 in anticipation of its transfer to a new office space by August 31, 2014. The applicable rate per month is ₱0.10 million.

c. The Parent Company entered into a noncancellable lease contract with Gervel, Inc. for office space for a period of three years commencing on April 1, 2014 and expiring on March 31, 2017. The lease contract may be renewed in writing by mutual agreement of the parties. The applicable rate per month is ₱0.20 million and a corresponding increase of 5% on the third year of the lease.

d. The Subsidiary entered into a lease agreement with Asian Diamond Plans, Inc. (AADI) for a period of three years commencing on April 30, 2011. The applicable rental rate per month is ₱0.07 million. In 2012, the Subsidiary entered into another agreement with AADI for the adjacent unit for a period of one year commencing on September 17, 2012 with an applicable rate of ₱0.02 million per month. On April 21, 2014, the Subsidiary extended its rent and parking lease agreement with AADI from May 1, 2014 to May 15, 2014.

e. The Subsidiary entered into a noncancellable lease agreement with TKS Holdings, Inc. for a period of one year commencing on May 1, 2014 and expiring on April 30, 2015 with an applicable rental rate per month of ₱0.17 million. The lease contract may be renewed in writing by mutual agreement of the parties.

Total rent expense charged under “Cost of services” and “General and administrative expenses” in the consolidated statements of comprehensive income amounted to ₱4.07 million, ₱2.19 million and ₱2.10 million for the years ended December 31, 2014, 2013 and 2012, respectively (see Notes 13 and 14).

As at December 31, 2014 and 2013, the future minimum lease payments under noncancellable operating leases follow:

	2014	2013
Within one year	**₱3,096,600**	₱685,382
After one year but not more than 5 years	**3,042,000**	–
	₱6,138,600	₱685,382

16. **Related Party Transactions**

The Group, in the normal course of business, has transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture.

Terms and conditions of transactions with related parties
There have been no guarantees provided or received for any related party receivables and payables. These accounts are noninterest-bearing and are generally unsecured. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties. Impairment assessment is undertaken through examination of the financial position of the related party and market in which this related party operates.

Details of transactions with related parties and their outstanding payables to a related party as at December 31, 2014 and 2013 follow:

			Amount/Volume		Outstanding Balance			
					2014		2013	
	Terms	**Conditions**	**2014**	2013	**Receivable**	**Payable**	Receivable	Payable
Affiliates								
Cost of services	Noninterest-bearing	Unsecured, no impairment	**₱27,732,429**	₱20,473,747	**₱–**	**₱–**	₱1,609,646	₱9,678,326
Advances	Noninterest-bearing	Unsecured, no impairment	–	–	**308,831**	–	308,831	–
			27,732,429	20,473,747	**308,831**	–	1,918,477	9,678,326
Stockholders								
Payable to a stockholder	Noninterest-bearing	Unsecured, no impairment	–	–	–	**15,240,576**	–	–
Advances	One year; noninterest-bearing	Unsecured, no impairment	**5,771,086**	1,550,000	**72,357**	–	–	1,550,000
			5,771,086	1,550,000	**72,357**	**15,240,576**	–	1,550,000
			₱33,503,515	₱22,023,747	**₱381,188**	**₱15,240,576**	₱1,918,477	₱11,228,326

Affiliates:

a. On January 1, 2011, the Parent Company entered into a service agreement with Digital Storm, Inc. (DSI), wherein the latter will render services in favor of the Parent Company. The services include promotion of mobile applications jointly developed with the Parent Company and assistance in the deployment such applications in the Parent Company's programs and events. In return, the Parent Company shall pay DSI a certain percentage of the revenues generated from such applications.

   DSI ceased operations on June 30, 2014 and it is currently in the process of dissolution. As a result, the key executives and officers of DSI joined the Parent Company.

b. Transactions from Starfish Mobile Technologies Pty. pertain to advances for its operating expenditures amounting to ₱0.31 million as at December 31, 2014 and 2013.

Stockholders:

a. On December 11, 2014, Mr. Nico Jose S. Nolledo, a stockholder, assigned his 11.36 million ordinary shares comprising 10.02% ownership in Altitude Games to the Parent Company. This amounts to ₱15.24 million and is still payable by the Parent Company as of December 31, 2014.

b. Transactions with stockholders also pertain to advances for reimbursement of common expenses incurred by the stockholders in behalf of the Group and advances for the acquisition of property and equipment and operating expenditures that were shouldered by the stockholders on the Group's behalf.

Key management compensation
Compensation of key management personnel pertaining to short-term employee benefits amounted to ₱12.18 million, ₱10.28 million and ₱9.06 million for the years ended December 31, 2014, 2013 and 2012, respectively.

17. Income Taxes

Provision for income tax for the years ended December 31, 2014, 2013 and 2012 consists of the following:

	December 31		
	2014	2013 (As restated, Note 18)	2012 (As restated, Note 18)
Current	**₱43,637,674**	₱27,972,942	₱9,155,778
Deferred	**4,564,113**	(7,829,491)	7,790,414
Final	**219,304**	34,749	22,128
	₱48,421,091	₱20,178,200	₱16,968,320

The components of the Group's net deferred taxes are as follows:

Net deferred tax assets:

	December 31		January 1,
	2014	2013 (As restated, Note 18)	2013 (As restated, Note 18)
Deferred tax assets arising from:			
Pension liability	**₱4,408,518**	₱709,490	₱575,851
Accrued expenses	**687,952**	1,695,087	–
Unrealized foreign currency exchange loss (gain)	**71**	(1,543)	–
Unrealized gain from financial assets at FVPL	**(129,318)**	–	–
Net deferred tax assets	**₱4,967,223**	₱2,403,034	₱575,851

Net deferred tax liabilities:

	December 31		January 1,
	2014	2013 (As restated, Note 18)	2013 (As restated, Note 18)
Deferred tax assets on:			
Pension liability	**₱3,286,268**	₱1,342,936	₱1,061,210
Accrued expense	**553,560**	507,765	1,334,373
Allowance for impairment loss	–	–	567,323
Unrealized foreign currency exchange	–	–	16,926
	3,839,828	1,850,701	2,979,832
Deferred tax liabilities on:			
Accrued income	**13,047,399**	9,100,838	15,585,059
Unrealized foreign currency exchange gain	**1,402**	18,623	–
	13,048,801	9,119,461	15,585,059
Net deferred tax liabilities	**₱9,208,973**	₱7,268,760	₱12,605,227

The reconciliation between the statutory and effective income tax rates for the years ended December 31, 2014, 2013 and 2012 follows:

	2014	2013 (As restated)	2012 (As restated)
Statutory income tax rate	**₱71,742,162**	₱41,899,892	₱16,290,493
Adjustments resulting from:			
Income under income tax holiday (ITH)	**(23,184,161)**	(21,770,528)	–
Interest income subjected to final tax	**(136,910)**	(17,748)	(11,450)
Nondeductible expenses	–	66,584	689,277
Provision for income tax	**₱48,421,091**	₱20,178,200	₱16,968,320

Registration with the Board of Investments (BOI)

On July 27, 2011 the Parent Company registered with the BOI as expanding IT service firm in the field of software development on a non-pioneer status with Certificate Registration No. 2011-147 which, incorporates the agreed terms and conditions of the Parent Company's registration, including all the fiscal and non-fiscal incentives available to the registered project as follows:

a. ITH for the period of three years from July 2011 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

b. Only income generated from the registered activity shall be entitled to ITH incentives. In the computation of ITH, a base figure of ₱81,407,344 shall be used, which is equivalent to the enterprise's highest attained sales for three years prior to application for expansion.

The Parent Company availed of its ITH incentive granted by the BOI amounted to ₱23.18 million, ₱21.77 million and nil for the years ended December 31, 2014, 2013 and 2012, respectively.

18. **Pension Liability**

The Group does not have an established retirement plan and only conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) which is of the defined benefit type and provides a retirement benefit equal to 22.5 days' pay for every year of credited service. The regulatory benefit is paid in a lump sum upon retirement.

The principal actuarial assumptions used to determine the cost of pension benefits with respect to the discount rate and salary increase rate were based on historical and projected rates. Annual cost is determined using the projected unit credit actuarial valuation method.

The components of pension expense (included in salaries and employee benefits under "General and administrative expenses") in the statements of comprehensive income are as follows:

	December 31		
	2014	2013 (As restated)	2012 (As restated)
Current service cost	**₱1,077,754**	₱1,060,077	₱999,036
Interest cost on defined benefit obligation	**436,483**	333,415	256,690
	₱1,514,237	₱1,393,492	₱1,255,726

Changes in the present value of the defined benefit obligation follow:

	December 31		January 1,
	2014	2013 (As restated)	2013 (As restated)
Balance at beginning of year	**₱6,841,418**	₱5,456,870	₱4,201,144
Current service cost	**1,077,754**	1,060,077	999,036
Interest cost on benefit obligation	**436,483**	333,415	256,690
Net actuarial (gains) losses	**17,293,632**	(8,944)	–
	₱25,649,287	₱6,841,418	₱5,456,870

Actuarial (gain) loss on defined benefit pension plan follows:

	December 31		
	2014	2013 (As restated)	2012 (As restated)
Balance at beginning of year	**(₱6,261)**	₱–	₱–
Actuarial (gain) loss on defined benefit obligation	**17,293,633**	(8,944)	–
Tax effect relating to actuarial gains (loss)	**(5,188,090)**	2,683	–
	₱12,099,282	(₱6,261)	₱–

The assumptions used to determine pension benefits of the Group are as follows:

	December 31		January 1,
	2014	2013	2013
Discount rate	**4.46%**	6.38%	6.11%
Salary projection rate	**5.00 - 8.00%**	5.00 - 8.00%	5.00 - 8.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption of the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

		Effect on DBO
Discount rate	(+) 1.0%	(18.3%)
	(−) 1.0%	22.9%
Salary increase rate	(+) 1.0%	21.4%
	(−) 1.0%	(17.6%)

The weighted average duration of defined benefit obligation at the end of the reporting period is 28.30 years.

The Group has no expected contribution for the retirement fund for next year.

The Group obtained an actuarial valuation report in 2014 based on PAS 19 Revised (PAS 19R), which was retroactively applied as of the beginning of the earliest period presented. The effects on the consolidated statements of financial position and statements of comprehensive income of the application of PAS 19R to the Group are as follows:

	December 31, 2013	January 1, 2013
Debit (credit)		
Consolidated statements of financial position		
Deferred tax asset	₱415,365	₱1,637,061
Pension liability	(1,384,548)	(5,456,870)
Actuarial gain on defined benefit pension plan	6,261	−
Retained earnings	(975,445)	3,819,809
Consolidated statements of comprehensive income		
Pension expense	₱1,393,492	₱1,255,726
Provision for deferred tax	(418,048)	(376,718)
Remeasurement gain on defined benefit pension plan	6,261	−

19. **Equity**

The details of the number of shares as at December 31, 2014 and 2013 follow:

	2014	2013
Authorized - common shares (₱0.10 par value in 2014; ₱1.00 par value in 2013 and 2012)	**5,000,000,000**	10,000,000
Issued and outstanding		
Balance at beginning of period	**3,250,000**	3,250,000
Issuance of new shares through:		
Stock dividends	**122,500,000**	–
Cash subscription	**11,850,066**	–
Effect of 10-to-1 share split	**1,238,400,594**	–
	1,376,000,660	3,250,000
Issuance through IPO	**344,000,000**	–
Balance at end of period	**1,720,000,660**	3,250,000

Capital Stock and Additional Paid-in Capital (APIC)
On May 2, 2014, the Parent Company's BOD approved the subscription and issuance of 6.75 million shares with par value of ₱1.00 per share from the unissued portion of its ₱10.00 million authorized capital stock.

On May 5, 2014, the Parent Company's BOD approved the following transactions:

- Increase in authorized capital stock from ₱10.00 million divided into 10.00 million shares with par value of ₱1.00 per share to ₱255.00 million divided into 255.00 million shares with par value of ₱1.00 per share.
- Amendments of the Parent Company's Articles of Incorporation to increase the authorized capital stock from ₱10.00 million to ₱255.00 million.
- Subscription of 61.25 million shares with par value of ₱1.00 per share, which is paid in the form of stock dividends. These represent twenty five percent of the additional increase in authorized capital stock.

On June 25, 2014, SEC approved these transactions.
On July 10, 2014, the Parent Company's BOD approved the following transactions:

- Increase in authorized capital stock from ₱255.00 million divided into 255.00 million common shares at the par value of ₱1.00 each to ₱500.00 million divided into 500.00 million common shares at the par value of ₱1.00 each.
- Amendments of the Parent Company's Articles of Incorporation to increase the authorized capital stock from ₱255.00 million to ₱500.00 million.
- Subscription of 61.25 million shares with par value of ₱1.00 per share, which is paid in the form of stock dividends. These represent twenty five percent of the additional increase in authorized capital stock.

On September 2, 2014, the SEC approved these transactions. In addition, the Parent Company issued the subscribed 61.25 million shares with par value of ₱1.00 per share and another 5.10 million shares with par value of ₱1.00 per share to selected executives and employees through cash subscription.

On September 3, 2014, the Parent Company's BOD approved decrease in the par value of the capital stock from ₱1.00 per share to ₱0.10 per share. Accordingly, the Parent Company applied for the Amendments Articles of Incorporation to decrease the par value of the capital stock. Accordingly, the Parent Company cancelled all the previously issued stock certificates and reissue new stock certificates to all stockholders effecting the 10-to-1 stock split.

On November 12, 2014, PSE has approved the 344.00 million common shares at an offer price of ₱3.97 per share (₱1,365.68 million) for the IPO of the Parent Company.

On November 13, 2014, SEC granted the Parent Company permit to sell or offer its securities which consist of 1,720.00 million common shares.

The Parent Company was publicly listed on December 2, 2014.

As at December 31, 2014, ₱172.00 million of the ₱500.00 million authorized capital stocks has been subscribed and issued, ₱122.55 million of which was issued through stock dividend declaration and the rest was paid in cash. The excess of subscription price over paid-up capital was recognized as APIC. The Parent Company incurred transaction costs incidental to the IPO amounting to ₱111.56 million and ₱7.35 million which were charged to "Additional paid-in capital" in the consolidated statement of financial position and "General and administrative expense" in the consolidated statement of comprehensive income, respectively.

Retained Earnings

Appropriations

On December 27, 2013, the Parent Company's BOD approved the appropriation of retained earnings for cash and stock dividend declaration amounting to ₱30.25 million and ₱61.25 million, respectively. These amounted to approximately ₱28.15 per share, or the aggregate amount of ₱91.50 million for distribution to its stockholders of record as at December 31, 2013 not later than November 30, 2014.

On May 5, 2014, the Parent Company's BOD approved the reversal of ₱91.50 million appropriations to unappropriated retained earnings to accommodate the stock and cash dividend declaration.

On June 25, 2014, the Parent Company's BOD approved the appropriation of unrestricted retained earnings for stock and cash dividend declaration amounting to ₱61.25 million and ₱36.00 million, respectively.

On August 20, 2014, the Parent Company's BOD approved the reversal of ₱97.00 million appropriations to unappropriated retained earnings to accommodate the stock and cash dividend declaration.

Dividends declaration
Information on the Group's declaration of dividends follow:

	Per Share	Amount	Date Record	Date Payment
Cash dividend declared on:				
September 20,2014	₱0.56	₱36,000,000	Jun 30, 2014	Sept. 30, 2014
June 5, 2014	0.47	30,250,000	Dec. 31, 2013	Jun. 30, 2014
November 18, 2013	5.13	16,666,667	Sept. 30, 2013	Nov. 29, 2013
July 22, 2013	1.03	3,333,333	Jun. 30, 2013	Jul. 31, 2013
May 6, 2013	0.83	2,700,000	Dec. 31, 2012	May 31, 2013
March 13, 2013	3.08	10,000,000	Dec. 31, 2012	Mar. 31, 2013
December 28, 2012	3.08	10,000,000	Dec. 31, 2012	Dec. 31, 2012
October 16, 2012	1.20	3,889,613	Sept. 30, 2012	Nov. 30, 2012
June 29, 2012	3.08	10,000,000	Jun. 30, 2012	Jun. 30, 2012
Stock dividend declared on:				
July 10, 2014	0.95 shares	61,250,000	Sept. 20, 2014	Sept. 20, 2014
May 5, 2014	18.85 shares	61,250,000	May 5, 2014	May 5, 2014

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 manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The Group's sources of capital follow:

	December 31 2014	December 31 2013 (As restated)	January 1, 2013 (As restated)
Capital stock	**₱172,000,066**	₱3,250,000	₱3,250,000
Additional paid-in capital	**1,219,718,163**	–	–
Retained earnings	**98,539,176**	105,218,614	25,527,936
	₱1,490,257,405	₱108,468,614	₱28,777,936

The Group is not subject to externally-imposed capital requirements. The Group regards its equity as its primary source of capital. No changes were made in the capital management policies during the years ended December 31, 2014, 2013 and 2012.

20. Noncontrolling Interests

Noncontrolling interests pertain to the 35% interest in Fluxion, Inc. that the Parent Company does not own:

	2014	2013	2012
Accumulated balances of noncontrolling interest	**₱11,263,488**	₱8,635,356	₱7,961,808
Profit allocated to noncontrolling interest	**8,648,886**	7,097,429	7,596,549
Other comprehensive income (loss) allocated to noncontrolling interest	**(1,361,301)**	(7,214)	–

The summarized financial information of Fluxion is provided below. This information is based on the amounts before inter-company elimination.

	December 31		January 1,
	2014	2013	2013
Statements of financial position			
Current assets	**₱68,028,120**	₱54,063,246	₱54,063,246
Noncurrent assets	**2,394,741**	2,949,127	2,949,127
Current liabilities	**18,078,259**	20,594,705	20,594,705
Noncurrent liabilities	**38,241,459**	32,339,918	32,339,918
Dividends paid to noncontrolling interests	**4,666,667**	6,416,667	3,636,111

		December 31	
	2014	2013	2012
Statements of comprehensive income			
Service income	**₱68,946,976**	₱61,914,484	₱58,175,156
Total comprehensive income attributable to:			
Equity holders of Xurpas Inc.	**16,062,216**	13,366,916	13,614,154
Noncontrolling interests	**7,294,799**	7,090,214	6,930,703

		December 31	
	2014	2013	2012
Statements of cash flows			
Net cash provided by operating activities	**₱12,170,832**	₱32,703,077	₱21,214,870
Net cash used in investing activities	**(1,085,544)**	(2,855,148)	(1,567,635)
Net cash used in financing activities	**(13,333,333)**	(18,333,330)	(10,388,888)

21. Earnings Per Share

The Group's basic earnings per share for the years ended December 31, 2014, 2013 and 2012 were computed as follows:

	2014	2013	2012
Net income attributable to the equity holders of the Parent Company	**₱182,070,562**	₱112,390,678	₱27,461,819
Weighted average number of outstanding shares	**1,064,690,970**	430,625,000	430,625,000
Earnings per share	**₱0.17**	₱0.26	₱0.06

Earnings per share is calculated using the consolidated net income attributable to the equity holders of the Parent Company divided by weighted average number of shares. To determine the weighted average number of shares, the stock dividend declaration, which was approved by the BOD on May 5, 2014 and issued on June 25, 2014, was retroactively adjusted.

22. Financial Instruments

Fair Value
The methods and assumptions used by the Group in estimating fair value of the financial instruments are as follows:

Cash and cash equivalents, accounts receivable and accounts and other payables (excluding "Taxes payable", "Deferred output VAT", and statutory payables included as "Others") - Carrying amounts approximate fair values due to the relatively short-term maturities of these instruments.

Financial assets at FVPL - These are investments in UITF. Fair value is based on NAV as at reporting dates.

AFS quoted equity security - Fair value is based on quoted prices published in the market and debt securities.

AFS unquoted equity security - This is carried at cost less allowance for impairment losses because fair value cannot be measured reliably due to lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value.

Fair Value Hierarchy
The Group uses the following three-level hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

AFS - quoted equity security amounting to ₱0.23 million and ₱0.22 million as at December 31, 2014 and 2013, respectively, were classified under Level 1 category.

Financial assets at FVPL - The fair value measurement are categorized under Level 2 of fair value hierarchy.

As at December 31, 2014 and 2013, the Group has no financial instruments under Level 3. There have been no reclassifications from Level 1 to Level 2 or 3 categories for the year ended December 31, 2014.

Financial Risk Management and Objectives and Policies
The Group's financial instruments comprise cash and cash equivalents, accounts receivable, financial assets at FVPL, AFS financial assets, and accounts and other payables (excluding taxes payable, deferred output VAT and statutory payables), which arise directly from operations. The main purpose of these financial instruments is to finance the Group's operations and to earn additional income on excess funds.

Exposure to credit risk, liquidity risk and foreign currency risk arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The Group's risk management policies are summarized below:

Credit Risk
Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation.

The Group's credit risk is primarily attributable to cash and cash equivalents (excluding "cash on hand") and accounts receivable. To manage credit risk, the Group monitors its exposure to credit risk on a continuous basis.

The Group entered into an agreement with GTI, wherein the former will provide mobile content services and mobile application development services to the latter in accordance with the service order and description specified in the service level agreement among the parties involved. The mobile content services include creation and development of mobile electronic content for delivery to GTI and distribution to GTI's mobile phone subscribers. Mobile application development, on the other hand, includes development and maintenance of its own platforms which host and enable mobile subscribers to access or use GTI's mobile content products.
The Group has concentration of credit risk with receivable from GTI, its largest customer, representing 94% and 95% of its total trade receivables as at December 31, 2014 and 2013, respectively (see Note 5). Recent economic condition and market segment of GTI shows its continuing growth and success.

The table below shows the gross maximum exposure to credit risk of the Group.

	Carrying Amount	Fair Value of Credit Enhancement	Financial Effect of Credit Enhancement	Maximum Exposure to Credit Risk
December 31, 2014				
Cash in bank	**₱456,200,343**	**₱1,500,000**	**₱1,500,000**	**₱454,700,343**
Cash equivalents	**500,000,000**	–	–	**500,000,000**
Accounts receivable				
Trade receivable	**137,108,320**	–	–	**137,108,320**
Advances to employees	**665,563**	–	–	**665,563**
Interest receivable	**504,110**	–	–	**504,110**
Receivable from related parties	**381,188**	–	–	**381,188**
Others	**26,889**	–	–	**26,889**
Financial assets at FVPL	**500,431,059**	–	–	**500,431,059**
AFS financial assets	**3,827,123**	–	–	**3,827,123**
Total	**₱1,599,144,595**	**₱1,500,000**	**₱1,500,000**	**₱1,597,644,595**
December 31, 2013				
Cash in bank	₱86,492,675	₱1,000,000	₱1,000,000	₱85,492,675
Accounts receivable				
Trade receivable	81,020,066	–	–	81,020,066
Advances to employees	490,088	–	–	490,088
Receivable from related parties	1,918,477	–	–	1,918,477
Others	2,815	–	–	2,815
AFS financial assets	3,822,123	–	–	3,822,123
Total	₱173,746,244	₱1,000,000	₱1,000,000	₱172,746,244

The credit enhancement on cash in bank pertains to the insured deposit covered by Philippine Deposit Insurance Corporation which shall not exceed ₱500,000 to any bona fide depositor for legitimate deposits in an insured bank net of any obligation of the depositor to the insured bank as at the date of closure.

The aging analysis of accounts receivable presented per class follows:

December 31, 2014

	Neither Past Due nor Impaired	Past Due but Not Impaired			Impaired Financial Assets	Total
		<30 days	30 to <90 days	>90 days		
Trade receivable	**₱74,190,980**	**₱44,279,844**	**₱4,469,610**	**₱14,167,886**	**₱–**	**₱137,108,320**
Advances to employees	**665,563**	–	–	–	–	**665,563**
Interest receivable	**504,110**	–	–	–	–	**504,110**
Receivable from related parties	**381,188**	–	–	–	–	**381,188**
Other receivables	**26,889**	–	–	–	–	**26,889**
	₱75,768,730	**₱44,279,844**	**₱4,469,610**	**₱14,167,886**	**₱–**	**₱138,686,070**

December 31, 2013

	Neither Past Due nor Impaired	Past Due but Not Impaired			Impaired Financial Assets	Total
		<30 days	30 to <90 days	>90 days		
Trade receivable	₱64,478,790	₱707,048	₱15,319,379	₱514,849	₱–	₱81,020,066
Advances to employees	490,088	–	–	–	–	490,088
Receivable from related parties	1,918,477	–	–	–	–	1,918,477
Other receivables	2,815	–	–	–	–	2,815
	₱66,890,170	₱707,048	₱15,319,379	₱514,849	₱–	₱83,431,446

The tables show the credit quality by class of the Group's financial assets as at December 31, 2014 and 2013.

December 31, 2014

	Neither Past Due nor Impaired			**Past due but not Impaired**	**Impaired Financial Assets**	**Total**
	High Grade	**Medium Grade**	**Low Grade**			
Cash in banks and cash equivalents	**₱956,200,343**	**₱–**	**₱–**	**₱–**	**₱–**	**₱956,200,343**
Accounts receivable:						
Trade receivable	**74,190,980**	**–**	**–**	**62,917,340**	**–**	**137,108,320**
Advances to employees	**665,563**	**–**	**–**	**–**	**–**	**665,563**
Interest receivable	**504,110**					**504,110**
Receivable from related parties	**381,188**	**–**	**–**	**–**	**–**	**381,188**
Other receivables	**26,889**	**–**	**–**	**–**	**–**	**26,889**
Financial assets at FVPL	**500,431,059**	**–**	**–**	**–**	**–**	**500,431,059**
AFS financial assets	**3,827,123**	**–**	**–**	**–**	**–**	**3,827,123**
	₱1,536,227,255	**₱–**	**₱–**	**₱62,917,340**	**₱–**	**₱1,599,144,595**

December 31, 2013

	Neither Past Due nor Impaired			Past due but not Impaired	Impaired Financial Assets	Total
	High Grade	Medium Grade	Low Grade			
Cash in banks and cash equivalents	₱86,492,675	₱–	₱–	₱–	₱–	₱86,492,675
Accounts receivable:						
Trade receivable	64,478,790	–	–	16,541,276	–	81,020,066
Advances to employees	490,088	–	–	–	–	490,088
Receivable from related parties	1,918,477	–	–	–	–	1,918,477
Other receivables	2,815	–	–	–	–	2,815
AFS financial assets	3,822,123	–	–	–	–	3,822,123
	₱157,204,968	₱–	₱–	₱16,541,276	₱–	₱173,746,244

The credit quality of the financial assets was determined as follows:

Cash in banks and cash equivalents, financial assets at FVPL and AFS financial assets - based on the nature of the counterparty and the Group's rating procedure. These are held by counterparty banks with minimal risk of bankruptcy and are therefore classified as high grade.

Accounts receivable - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to three defaults in payment; and low grade pertains to receivables with more than three defaults in payment.

Liquidity Risk
Liquidity risk is the risk that the Group will be unable to meet its obligations as they fall due. The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirement, finance capital expenditures and service maturing debts. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds and available short-term and long term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD.

The maturity profile of the Group's financial assets and financial liabilities at December 31, 2014 and 2013 are based on contractual undiscounted payments.

As at December 31, 2014 and 2013, the Group's financial assets and financial liabilities have a maturity of less than one year.

23. Segment Reporting

The industry segments where the Group operates follow:

- Mobile consumer products and services - includes airtime management, content development and management and marketing and advertising solutions
- Mobile enterprise - includes platform development and customization, system integration, mobile platform consultancy services, management of off-the-shelf application and social media related services

The following tables regarding business segment revenue and profit information for the years ended December 31, 2014, 2013 and 2012:

2014

	Mobile consumer products and services	**Mobile enterprise**	**Intersegment Adjustments**	**Consolidated**
Service income	**₱309,368,413**	**₱68,946,976**	**₱–**	**₱378,315,389**
Cost and expenses	**119,280,341**	**33,797,890**	**–**	**153,078,231**
Operating profit	**190,088,072**	**35,149,086**	**–**	**225,237,158**
Dividend income	**8,666,667**	**–**	**(8,666,667)**	**–**
Interest income	**1,124,502**	**63,213**	**–**	**1,187,715**
Other income	**12,635,736**	**79,930**	**–**	**12,715,666**
Provision for income tax	**(37,839,965)**	**(10,581,126)**	**–**	**(48,421,091)**
Net income	**₱174,675,012**	**₱24,711,103**	**(₱8,666,667)**	**₱190,719,448**
Net income attributable to:				
Equity holders of Xurpas Inc.				**₱182,070,562**
Noncontrolling interests				**8,648,886**
				₱190,719,448

2013

	Mobile consumer products and services	Mobile enterprise	Intersegment Adjustments	Consolidated
Service income	₱190,011,822	₱61,802,421	₱–	₱251,814,243
Cost and expenses	79,532,381	32,857,760	–	112,390,141
Operating profit	110,479,441	28,944,661	–	139,424,102
Dividend income	11,916,667	–	(11,916,667)	–
Interest income	124,998	49,988	–	174,986
Other income	–	67,219	–	67,219
Provision for income tax	(11,399,847)	(8,778,353)	–	(20,178,200)
Net income	₱111,121,259	₱20,283,515	(₱11,916,667)	₱119,488,107
Net income attributable to:				
Equity holders of Xurpas Inc.				₱112,390,678
Noncontrolling interests				7,097,429
				₱119,488,107

2012

	Mobile consumer products and services	Mobile enterprise	Intersegment Adjustments	Consolidated
Service income	₱77,916,174	₱58,126,266	₱–	₱136,042,440
Cost and expenses	52,695,533	29,157,493	–	81,853,026
Operating profit	25,220,641	28,968,773	–	54,189,414
Dividend income	6,752,777	–	(6,752,777)	–
Interest income	63,340	48,590	–	111,930
Other income	–	300	–	300
Provision for income tax	(7,752,666)	(9,215,654)	–	(16,968,320)
Net income	₱24,284,092	₱19,802,009	(₱6,752,777)	₱37,333,324
Net income attributable to:				
Equity holders of Xurpas Inc.				₱29,736,775
Noncontrolling interests				7,596,549
				₱37,333,324

The following tables regarding business segment assets and liabilities as at December 31, 2014 and 2013:

December 31, 2014

	Mobile consumer products and services	**Mobile enterprise**	**Intersegment Adjustments**	**Consolidated**
Other information				
Segment assets	**₱1,582,920,131**	**₱70,422,861**	**(₱3,851,571)**	**₱1,649,491,421**
Deferred tax assets	**4,967,223**	**–**	**–**	**4,967,223**
Total Assets	**1,587,887,354**	**70,422,861**	**(3,851,571)**	**1,654,458,644**
Segment liabilities	**125,659,274**	**29,032,485**	**–**	**154,691,759**
Deferred tax liabilities	**–**	**9,208,973**	**–**	**9,208,973**
Total Liabilities	**₱125,659,274**	**₱38,241,458**	**₱–**	**₱163,900,732**

December 31, 2013

	Mobile consumer products and services	Mobile enterprise	Intersegment Adjustments	Consolidated
Other information				
Segment assets	₱127,291,199	₱57,012,373	(₱3,851,571)	₱180,452,001
Deferred tax assets	2,403,034	–	–	2,403,034
Total Assets	129,694,233	57,012,373	(3,851,571)	182,855,035
Segment liabilities	33,627,673	25,071,157	–	58,698,830
Deferred tax liabilities	–	7,268,760	–	7,268,760
Total Liabilities	₱33,627,673	₱32,339,917	₱–	₱65,967,590

24. Events After Reporting Period

On February 26, 2015, the Parent Company and Storm Flex Systems, Inc. ("Storm") signed a deal that will give the Parent Company 37,565 common shares or a 51% stake in Storm and other rights through primary and secondary issuances, for a total consideration of US$4.30 million or ₱190.89 million.

Storm is a human resource consultancy firm which has developed a proprietary platform called the "flex benefits system" that allows employees to convert their employee benefits to other benefits such as gadgets and dining, a private carpool system, doctor consultations on demand, and even donations for charitable causes.

The following table represents the unaudited pro forma income statement of the Group and the acquired Storm portfolios as of December 31, 2014 have the acquisition been made as of January 1, 2014:

	Pro Forma* (Unaudited)
Total sale of services	₱403,424,607
Net income attributable to equity holders of Xurpas Inc.	181,736,024
Basic earnings per share	0.16

**The pro forma financial results assume that the acquisition of Storm occurred on January 1, 2014 and are not necessarily indicative of the actual results that would have occurred had those transactions been completed on that date.*

25. **Notes to Statement of Cash Flow**

The Group's noncash operating and investing activities pertain to the following:

- Accounts payable arising from assignment of shares by Mr. Nico Jose S. Nolledo, a stockholder, in Altitude Games Pte. Ltd., amounting to ₱15.24 million.

- Accrual for taxes payable pertaining to percentage tax to be paid in relation to sale of stocks in the public amounting to ₱54.63 million.

- Interest receivable for the period amounting to ₱0.50 million arising from interest income earned in cash equivalents.

- Pension expense amounting to ₱1.51 million as part of their retirement plan for their employees.

XURPAS INC. AND SUBSIDIARY
INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Schedule	Contents
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Intangible Assets - Other Assets
E	Long-Term Debt
F	Indebtedness to Related Parties
G	Guarantees of Securities of Other Issuers
H	Capital Stock
I	Reconciliation of Retained Earnings Available for Dividend Declaration
J	Map Showing the Relationships Between and Among the Companies in the Group, its Ultimate Parent Company and Co-subsidiaries
K	Schedule of All Effective Standards and Interpretations Under Philippine Financial Reporting Standards

SCHEDULE A

XURPAS INC. AND SUBSIDIARY
SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotations at end of reporting period	Income received or accrued
Cash and cash equivalents				
Cash in banks				
Bank of the Philippine Islands				
Savings Account	–	₱151,492,985	₱–	₱465,717
US Dollar Account	–	692,176	–	1,829
Robinsons Bank				
Savings Account	–	10,087	–	22
Security Bank				
Savings Account	–	304,000,601	–	90,010
Cash equivalents	–	500,000,000	–	630,137
Financial assets at FVPL				
Security Bank	–	500,431,059	–	–
Accounts receivable				
Trade	–	136,695,149	–	–
Advances to employees	–	665,563	–	–
Others	–	326,892	–	–
AFS financial assets			–	–
Quoted equity securities	–	225,000	225,000	–
Unquoted debt securities	3,602,123	3,602,123	–	–
	3,602,123	₱1,598,141,635	₱225,000	₱1,187,715

XURPAS INC. AND SUBSIDIARY

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

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
Advances to employees	₱490,088	₱958,670	₱783,195	₱665,563	₱−	₱665,563
Accounts receivable from directors, officers, key management personnel and employees	−	11,954,208	11,881,851	72,357	−	72,357
	₱490,088	₱12,912,878	₱12,665,046	₱737,920	₱−	₱737,920

SCHEDULE C

XURPAS INC. AND SUBSIDIARY

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

Receivables from related parties which are eliminated during the consolidation

Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Not current	Balance at end of period

Not Applicable

The Group does not have receivables from related parties which are eliminated during the consolidation of financial statements.

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SCHEDULE D

XURPAS INC. AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS

Intangible Assets - Other Assets

Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
Patents	₱–	₱130,000	₱5,417	₱–	₱–	₱124,583
Trademarks	–	386,301	15,202	–	–	371,099
	₱–	₱516,301	₱20,619	₱–	₱–	₱495,682

SCHEDULE E

XURPAS INC. AND SUBSIDIARY
SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT

Long-term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term" in related balance sheet	Amount shown under caption "long-term debt" in related balance sheet
Not Applicable			
The Group does not have long-term debt in its consolidated statements of financial position.			

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XURPAS INC. AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

Indebtedness to related parties (Long-term loans from related companies)		
Name of related party	Balance at beginning of period	Balance at end of period
Digital Storm Inc. (DSI)*	₱9,678,326	₱–

The Group does not have long-term loans from related companies in its consolidated statements of financial position but the indebtedness to related party exceeds 5% of the total assets.

XURPAS INC. AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS

Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee

Not Applicable

The Group does not have any guarantees of securities of other issuing entities by the issuer for which the consolidated financial statement is filed.

SCHEDULE H

XURPAS INC. AND SUBSIDIARY
SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK

Capital Stock

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as 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	Others
Common shares	5,000,000,000	1,720,000,660	−	−	1,376,000,660	−

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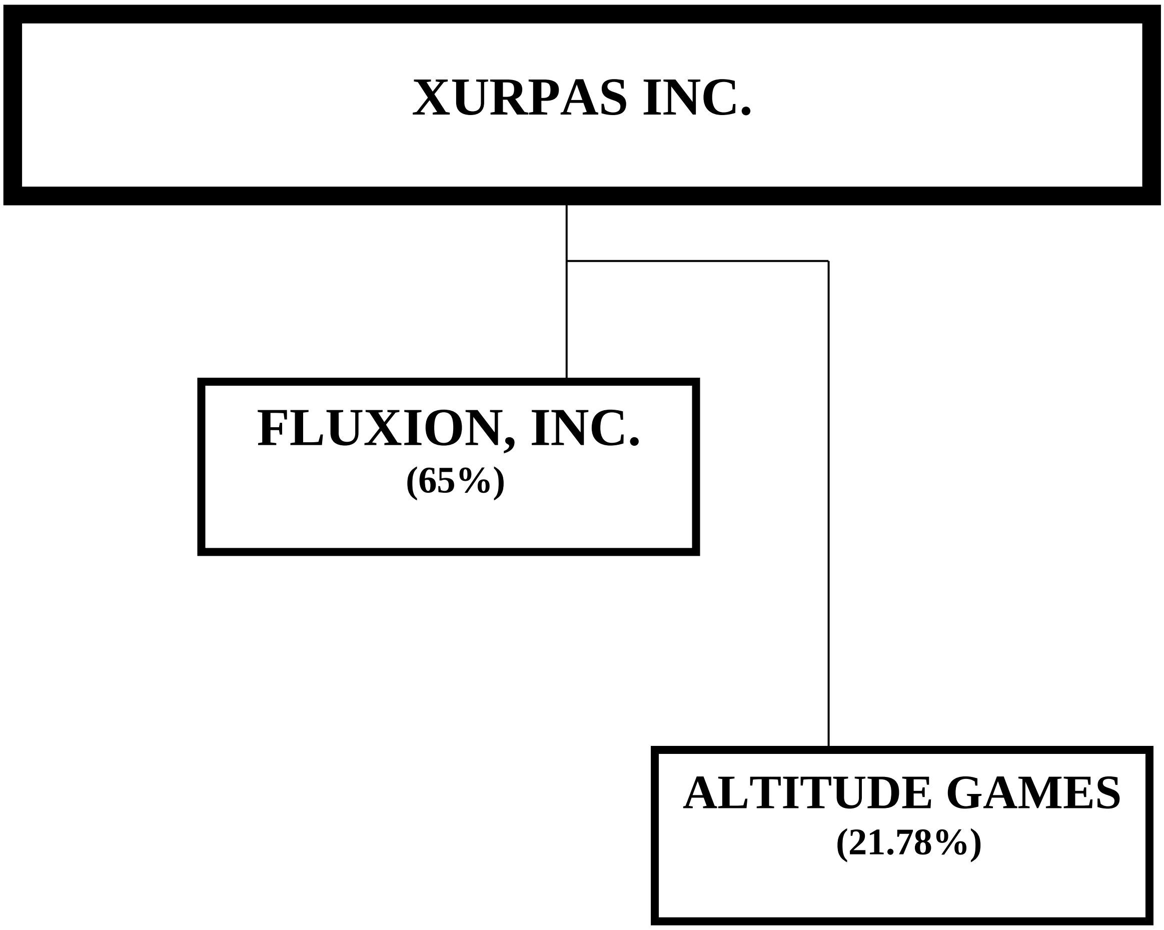
XURPAS INC. AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

	2014
Unappropriated Retained Earnings, beginning	₱1,519,692
Adjustments:	
Prior period adjustment	1,682,347
Deferred tax asset income, beginning	2,403,034
Unappropriated Retained Earnings, as restated, beginning	5,605,073
Net income during the period closed to retained earnings (Parent Company)	174,675,011
Add (less):	
Release of appropriation for dividend declaration	188,750,000
Stock dividends declared	(122,500,000)
Cash dividends declared	(66,250,000)
Appropriation	(97,250,000)
Deferred tax asset income	2,564,189
Unrealized gain in financial assets at FVPL	431,059
	80,420,259
Unappropriated Retained Earnings, end available for dividend distribution	₱86,025,332

XURPAS INC. AND SUBSIDIARY

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS SUBSIDIARY AND ASSOCIATE



XURPAS INC. AND SUBSIDIARY
LIST OF EFFECTIVE STANDARDS AND INTERPRETATIONS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		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 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	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			✓
	Amendments to PFRS 1: Borrowing costs			✓
	Amendments to PFRS 1: Meaning of ‘Effective PFRSs	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		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 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 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: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities	✓		
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term receivable and payables	✓		
	Amendments to PFRS 13: Portfolio Exception	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the requirements for comparative information	✓		
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 Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of servicing equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits			✓
	Amendments to PAS 19: Actuarial Gains and Losses, Group plans and disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: 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	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		
PAS 28	Investment in Associate	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Tax effect of distribution to holders of equity instruments	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim financial reporting and segment information for total assets and liabilities	✓		
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	✓		
	Amendments to PAS 38: 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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as at December 31, 2014**		**Adopted**	**Not Adopted**	**Not Applicable**
	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 to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Interrelationship between PFRS 3 and PAS 40			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
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 8	*Scope of PFRS 2*			✓
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 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
	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			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
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			✓

SCHEDULE L

XURPAS INC. AND SUBSIDIARY
FINANCIAL RATIOS

Financial Ratios	2014	2013
A. Current ratios		
Current ratios	1,241.72%	332.16%
Quick ratios	1,237.62%	327.69%
B. Solvency ratios/debt-to-equity ratios	*This is not applicable as the Group has no short term and long term debt as at December 31, 2014 and 2013.*	
C. Asset-to-equity ratios	111.84%	168.92%
D. Interest rate coverage ratios	*This is not applicable as the Group has no interest expense incurred from short-term and long-term for the years ended December 31, 2014 and 2013*	
E. Profitability ratios		
Net income margin	48.13%	44.63%
Gross margin	70.17%	64.82%
Operating margin	63.95%	56.33%
Return on total assets	19.82%	85.86%
Return on equity	22.94%	164.30%