

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders of Xurpas Inc. will be held at the Main Lounge of the Manila Polo Club, McKinley Road, Makati City, on **Wednesday, May 10, 2017 at 9:00 o'clock in the morning** with the following:

AGENDA

1. Call to Order
2. Determination of Quorum
3. Approval of Minutes of Previous Meeting
4. Message of the Chairman and Chief Executive Officer
5. Annual Report of the President and Chief Operating Officer
6. Approval of the Proposed Amendment of the Sixth Article of the Articles of Incorporation of the Corporation Specifying the Increase in the Number of Directors of the Corporation from Seven (7) to Eight (8)
7. Approval of the Proposed Amendment of Section 2, Article III of the By-Laws of the Corporation Specifying the Increase in the Number of Independent Directors of the Corporation from Two (2) to Three (3)
8. Approval of the Delegation to the Board of Directors of the Power to Amend or Repeal the Corporation's By-Laws or to Adopt New By-Laws
9. Ratification of All Acts of the Board of Directors, Officers and Management Adopted During the Preceding Year
10. Election of Directors and Independent Directors
11. Appointment of External Auditors
12. Other Matters
13. Adjournment

Only stockholders of record at the close of business on March 1, 2017 are entitled to notice of, and to vote at, this meeting.

Makati City, February 10, 2017.



MARK S. GORRICETA

Corporate Secretary & Chief Legal Officer

COVER SHEET

A 2 0 0 1 1 7 7 0 8

S.E.C. Registration No.

X U R P A S I N C .

(Company's Full Name)

7 F C A M B R I D G E C E N T R E B L D G .
1 0 8 T O R D E S I L L A S S T .
S A L C E D O V I L L A G E
M A K A T I C I T Y

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

MARK S. GORRICETA

Contact Person

(632) 889-6467

Company Telephone Number

1 2

Month Day
Fiscal Year

3 1

20-IS

FORM TYPE

2nd Week of May

Month Day
Annual Meeting

N/A

Secondary License Type, If Applicable

M S R D

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

1 8

Total No. of Stockholders

Total Amount of Borrowings

N/A

Domestic

N/A

Foreign

To be accomplished by SEC Personnel concerned

File Number

File Number

LCU

Document I.D.

Document I.D.

Cashier

STAMPS

PROXY

The undersigned, being a stockholder of **Xurpas Inc.** (the "Corporation"), constitutes and appoints _____, or in his/her absence, the Chairman of the stockholders' meeting, to be the undersigned's proxy, to represent and vote all shares registered in the name of, and beneficially owned by, the undersigned at the annual meeting of the stockholders of the Corporation scheduled on May 10, 2017, at 9:00 a.m., at the Main Lounge of the Manila Polo Club, and at all adjournments thereof, as fully and to all intents and purposes as the undersigned might or could lawfully do if present and acting in person. The undersigned hereby ratifies and confirms any and all actions taken by said proxy on matters that may come before such meeting or adjournments thereof as fully as the undersigned might or could lawfully do if present, with full power of substitution and revocation in the premises.

This proxy revokes and supersedes all previous proxies executed by the undersigned. This proxy continues to be in full force and effect until withdrawn by written notice delivered to the Secretary of the Corporation, but shall not apply in instances where the undersigned personally attends the meeting.

IN WITNESS WHEREOF, the undersigned executes this proxy this _____.

Signature of Stockholder / Authorized Signatory: _____

Name of Stockholder: _____

Date: _____

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE **MAY 3, 2017**, AT 7TH FLOOR CAMBRIDGE CENTRE BUILDING 108 TORDESILLAS ST., SALCEDO VILLAGE, MAKATI CITY.

VALIDATION OF PROXIES SHALL BE HELD ON **MAY 5, 2017** AT THE OFFICE OF THE CORPORATE SECRETARY.

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
 Preliminary Information Statement
 Definitive Information Statement
2. Name of Registrant as specified in its charter: **XURPAS INC.**
3. Province, country or other jurisdiction of incorporation or organization: **Philippines**
4. SEC Identification Number: **A200117708**
5. BIR Tax Identification Code: **219-934-330**
6. Address of principal office: **7th Floor Cambridge Centre Building
108 Tordesillas St., Salcedo Village
Makati City 1227**
7. Registrant's telephone number, including area code: **(632) 889-6467**
8. Date, time and place of the meeting of security holders:
Date : May 10, 2017 (Wednesday)
Time : 9:00 a.m.
**Place : Main Lounge, Manila Polo Club
McKinley Road, Makati City**
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **April 12, 2017**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding (As of February 28, 2017)
Common Shares	1,856,952,746

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

Yes No

The 1,797,700,660 common shares of the Company are listed with the Philippine Stock Exchange.

The application for listing of 69,939,486 common shares has been submitted to the PSE on December 19, 2016.

INFORMATION REQUIRED IN INFORMATION STATEMENT

WE ARE NOT ASKING FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY

A. GENERAL INFORMATION

Item 1. Date, Time, and Place of Meeting of Security Holders

The Annual Stockholders' Meeting of XURPAS INC. ("Xurpas" or the "Company") will be held on the following date at the following address:

Date	:	May 10, 2017
Time	:	9:00 a.m.
Place	:	Main Lounge, Manila Polo Club McKinley Road, Makati City
Complete mailing address of registrant	:	7th Floor Cambridge Centre Building 108 Tordesillas St., Salcedo Village Makati City 1227
Approximate mailing date of this statement	:	April 12, 2017

Item 2. Dissenters' Right of Appraisal

There are no corporate matters or actions that will be taken up at the meeting that may give rise to a possible exercise by stockholders of their appraisal rights under Section 81 of the Corporation Code of the Philippines.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

- a. The incumbent directors and executive officers and their associates have no substantial interest in any matter to be acted upon at the meeting other than election to the office.
- b. No director has informed the Company of his opposition to any matter to be acted upon at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

a. Class of voting shares

Number of outstanding shares as of March 1, 2017	:	1,856,952,746 common shares
Number of votes per share	:	One vote each share of stock held as of record date of March 1, 2017

b. **Record date**

All stockholders of record as of **March 1, 2017** are entitled to notice and to vote at the meeting.

c. **Election of directors and cumulative voting rights**

The election of directors should be by ballot and cumulative voting is allowed.

Every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares outstanding in his name at the time of the election. The stockholder may vote his shares for as many persons as there are directors to be elected.

The stockholder may also cumulate his shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates he may see fit; provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected. There is no condition precedent to the exercise of the stockholders' right to cumulative voting. The Company is not soliciting any proxy or any discretionary authority to cumulate votes.

d. **Security ownership of certain record and beneficial owners and management**

1. Security ownership of certain record and beneficial owners

As of March 1, 2017, the Company is not aware of any person who is directly or indirectly the record or beneficial owner of more than 5% of the Company's capital stock except as set forth below:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares and Nature of Ownership (Direct or Indirect)	Percent of Class
Common	Nico Jose S. Nollo Urdaneta Tower, Ayala Avenue, Makati City (Chairman and Chief Executive Officer)	Nico Jose S. Nollo	Filipino	415,765,960 (Direct)	22.39%
Common	Raymond Gerard S. Racaza One Salcedo Place, Jaime Velasquez St., Salcedo Village, Makati City (President and Chief Operating Officer)	Raymond Gerard S. Racaza	Filipino	415,765,960 (Direct)	22.39%
Common	Fernando Jude F. Garcia North Lane, Jem 2 Subd., Tandang	Fernando Jude F. Garcia	Filipino	415,765,960 (Direct)	22.39%

	Sora, Quezon City (Chief Technology Officer)				
Common	PCD Nominee Corp.	PCD participants acting for themselves and for their customers ¹	Filipino	289,455,990 (Direct)	15.59%
Common	PCD Nominee Corp.	PCD participants acting for themselves and for their customers ²	Non-Filipino	320,181,622 (Direct)	17.24%

As of March 1, 2017, 17.24% of the outstanding shares of the Company are held by foreigners. Furthermore, there are no beneficial owners under PCD Nominee Corp. owning more than 5% other than those mentioned herein.

2. Security ownership of directors and management as of March 1, 2017

As of March 1, 2017 the Company's directors and executive officers own the following number of shares:

Title of Class	Name of Owner and Position	Citizenship	No. of Shares and Nature of Ownership (Direct or Indirect)	Percent of Class
Common	Nico Jose S. Nolleto Chairman and Chief Executive Officer	Filipino	415,765,960 (Direct)	22.39%
Common	Raymond Gerard S. Racaza Director, President and Chief Operating Officer	Filipino	415,765,960 (Direct)	22.39%
Common	Fernando Jude F. Garcia Director and Chief Technology Officer	Filipino	415,765,960 (Direct)	22.39%
Common	Mercedita S. Nolleto Director	Filipino	2,178,338 (Direct)	0.12%
Common	Wilfredo O. Racaza Director	Filipino	1,060 (Direct)	Nil
Common	Alvin D. Lao Independent Director	Filipino	1,536,974 (Direct)	0.08%
Common	Jonathan Gerard A. Gurango Independent Director	Filipino	169,399 (Direct)	Nil
Common	Jose Vicente T. Colayco Chief Business Development Officer	Filipino	16,250,320 (Direct)	0.88%
Common	Alfonso A. Tagaysay Chief Marketing Officer	Filipino	16,250,320 (Direct)	0.88%
Total (Directors and Officers as a Group)			1,283,684,291	69.13%

¹ Each beneficial owner of shares through a PCD participant is the beneficial owner to the extent of the number of shares in his account with the PCD participant. The Company has no record relating to the power to decide how the shares held by PCD are to be voted.

² Id.

3. Voting Trust Holders of 5% or More

The Company is not aware of any person holding 5% or more of the Company's shares under a voting trust or similar agreement.

4. Changes in Control

There was no change of control in the Company during the year. There are no existing provisions in the Company's Articles of Incorporation or By-Laws that will delay, defer, or in any manner prevent a change in control of the Company.

Item 5. Directors and Executive Officers

a. Board of Directors and Executive Officers

The stockholders elected the following members of the board of directors ("Board") during the Company's Annual Stockholders Meeting in 2016 for a term of one year.

Directors	Nationality	Position	Year Position was Assumed
Nico Jose S. Nollo	Filipino	Chairman	2001
Raymond Gerard S. Racaza	Filipino	Director	2001
Fernando Jude F. Garcia	Filipino	Director	2001
Mercedita S. Nollo	Filipino	Director	2001
Wilfredo O. Racaza	Filipino	Director	2001
Alvin D. Lao	Filipino	Independent Director	2014
Jonathan Gerard A. Gurango	Filipino	Independent Director	2014

The attendance of the directors at the meetings of the Board held in 2016 is as follows:

Directors	Number of Meetings Held and Attended	Percentage
Nico Jose S. Nollo	11/13	84.6%
Raymond Gerard S. Racaza	11/13	84.6%
Fernando Jude F. Garcia	12/13	92.3%
Mercedita S. Nollo	10/13	76.9%
Wilfredo O. Racaza	13/13	100%
Alvin D. Lao	13/13	100%
Jonathan Gerard A. Gurango	13/13	100%

In compliance with its Manual of Corporate Governance, the Company has established committees to perform certain management functions and achieve sound corporate governance, as follows:

Director	Executive	Compensation and Remuneration	Nomination	Audit and Risk	Finance
Nico Jose S. Nollo	C		C		M
Raymond Gerard S. Racaza	M	C	M	M	C
Fernando Jude F. Garcia	M	M		M	M
Mercedita S. Nollo			M	M	

Wilfredo O. Racaza					
Alvin D. Lao				C	
Jonathan Gerard A. Gurango		M	M		

C - Chairman

M - Member

b. Nomination of Directors

The Company’s Nomination Committee pre-screened and accepted the nominations for the following directors:

1. Nico Jose S. Nolleto
2. Raymond Gerard S. Racaza
3. Fernando Jude F. Garcia
4. Mercedita S. Nolleto
5. Wilfredo O. Racaza
6. Alvin D. Lao, *Independent*
7. Jonathan Gerard A. Gurango, *Independent*

The Nomination Committee evaluated the qualifications of the nominees and prepared the final list of nominees in accordance with the criteria provided in the Securities Regulation Code (“SRC”), the Company’s Manual on Corporate Governance and the Company’s By-Laws.

As discussed in the table above, the Nomination Committee is headed by Mr. Nico Jose S. Nolleto and its members are: Raymond Gerard S. Racaza, Mercedita S. Nolleto and Jonathan Gerard A. Gurango.

Pursuant to the amendment of the Company’s By-laws on July 10, 2014 providing for the election of the independent directors possessing the required qualifications in accordance with Rule 38 of the Securities Regulation Code, Mr. Jose Vicente T. Colayco, a stockholder, nominated Mr. Alvin D. Lao and Mr. Jonathan Gerard A. Gurango as independent directors. Mr. Lao and Mr. Gurango are neither related to Mr. Colayco nor to each other. They have both accepted their nomination as independent directors.

Only nominees whose names appear on the final list of candidates are eligible for election as directors. No nominations will be entertained or allowed on the floor during the annual stockholders’ meeting.

A summary of the qualifications of the incumbent directors, nominees for directors and incumbent officers for the past five years is set forth in **Exhibit “A”**.

The Board elects the officers of the Company annually during its organizational meeting.

c. Significant Employees

The Company values the contribution of each employee no matter how big or small and considers all its employees significant. There is no “significant employee” as defined in the SRC.

d. Family Relationships

Mr. Nico Jose S. Nolleto, Chairman, and Chief Executive Officer, is the son of Atty. Mercedita S. Nolleto, a director. Mr. Raymond Gerard S. Racaza, President and Chief Operating Officer, is the son of Mr. Wilfredo O. Racaza, also a director of the Company.

There are no family relationships between the current members of the Board and the key officers other than the above.

e. Involvement in Certain Legal Proceedings

There are no material legal proceedings, bankruptcy petition, conviction by final judgment, order, judgment or decree or any violation of a securities or commodities law for the past five years to which the Company or any of its subsidiaries or affiliates or its directors or executive officers is a party or of which any of its material properties is subject in any court or administrative government agency.

As of this report, the Company is not a party to any litigation or arbitration proceedings of material importance, which could be expected to have a material adverse effect on the Company or on the results of its operations. No litigation or claim of material importance is known to be pending or threatened against the Company or any of its properties.

f. Certain Relationships and Related Transactions

The Company has regularly disclosed its related party transactions such as acquisition of shares in corporations in which the Company has interlocking directors or common stockholders, with the Securities and Exchange Commission and the Philippine Stock Exchange. In the conduct of its day-to-day business, the Company engages in related party transactions such as service and licensing agreements, always at arms-length and taking into consideration the best interest of the Company.

g. Ownership Structure and Parent Company

As of March 1, 2017, the Company's incorporators, Messrs. Nolloedo, Racaza and Garcia, own 67% of the Company. It has no parent company.

h. Resignation of directors

Since the date of the last stockholders' meeting, no director has resigned or declined to stand for re-election to the Board.

Item 6. Compensation of Directors and Executive Officers

a. Executive compensation

Name	Position	Salary	Estimated		Total
			Bonus	Other	
Nico Jose S. Nolloedo	Chairman & Chief Executive Officer				
Fernando Jude F. Garcia	Chief Technology Officer				
Raymond Gerard S. Racaza	President & Chief Operating Officer				
Jose Vicente T. Colayco	Treasurer & Chief Business Development Officer				
Alfonso A. Tagaysay	Chief Marketing Officer				
Total	2017 (projected)	₱12,386,990.72	N/A	N/A	₱12,386,990.72
	2016	₱19,878,809.86	N/A	N/A	₱19,878,809.86
	2015	29,390,786.72	N/A	N/A	29,390,786.72
	2014	10,351,294.00	N/A	N/A	10,351,294.00
	2013	N/A	N/A	N/A	N/A
	2012	N/A	N/A	N/A	N/A

The total annual compensation consists of basic pay and other taxable income.

The Company's executive officers have no other remuneration aside from the compensation described above.

b. Compensation of Directors

i. Standard Arrangement

The directors receive a standard per diem of Php20,000.00 for every meeting attended, which may be adjusted, as decided by the Compensation and Remuneration Committee. Non-executive directors have no compensation aside from their per diem, while directors who hold executive positions receive compensation discussed in Item 6, in addition to their per diem.

ii. Other Arrangements

The Company has no other existing arrangements such as bonus, profit sharing, stock options, warrants, rights, or other compensation plans or arrangements with its directors except as provided in Item 8, the Employee Stock Option Plan, approval of which is currently pending with the Securities and Exchange Commission and the Philippine Stock Exchange.

c. Employment Contracts, Termination of Employment, Change-in-Control Arrangements

The Company does not have any compensatory plan or arrangements such as bonus, profit sharing, stock options, warrants, rights or other compensation plans or arrangements that results from the resignation, retirement of employment, or any other termination of an executive officer's employment with the Company, or from a change in control of the Company.

d. Warrants and Options Outstanding

As of date, the Company does not have any stock options, warrants or similar plans for any of its directors or officers except the Employee Stock Option Plan, approval of which is currently pending with the Securities and Exchange Commission and the Philippine Stock Exchange.

Item 7. Independent Public Accountants

a. External Auditor

SyCip, Gorres, Velayo & Company ("SGV") has been its external auditor since 2008. SGV is in compliance with the SRC requirement of rotating the handling partner every five consecutive years. The engagement partner who conducted the audit for the calendar year 2016 is Ms. Jessie D. Cabaluna ("Ms. Cabaluna"). She is also the recommended partner-in-charge for calendar year 2017.

The Board approved the re-appointment of SGV as the Company's external auditor for 2017. The re-appointment of the SGV will be presented to the stockholders for their approval at the annual stockholders' meeting.

For the past seven years, the Company has not had any disagreements with SGV on accounting principles and practices, financial statement disclosures, or auditing scope or procedures. SGV works with the Company's Audit Committee, which is composed of Mr. Alvin D. Lao as Chairman and Mr. Raymond Gerard S. Racaza, Atty. Mercedita S. Nolloedo and Mr. Fernando Jude F. Garcia as members.

Representatives of SGV will be present at the annual stockholders' meeting and will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions.

Item 8. Compensation Plans

The Board, on January 20, 2016, and the stockholders, on May 11, 2016, approved the Employee Stock Option Plan of the Company. Full time and regular employees of the Company and those deemed qualified by the Compensation and Remuneration Committee are entitled to participate in the Employee Stock Option Plan ("Plan"). The details of the Plan are as follows:

Title and Amount of Securities	A minimum of 0.5% to a maximum of 1.5% of the outstanding capital stock of the Company's common share are reserved for the Plan, but in no case shall the aggregate number of shares represented by outstanding options exceed 1% of fully-diluted shares, inclusive of shares represented by such outstanding options.								
Price	Not in any case be less than the Fair Market Value ("FMV") of the Company's shares, or such lower purchase price as may be allowed under the rules of the PSE or the SEC subject to adjustment in case of change in the FMV of the Company's shares by virtue of stock dividends, stock splits or any of the events stated in Article 5.2 of the Plan. However, in no case shall it be less than the subscription price of ₱3.97 at which the Company's shares were initially offered for sale to the public in December 2014.								
Option Expiry Date	3 rd Year anniversary of the option grant date.								
Exercise of Privilege	<table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td data-bbox="703 1115 970 1249">During the first year of the effectivity of the grant</td> <td data-bbox="978 1115 1241 1249">1/3 of the total grant</td> </tr> <tr> <td data-bbox="703 1254 970 1388">During the second year of the effectivity of the grant</td> <td data-bbox="978 1254 1241 1388">1/3 of the total grant</td> </tr> <tr> <td data-bbox="703 1393 970 1527">During the third year of the effectivity date of the grant</td> <td data-bbox="978 1393 1241 1527">1/3 of the total grant</td> </tr> <tr> <td colspan="2" data-bbox="703 1532 1241 1648">or such shorter or longer period as the Committee may prescribe from date of effectivity thereof or the "Vesting Period".</td> </tr> </table>	During the first year of the effectivity of the grant	1/3 of the total grant	During the second year of the effectivity of the grant	1/3 of the total grant	During the third year of the effectivity date of the grant	1/3 of the total grant	or such shorter or longer period as the Committee may prescribe from date of effectivity thereof or the "Vesting Period".	
During the first year of the effectivity of the grant	1/3 of the total grant								
During the second year of the effectivity of the grant	1/3 of the total grant								
During the third year of the effectivity date of the grant	1/3 of the total grant								
or such shorter or longer period as the Committee may prescribe from date of effectivity thereof or the "Vesting Period".									
Participants ³	All such full time and regular employees of the Company and such other qualified persons determined as such by the Compensation and Remuneration Committee from the names recommended by the Executive Committee are eligible to participate in the Plan.								

³ The amount of options to be received by the Directors/Officers, or all other employees of the Xurpas' group is not determinable as of date.

The Plan has been filed with and is pending approval of the Securities and Exchange Commission.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

There are no matters or actions to be taken up with respect to authorization or issuance of securities.

Item 10. Modification or Exchange of Securities

There are no matters or actions to be taken up for the modification of any class of the Company's securities or the issuance or authorization for issuance of one class of the Company's securities in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

- a. Management's Discussion and Analysis, External Auditor's Fees and Services, Brief Description of Registrant's Business and Subsidiaries and Market Price of Shares and Dividends on Registrant's Common Equity – **Exhibit "B"**
- b. Audited Consolidated Financial Statements for the years ended December 31, 2016 and 2015 – **Exhibit "C"**
- c. Index to Consolidated Financial Statements and Supplementary Schedules – **Exhibit "D"**

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

There are no matters or actions to be taken up in the meeting with respect to a merger, consolidation, acquisition by, sale or liquidation of the Company.

Item 13. Acquisition or Disposition of Property

There are no matters or actions to be taken up in the meeting with respect to an acquisition or disposition of any property by the Company requiring stockholders' approval.

Item 14. Restatement of Accounts

There is no action to be taken with respect to the restatement of any asset, capital, or surplus account of the Company.

Item 15. Action with Respect to Reports

The minutes of the regular stockholders' meeting held on May 11, 2016 will be presented to the stockholders for approval. No matters arising from the said minutes of meetings will be taken up during the annual stockholders' meeting.

The matters taken up during the May 11, 2016 regular stockholders' meeting were:

1. Call to Order
2. Determination of Quorum
3. Approval of Minutes of Previous meeting
4. Message of the Chairman, President and Chief Executive Officer
5. Annual Report of the Chief Operations Officer
6. Approval of Employee Stock Option Plan

7. Ratification of All Acts of the Board of Directors, Officers and Management Adopted During the Preceding Year
8. Election of Directors and Independent Directors
9. Appointment of External Auditors
10. Adjournment

The Company will present its Annual Report of Management and Audited Financial Statements for the year ending December 31, 2016.

At the annual meeting, the stockholders will be asked to ratify the acts of the Board and management of Company including the previous regular stockholders' meeting held on May 11, 2016. Such acts were adopted in the ordinary course of business and include the following:

Special Meeting of the Board held on March 29, 2016

1. Authority to register the trademarks "Trivia Time with Kuya Kim", "Trip ni Belle"; and "Xupergames"

Special Meeting of the Board held on April 26, 2016

1. Authority to enter into an Overnight Top-Up Placement; and

Regular Meeting of the Board held on May 10, 2016

1. Approval of the 1st Quarter Unaudited Financial Statements for the year 2016; and
2. Approval of the declaration of cash dividends in the total amount of Php0.048 per share for the 1,797,700,660 issued and outstanding common shares of the Company

Special Meeting of the Board held on June 6, 2016

1. Appointment of a representative of the Company to the Annual General Meeting of Micro Benefits Limited; and
2. Authority to secure Performance and Warranty Bonds pursuant to the Service Agreement of the Company with Petron Corporation for the Petron Gasul Promo

Regular Meeting of the Board held on August 12, 2016

1. Approval of the consolidated unaudited financial statements of the Company for the first half of 2016; and
2. Authority to enter into a Merchant Agreement with VMoney Inc.

Special Meeting of the Board held on August 22, 2016

1. Approval of the acquisition of the remaining 35% stake in Fluxion, Inc.;
2. Authority to sell the Company's 67% shareholdings in Xeleb Inc. to Fluxion, Inc.;
3. Approval of the amendment of the Articles of Incorporation and Adoption of new By-Laws of Fluxion, Inc.; and
4. Approval of the Company's subscription to 15,234,075 common shares or an aggregate amount of Php15,234,075 in Fluxion, Inc.

Special Board Meeting of the Board held on October 6, 2016

1. Approval of the acquisition of 100% stake in Art of Click Pte. Ltd.

Special Meeting of the Board held on October 7, 2016

1. Approval of the application for Initial Public Offering of Xeleb Technologies Inc. to the Small, Medium and Emerging (SME) Board of the Philippine Stock Exchange (PSE);
2. Approval of the application of the Company to transfer from Small, Medium and Emerging ("SME") Board to the Main Board of the PSE;
3. Authority to apply for and secure the necessary permits, clearances and licenses from Makati City Hall and Bureau of Internal Revenue;
4. Authority to open bank account/s with China Banking Corporation; and

Regular Meeting of the Board held on November 9, 2016

1. Approval of the consolidated unaudited financial statements of the Company for the first nine months of 2016;
2. Approval of the adoption of a buy-back program of the shares of the Company;
3. Authority to open and maintain an account and engage in stock market investments with SB Equities, Inc.;
4. Authority to enter into transactions and/or avail of the services of IGC Securities, Inc.;
5. Authority to register the trademarks “AppXentral”, “Art of Click”, “Seer”, “Xpay”, “Xurpas”, and “Xurpas Enterprise” with the Intellectual Property Office;
6. Authority to serve as attorney-in-fact of the Company in the complaint filed by Ms. Ma. Cristina de Leon with the Department of Trade and Industry;
7. Authority to Process Accreditation of the Corporation as a service/solutions provider of ABS-CBN Corporation; and
8. Approval of the Appointment of Security Bank Corporation – Trust Department as its Escrow Agent to hold in escrow 793,111,400 common shares of the Company in Xeleb Technologies Inc.

Item 16. Matters not Required to be Submitted

There are no matters or action to be taken up in the meeting that are required to be submitted to a vote of security holders.

Item 17. Amendment of Charter, By-Laws or Other Documents

The Board of Directors of the Company, in a Regular Meeting held in its principal office on March 27, 2017, approved the amendment of the Company’s Articles of Incorporation and By-Laws. The amendment to the Sixth Article of the Articles of Incorporation provides for the increase in the number of directors of the Company from seven (7) to eight (8); while the amendment to Section 2, Article III of the By-Laws specifies the increase in the number of independent directors from two (2) to three (3). The amendment of the Company’s Articles of Incorporation and By-Laws shall be presented to the stockholders for their approval and ratification during the annual stockholders’ meeting.

Item 18. Other Proposed Action

There is no other proposed action to be taken up at the meeting.

Item 19. Voting Procedures

a. Vote Required

The vote for each item proposed for approval by the stockholders is as follows:

- i. With respect to the election of directors, nominees who receive the highest number of votes will be declared elected.
- ii. For all other matters to be taken up, the affirmative vote of at least a majority of the issued and outstanding capital stock entitled to vote and represented at the annual stockholders’ meeting is required.

In the case of proxies, the votes should be cast in such manner and by such person as directed in the proxy.

ii. Method of Voting

In all items for approval, each voting share of stock entitles its registered owner as of the record date to one vote.

In the election of directors, straight and cumulative voting shall be allowed. Each stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate the shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many nominees as he shall see fit; provided that, the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the total number of directors to be elected.

Upon registration at the annual stockholders' meeting, each stockholder will be given a ballot to enable him to vote in writing on each item or proposal in the Agenda. All votes will be counted and tabulated by the Election Committee composed of representatives from the Office of the Corporate Secretary.

Undertaking to Provide Annual Report

Upon written request of a stockholder, the Corporation undertakes to furnish said stockholder, without charge, a copy of its Annual Report or SEC Form 17-A. Such written request may be addressed to:

MR. ALEXANDER D. CORPUZ
Chief Finance Officer and Chief Compliance Officer
Xurpas Inc.
7th Floor Cambridge Centre Building,
108 Tordesillas St., Salcedo Village,
Makati City 1227

[Signature Page Follows]

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Pasig City on March 28, 2017.

XURPAS INC.

By:



MARK S. GORRICETA
Corporate Secretary and Chief Legal Officer

EXHIBIT A

QUALIFICATIONS OF DIRECTORS AND KEY OFFICERS

Below is a list of qualifications of the directors and key officers of the Corporation for the past five (5) years.

Nico Jose S. Nollodo, Filipino, 40, director of the Company since 2001.

Mr. Nollo

do is the Chairman and Chief Executive Officer of Xurpas Inc.⁴ He is also the Philippine venture partner of Wavemaker Partners, a member of the Draper Network which gives him a pulse on the latest innovations in global technology. Mr. Nollodo is the first Filipino Entrepreneur chosen by the Endeavour network. He is also the Ernst and Young's 2015 Philippine Entrepreneur of the year and was chosen as one of the Top Outstanding Young Men ("TOYM") in the Philippines in 2015. Mr. Nollodo holds a Bachelor of Science degree in Management from Ateneo de Manila University.

Raymond Gerard S. Racaza, Filipino, 39, director of the Company since 2001.

Mr. Racaza is a co-founder and currently the President and Chief Operating Officer of the Company. He is also the Chairman, President and Chief Executive Officer of Xeleb Technologies Inc. He is responsible for the overall business operations of the Company, such as carrier-relationship management, marketing, product design, and other core Company services. Before founding the Company, he was a Senior Solutions Consultant of Wireless Internet Solutions, Inc. and was part of the original development team of iAyala that built the first Wireless Application Protocol (WAP) site in the Philippines. In 2016, Mr. Racaza was recognized as Executive of the Year in the consumer non-durables category of the International Business Awards. Mr. Racaza holds a Bachelor of Science degree in Computer Science, Major in Information Technology from De La Salle University.

Fernando Jude F. Garcia, Filipino, 43, director of the Company since 2001.

Mr. Garcia is a co-founder of the Company and has been its Chief Technology Officer since 2001. He served as Corporate Secretary of the Company until December 2014. He created the Company's Griffin Platform, the mobile consumer content gateway and platform for all of the Company's mobile consumer content products and services. He also created the Company's modular middleware system that can easily integrate with any modern billing gateway. He is the chief engineer responsible for the Company's software architecture and systems integration. Examples of such systems and protocols are the following: SMS (CIMD2/EMI-UCP/SMPP), MMS (EIAF/MM7), Voice Services (SIP), Billing/IN (Diameter/UCIP/ParlayX2.1), Security (IPSEC), Publish-subscribe Systems and Video Streaming (RTMP/HLS). He is also responsible for architecting the Company's fully Cloud-based system infrastructure. Before founding the Company, he was a software developer in iAyala. Mr. Garcia holds a Bachelor of Science degree in Applied Physics from the University of the Philippines in Diliman, Quezon City.

Wilfredo O. Racaza, Filipino, 68, director of the Company since 2001.

Mr. Racaza has 45 years of marketing and finance experience under his belt. He was the head of New Business Development in Mobil Oil Philippines for 15 years. He is currently an insurance executive in Manulife Financial Philippines for the last 29 years up to present. He has garnered numerous accolades and awards such as multiple Branch of the Year awards and consistent agency sales awards. He has been a consistent awardee in the General Agents and Managers Association (GAMA) of the Philippines from 2003 to 2014. Mr. Racaza holds a Bachelor of

⁴ The largest listed consumer technology company in Southeast Asian Stock Exchange as of December 31, 2016.

Science in Commerce Degree Major in Accountancy from Xavier University in Cagayan de Oro City.

Mercedita S. Nollo, 74, Filipino, director of the Company since 2001.

Atty. Nollo is currently a director of Bank of the Philippine Islands, BPI Family Savings Bank and BPI Capital Corporation, Anvaya Golf and Nature Club, Inc., Honda Cars Makati, Inc., Automotive Isuzu Dealership, Iconic Dealership, Inc. and Ayala Automotive Holdings. She is the Chairman of BPI Investment Management Corporation. She is currently an independent director of D&L Industries, Inc. She is a member of the Board of Trustees of Ayala Foundation, Inc. and BPI Foundation, Inc. She has served as a director of Cebu Holdings, Inc. from 1993 to 2006 and of Ayala Corporation from 2004 to 2010. Atty. Nollo was formerly Corporate Secretary and General Counsel of the Ayala Group of Companies and the Senior Managing Director of the Ayala Corporation. She served as Executive Vice President, director and Corporate Secretary of Ayala Land, Inc. and as the firm's Treasurer. Atty. Nollo placed second in the Certified Public Accountant exams in 1960 and also placed second in the 1965 bar exams. She holds a Bachelor of Science degree in Business Administration, magna cum laude, from the University of Philippines. Atty. Nollo holds a Bachelor of Laws degree, cum laude, from the University of the Philippines.

Jonathan Gerard A. Gurango, 59, Filipino, independent director of the Company since 2014.

Mr. Gurango has a solid track record in forming and running successful software companies. He founded Match Data Systems (MDS) in Seattle, USA in 1987, MDS Philippines in 1991, and MDS Australia in 1996. In 1999, he sold MDS to Great Plains Software, which was acquired by Microsoft in 2001. Mr. Gurango served as the Asia Pacific Regional Director for Microsoft Business Solutions, before he left in 2003 to form Gurango Software. In 2007, he was inducted into the Hall of Fame for Microsoft's Most Valuable Professionals, in recognition of his mastery of software technology and business. In 2006, the Philippine Center for Entrepreneurship acknowledged him as one of the country's Ten Most Inspiring Technopreneurs. In addition to leading Gurango Software as the most successful Microsoft Dynamics partner in the Philippines, he has co-founded several other software start-ups such as SPRING.ph, and is currently the President of the Philippine Software Industry Association. Mr. Gurango studied Industrial Engineering at the University of the Philippines, Diliman, Quezon City. He also studied Electrical Engineering at the University of Washington, Seattle, Washington, USA.

Alvin D. Lao, 45, Filipino, independent director since 2014.

Mr. Lao is the President and the Chief Executive Officer of D&L Industries, Inc. He is currently an Independent Director of Xeleb Technologies Inc. He is also the Chief Financial Officer and Treasurer of Chemrez Technologies Inc. He serves as Director of Axis REIT, a real estate investment trust listed in Malaysia and as a Vice President of the Technology Club of the Philippines (Philippine alumni of the Massachusetts Institute of Technology), and is a past president and current member of the Entrepreneurs Organization (EO, Philippine Chapter). He is also a member of the Financial Executives Institute of the Philippines (FINEX) and the Wallace Business Forum. He is a director of Enderun Colleges, Gurango Software Corporation, First in Colours, Incorporated, D&L Polymer and Colours, Incorporated, FIC Tankers Corporation, Ecozone Properties, Inc., Anonas LRT Property and Dev't Corp., and Hotel Acropolis, Inc. He graduated from the University of Western Australia with a Bachelor of Science degree in Information Technology (Honours) and Statistics. He also holds a Masters degree in Business Administration from the MIT Sloan School of Management.

Jose Vicente T. Colayco, 47, Filipino, Chief Business Development Officer of the Company since 2014 and Treasurer of the Company since 2016.

Mr. Colayco is currently the Chief Operating Officer of Xeleb Technologies Inc. Before joining the Company, Mr. Colayco was the co-founder and co-managing director of Digital Storm, Inc., a developer of online casual game platforms. He was the President of 888 Creative Studios (a subsidiary of Information Gateway, Inc.) from 2004 to 2010, during which time he led the management of relationships with foreign and local licensors from the music, motion picture and game industries. He also served as Managing Director for EMI Music Philippines and Marketing Director for Sony Music Philippines. He holds a Bachelor of Arts degree in Philosophy and Religious Studies from Brown University, Magna Cum Laude. He obtained his Masters in Business Administration from Harvard Business School in Boston, Massachusetts.

Alfonso A. Tagaysay, 43, Filipino, Chief Marketing Officer of the Company since 2014.

Mr. Tagaysay has 16 years of experience in the mobile consumer content industry, managing mobile companies operating in various South East Asian markets: Philippines, Indonesia, Malaysia and Bangladesh. Before joining the Company, he was the co-founder and co-managing director of Digital Storm, Inc. From 2004 to 2010, he was a Managing Director of Information Gateway, Inc. From 2000-2004, he was with Globe Telecom as a Director. Prior to mobile, he worked in advertising with McCann Erickson from 1997 to 2000. Mr. Tagaysay holds a Bachelor of Arts, Management Economics degree from Ateneo de Manila University.

Mark S. Gorriceta, 39, Filipino, Corporate Secretary, Chief Legal Officer and Assistant Chief Compliance Officer of the Company since 2014.

Atty. Gorriceta has been in the practice of law for thirteen years. He acts as legal counsel to several other listed companies, its subsidiaries or affiliates, such as the Metro Pacific Tollways Group. Atty. Gorriceta also serves as Chief Legal Counsel and/or Corporate Secretary to several leading tech companies in the Philippines such as Audiowav Media Inc. (currently applying to list in the PSE), Xeleb Technologies Inc. (currently applying to list in the PSE), Storm Flex Systems, Inc, Seer Technologies, Inc., Yondu Inc., Altitude Games Inc., Xeleb Inc. and Xurpas Enterprise Inc. He heads the Corporate Department of Gorriceta Africa Cauton & Saavedra. He was formerly connected with the Law Firm of Quiason Makalintal Barot Torres & Ibarra. He is also a member of the Tax Management Association of the Philippines (TMAP), Financial Executives Institute of the Philippines (FINEX) and International Project Finance Association (IPFA). A member of the Philippine Bar since 2005, he holds a Bachelor of Arts, Political Science degree from the Ateneo de Manila University. He also attended certificate courses in Finance at the Asian Institute of Management in Makati City. Atty. Gorriceta is currently enrolled in Harvard University's certificate program in Corporate Finance.

Alexander D. Corpuz, 50, Filipino, Chief Finance Officer, Chief Information Officer and Chief Compliance Officer of the Company since 2014.

Mr. Corpuz has 26 years of experience in the field of finance, nine years of which was in investment and commercial banking. He is currently the Chief Finance Officer of Xeleb Technologies Inc. He is also a Director in Yondu Inc., Seer Technologies, Inc. and Pawnhero Pawnshop Philippines Inc. He was Vice President of Bank of America in 2001, before serving as CFO for Liberty Telecoms, Information Gateway, Mañosa Group of Companies and Hatchd Inc. Mr. Corpuz holds a Bachelor of Science in Business Administration degree from University of the Philippines, Diliman, Cum Laude. He obtained his Masters in Business Management from the Asian Institute of Management, Makati City. He is a member of the Financial Executives Institute of the Philippines (FINEX).

CERTIFICATION

I, **MARK S. GORRICETA**, of legal age, Filipino and with office address at 15F Strata 2000 F. Ortigas Jr. Road, Ortigas Center, Pasig City, Philippines, hereby certify that:


1. I am the incumbent Corporate Secretary and Chief Legal Officer of **XURPAS INC.**, (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines with principal office address at 7th Floor Cambridge Centre Building, 108 Tordesillas Street, Salcedo Village, Makati City;
2. The Corporation does not have any director or officer who currently holds a position in, or is employed by, or is connected with any government agency or instrumentality as of date; and
3. I am executing this Certification in compliance with the requirements of the Securities and Exchange Commission.

Signed this FEB 27 2017


MARK S. GORRICETA
Corporate Secretary and
Chief Legal Officer

SUBSCRIBED AND SWORN to before me this FEB 27 2017, 2017 at Pasig City, affiant exhibiting to me his Philippine Passport No. EC5401039 issued on September 19, 2015 and valid until September 18, 2020.

Doc. No. 325;
Page No. 66;
Book No. 5;
Series of 2017.


ROSE ANN R. BAGAY
TR No. 262444/01-18-2017/ Pasig City
IBP No. 1070606; 01-26-17/ Cavite City
Roll No. 64361
MCLE Compliance No. V-0014543; 02-29-2016
15/F Strata 2000, F. Ortigas Jr. Road,
Ortigas Center, Pasig City
Telephone No. 696-0687; 696-0988
Appointment No. 209 (2016-2017) - Pasig City
Commissioned until 31 December 2017

CERTIFICATION

I, **ALVIN D. LAO**, Filipino, of legal age and a resident of Atlas St., Acropolis, Quezon City, after having been sworn to in accordance with law do hereby declare that:

1. I am an independent director of Xurpas Inc.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
1. D&L Industries, Inc.	Executive Vice President, Chief Financial Officer and Director	2012 - 2016
	President and Chief Executive Officer	2016 - Present
2. Chemrez Technologies Inc.	Chief Financial Officer and Treasurer	2001 - present
3. Axis REIT	Director	2012 - present
4. Enderun Colleges	Director	2012 - present
5. Gurango Software Corporation	Director	2012 - present
6. First in Colours, Incorporated	Director	2012 - present
7. D&L Polymer and Colours, Inc.	Director	2006 - present
8. FIC Tankers Corporation	Director	2002 - present
9. Ecozone Properties, Inc.	Director	1998 - present
10. Anonas LRT Property and Dev't Corp.	Director	2011 - present
11. Hotel Acropolis, Inc.	Director	2011 - present
12. LBL South Incorporated	Director	2011 - present
13. Lao Foundation, Inc.	Trustee	2010 - present
14. Star Anise Properties Corporation	Director	2012 - present
15. Xeleb Technologies Inc.	Independent Director	2016 - present

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of Xurpas Inc. as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations ("SRC").
4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the SRC.
5. I shall inform the Corporate Secretary of Xurpas Inc. of any changes in the abovementioned information within five (5) days from its occurrence.

A

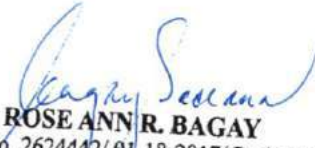
Signed this MAR 01 2017 at PASIG CITY



ALVIN D. LAO
Affiant

SUBSCRIBED AND SWORN to before me this MAR 01 2017 at PASIG CITY,
affiant exhibiting to me his Philippine Passport No. EC2844011 expiring on November
26, 2019.

Doc. No. 331 ;
Page No. 68 ;
Book No. I ;
Series of 2017.



ROSE ANN R. BAGAY
PTR No. 2624442/01-18-2017/ Pasig City
IBP No. 1070606; 01-26-17/ Cavite City
Roll No. 64361
MCLE Compliance No. V-0014543; 02-29-2016
15/F Strata 2000, F. Ortigas Jr. Road,
Ortigas Center, Pasig City
Telephone No. 696-0687; 696-0988
Appointment No. 209 (2016-2017) - Pasig City
Commissioned until 31 December 2017

CERTIFICATION

I, **JONATHAN GERARD A. GURANGO**, Filipino, of legal age and a resident of Orchard Road, 21 Olympic Heights T2, Eastwood, Quezon City, after having been sworn to in accordance with law do hereby declare that:

1. I am an independent director of **Xurpas Inc.**
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
1. Gurango Software Corporation	Chief Executive Officer, Chief Technology Officer & Director	2003-present
2. Citizen Services Portal Ph, Inc.	Director	2014-present

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of Xurpas Inc. as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations ("SRC").
4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the SRC.
5. I shall inform the Corporate Secretary of Xurpas Inc. of any changes in the above-mentioned information within five (5) days from its occurrence.

Signed this MAR 01 2017 at BAHIG CITY

(Signature Page Follows)

JONATHAN GERARD A. GURANGO

Affiant

SUBSCRIBED AND SWORN to before me this **MAR 01 2017**, 2017 at **PASIG CITY**, affiant exhibiting to me his Philippine Passport No. EB8429510 expiring on June 18, 2018.

Doc. No. 332;
Page No. 68;
Book No. I;
Series of 2017.

Rose Ann R. Bagay
ROSE ANN R. BAGAY
FR No. 262442/ 01-18-2017/ Pasig City
IBP No. 1070606; 01-26-17/ Cavite City
Roll No. 64361
MCLE Compliance No. V-0014543; 02-29-2016
15/F Strata 2000, F. Ortigas Jr. Road,
Ortigas Center, Pasig City
Telephone No. 696-0687; 696-0988
Appointment No. 209 (2016-2017) - Pasig City
Commissioned until 21 December 2017

UNDERTAKING

I, **MARK S. GORRICETA**, of legal age, Filipino, and with office address at 15F & 4F Strata 2000 F, Ortigas Jr. Road, Ortigas Center, Pasig City, Philippines, after having been sworn to in accordance with law, do hereby certify that:

1. I am the duly elected and incumbent Corporate Secretary and Chief Legal Officer of **XURPAS, INC.** (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal address at 7th Floor Cambridge Centre Building, 108 Tordesillas Street, Salcedo Village, Makati City;
2. The Corporation has submitted its Preliminary Information Statement on March 3, 2017 containing the Certification of the Corporation's Independent Directors, Mr. Alvin D. Lao & Mr. Jonathan Gerard A. Gurango, (the "Independent Directors") with the Securities and Exchange Commission (the "SEC") and the Philippine Stock Exchange (the "PSE");
3. Pursuant to SEC Memorandum Circular No. 5, dated March 7, 2017, an updated pro forma Certification (the "Certification") is required from all Independent Directors, and shall take effect immediately;
4. The Independent Directors of the Corporation are currently not in the country, or otherwise unavailable as of date to accomplish the above-stated Certification;
5. I hereby undertake to comply with the duty to submit the Certifications to the SEC and the PSE on or before the 2017 Annual Stockholders' Meeting on May 10, 2017.


IN WITNESS WHEREOF, I have hereunto set my hand this 28th day of March 2017 in Pasig City.

MARK S. GORRICETA

Corporate Secretary & Chief Legal Officer

SUBSCRIBED AND SWORN to before me this MAR 28 2017 in PASIG CITY, affiant exhibiting to me his Passport No. EC5401039 issued at DFA Manila valid until September 18, 2020.

Doc. No. 382 ;
Page No. 78 ;
Book No. I ;
Series of 2017.


ROSE ANN R. BAGAY
PTR No. 2624442/01-18-2017/ Pasig City
IBP No. 1070006; 01-26-17/ Cavite City
Roll No. 64361
MCLE Compliance No. V-0014543; 02-29-2016
15/F Strata 2000, F. Ortigas Jr. Road,
Ortigas Center, Pasig City
Telephone No. 696-0687; 696-0988
Appointment No. 209 (2016-2017) - Pasig City
Commissioned until 31 December 2017

MANAGEMENT REPORT

I. CHANGES IN AND DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The consolidated financial statements of Xurpas Inc. and Subsidiaries (the “Group”) as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014 were audited by SGV & Co., independent auditors, in accordance with Philippine Standards on Auditing (PSA).

SGV & Co. has acted as the Group’s independent auditors since 2008. The Company has not had any material disagreement on accounting and financial disclosure with SGV & Co. for the periods stated above or during interim periods.

II. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Summary

In ₱ Millions	Years ended December 31			Increase (2016 vs 2014)
	2016	2015	2014	%
Revenues	1,969.89	921.22	392.22	402%
Gross Profit	829.26	536.71	278.35	198%
Income before Income Tax	426.92	331.10	239.14	79%
Net Income	304.89	229.62	190.72	60%
Revenues				
Mobile Consumer Services	1,239.92	576.06	309.37	301%
Enterprise Services	653.14	243.45	68.95	847%

For fiscal year 2014 versus fiscal year 2016, total revenues of the Group grew 402% from ₱392.22 million in 2014 versus ₱1,969.89 million in 2016. Likewise, revenues from the major segments – mobile consumer services, and enterprise services – increased by 301% and 847%, respectively. Gross profit increased by 198% over the same period from ₱278.35 million in 2014 to ₱829.26 in 2016. Income before income taxes increased by 79% and net income grew by 60%.

For the year ended December 31, 2016 compared with the year ended December 31, 2015

Key Financial Data In PhP Thousands	For the 12 months ended December 31					
	2016		2015		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Mobile consumer services	1,239,924	63%	576,055	63%	663,869	115%
Enterprise services	653,143	33%	243,451	26%	409,692	168%
Other services	54,071	3%	78,868	9%	(24,797)	-31%
Interest income	3,025	0%	9,435	1%	(6,410)	-68%
Other income	19,730	1%	13,409	1%	6,321	47%
<i>Total Revenues</i>	1,969,894	100%	921,218	100%	1,048,676	114%
Cost of Services	1,098,820	56%	314,695	34%	784,125	249%
Cost of Goods Sold	41,818	2%	69,812	8%	(27,994)	-40%
Gross Profit	829,256	42%	536,712	58%	292,544	55%
General and Administrative Expenses	368,435	19%	196,132	21%	172,303	88%
Equity in Net Loss of Associate	33,902	2%	9,479	1%	24,423	258%
Income Before Income Tax	426,918	22%	331,101	36%	95,817	29%
Provision for Income Tax	122,025	6%	101,483	11%	20,542	20%
Net Income	304,893	15%	229,618	25%	75,275	33%
Core Net Income	329,032	17%	229,618	25%	99,414	43%
EBITDA	484,767	25%	351,047	38%	133,720	38%

Key Financial Data In PhP Thousands	Dec. 31, 2016 (Unaudited) Amount	Dec. 31, 2015 (Audited) Amount	Amount Change	% Increase
Total Assets	5,894,603,270	3,394,373,415	2,500,229,855	74%
Total Liabilities	2,080,372,030	1,830,621,862	249,750,168	14%
Total Equity	3,814,231,240	1,563,751,553	2,250,479,687	144%

The net income of the Group for the twelve-month period ended December 31, 2016, increased by 33% (from ₱229.62 million in year ended 2015 to ₱304.89 million in 2016). Core net income over the same period increased by 44%. EBITDA increased by 38% to ₱485.49 million in 2016 from ₱351.05 million the previous year. The Group's revenues were mainly driven by mobile consumer services, comprising 63% of 2016 revenues.

In 2015, the Group acquired and invested in a number of companies at different periods of the year. Its largest acquisition in 2015 was Yondu Inc. at ₱900.00 million, which was completed on September 15, 2015. In October 6, 2016, Xurpas disclosed that it acquired 100% of Art of Click Pte. Ltd at an aggregate consideration of approximately US\$45.00 million. The ramp-up of expenses during the full year of 2016 was due to the Group's various investments, acquisitions, and on-going product and platform development. While the Group's business increased as of December 31, 2016, the full accretive value of its investments in 2015 and 2016 have not yet materialized in that year, thus its net income did not grow at the same pace as service revenue.

Total revenues increased by ₱1,048.68 million or 114% for the comparable period, from ₱921.22 million in 2015 to ₱1,969.89 million in 2016. Partial effects of new revenue segments from investments and acquisitions in 2015 were realized in 2016. These new revenue segments refer to enterprise solutions and services from Yondu and Seer, and to the HR technologies services of Storm.

The Group's total cost of services increased by 249% from ₱314.70 million for year ended 2015 to ₱1,098.82 million for the comparable period in 2016. Cost of goods sold attributable to other services was ₱41.82 million for

year ended December 31, 2016 compared to ₱69.81 million in 2015, a decrease of 40% or ₱27.99 million. Gross profit margins on total revenues, for the twelve month period ended December 31, 2016 was at 42%, a decrease from the same period last year at 58%. However, in absolute amount, gross profit increased by 55% from ₱536.71 million for the year ended 2015 to ₱829.26 million for the same period in the year ended 2016.

General and administrative expenses increased by 88%, from ₱196.13 million for the year ended 2015 to ₱368.44 million for the same period in 2016. Overall, the increase was mainly due to the costs related to the Group's expansion: (i) absorption of operating expenses of acquired subsidiaries made in 2015 and 2016, (ii) increase in salaries and wages due to organizational build-up of the parent company and acquired subsidiaries, and (iii) investment and acquisition-related costs and legal fees, the latter being non-recurring. Included in the general and administrative expenses were increase in non-cash expenses such as depreciation and amortization related to capitalization costs, as well as non-cash interest expenses related to the recognition of liability for a written put option. The Company also shares in the recorded net loss of the associate companies it has invested in, which amounted to ₱33.90 million for the period ended December 31, 2016. Provision for taxes during the year ended 2016 was ₱122.03 million or 20% higher than the same period in 2015 at ₱101.48 million; due which is attributed to the higher income before tax.

Overall, the net income for the Group increased from ₱229.62 million for the year ended 2015 to ₱304.89 million over the same period in 2016 reflecting an increase of 33%. Core net income which excludes the non-recurring expenses amounting to ₱35.63 million, was at ₱329.84 million or an increase of 44% over the previous period.

Consolidated total assets as of December 31, 2016 amounted to ₱5,894.60 million, an increase of 74% from ₱3,394.37 million as of December 31, 2015 which is attributed to the overnight top-up placement of the Parent Company's common shares in April 26, 2016. The net increase of ₱2,500.23 million in total assets was mainly brought by the ₱1,350.74 million increase in intangible assets, ₱431.72 million increase in investment in associates, ₱255.60 million increase in financial assets at FVPL and ₱222.58 million in Accounts and other receivables. Consolidated total liabilities increased by 14% from ₱1,830.62 million as of December 31, 2015 to ₱2,080.37 million in December 31, 2016, due mainly to the recognition of contingent liability in 2016. Consolidated total equity increased by 144% over the same period, from ₱1,563.75 million to ₱3,814.23 million, which was mainly a result of the additional paid-in capital from the overnight top-up placement.

Segment Financial Performance

As of December 31, 2016 In ₱	Mobile Consumer Services	Enterprise Services	Other Services	Intersegment Adjustments	Consolidated
Revenue from services	1,326,703,575	658,468,960	3,392,600	(92,105,104)	1,896,460,031
Revenue from sale of goods	-	-	50,678,833		50,678,833
Equity in net loss of associates	(33,902,387)	-	-		(33,902,387)
Operating expenses	(911,506,522)	(562,014,463)	(102,935,274)	67,503,079	(1,509,073,787)
Operating profit	381,294,666	96,454,497	(48,863,841)	(24,602,025)	404,162,690
Interest and Other income	26,575,356	8,006,762	486,078	(12,312,667)	22,755,529
Provision for income tax	(113,643,698)	(27,994,957)	11,890,178	7,723,493	(122,024,984)
Net Income	294,226,324	76,466,302	(36,487,585)	(29,311,806)	304,893,235

As of December 31, 2016 prior to intersegment adjustments, mobile consumer services' revenues, operating profit and net income prior to eliminations were ₱1,326.70 million, ₱381.29 million and ₱294.23 million, respectively. These translated to 29% operating profit margin and 22% net income margin. Enterprise services had operating profit of ₱96.45 million (operating profit margin of 15%) and net income of ₱76.47 million (net income margin of 11%) from revenues of ₱658.47 million. The other services segment has yet to yield a positive contribution to the Group.

Profitability

For the year ended December 31, 2016 compared with the year ended December 31, 2015

Revenues

The consolidated revenues of the Group for the period ended December 31, 2016 amounted to ₱1,969.89 million, an increase of 114% from ₱921.22 million the same period of the previous year.

The service income component of total revenues is comprised of the following segments:

Segment	Description	Subsidiaries
Mobile consumer services	Revenues ultimately derived from providing Mobile consumer services via the Telcos, as well as mobile marketing and advertising solutions integrated in mobile casual games and platforms	<ul style="list-style-type: none"> Xurpas Parent Company Xeleb Inc. Yondu Inc. Art of Click Pte. Ltd.
Enterprise services	Revenues derived from the provision of mobile platform solutions to corporate and government clients, information technology (IT) staff augmentation and consultancy services, various enterprise solutions-based services to Telcos and other companies for network, platform and applications development	<ul style="list-style-type: none"> Xeleb Technologies Inc. Seer Technologies Inc. Yondu Inc.
Other services	Revenues derived from services related to the proprietary platform called “Flex Benefits System” and “Kudos” which allows employees to convert their employee benefits to other benefits which includes sale of goods	<ul style="list-style-type: none"> Storm Technologies Inc.

In PhP Thousands	For the 12 months ended December 31					
	2016		2015		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Mobile consumer services	1,239,924	63%	576,055	75%	663,869	115%
Enterprise services	653,143	33%	243,451	15%	409,692	168%
Other services	54,071	3%	78,868	8%	(24,797)	-31%
Interest income	3,025	0%	9,435	2%	(6,410)	-68%
Other income	19,730	1%	13,409	1%	6,321	47%
Total Revenues	1,969,894	100%	921,218	100%	1,048,676	114%

Revenues from the mobile consumer services segment for the year ended December 31, 2016 amounted to ₱1,239.92 million, an increase of 115% from the previous year’s same period level of ₱576.06 million. This segment accounts for 63% of the total revenues. On the other hand, revenues from enterprise services (which accounts for 33% of total revenues) increased by 168% in December 31, 2016, to ₱653.14 million from ₱243.45 million in December 31, 2015. Other services booked revenues of ₱54.07 million in December 31, 2016, lower by 31% from the previous level at ₱78.87 million over the same period last year. The decrease in revenues from Storm was due to the longer-than-expected sales cycle, which has resulted in delayed implementation and revenue generation.

Interest income as of December 31, 2016 amounted to ₱3.03 million or 68% lower vis-à-vis the ₱9.44 million from the same period in 2015. Interest income was derived from the interest generated by the Group from its cash deposits in banks and cash equivalents. Other income which includes placements on financial assets at FVPL as of December 31, 2016 amounted to ₱19.73 million or 47% higher vis-à-vis the ₱13.41 million from the same period in 2015.

Expenses

In PhP Thousands	For the 12 months ended December 31					
	2016		2015		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	1,098,820	73%	314,695	54%	784,125	249%
Cost of Goods Sold	41,818	3%	69,812	12%	(27,994)	-40%
General and Administrative Expenses	368,435	24%	196,132	34%	172,303	88%
<i>Total Expenses</i>	<i>1,509,074</i>	<i>100%</i>	<i>580,639</i>	<i>100%</i>	<i>928,435</i>	<i>160%</i>

As of the full year of 2015, Xurpas had as subsidiaries: Fluxion, Inc. (now registered with SEC as Xeleb Technologies Inc.), Storm Technologies Inc. (formerly Storm Flex Systems, Inc.), Xeleb Inc., Seer Technologies Inc. and Yondu Inc. In contrast, the full year of 2016 now also includes Art of Click. The Group's consolidated expenses during the period ended December 31, 2016 amounted to ₱1,509.07 million, a 160% increase from the same period of the previous year at ₱580.64 million. For the full year of 2016, cost of services accounted for the bulk of expenses, totaling ₱1,098.82 million or 73% of the Group's consolidated expenses. For the same period in 2015, cost of services amounted to ₱314.70 million or 54% of overall expenses of ₱580.64 million.

Cost of Services

In PhP Thousands	For the 12 months ended December 31					
	2016		2015		Amount Change	% Increase
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	486,897	44%	164,988	52%	321,910	195%
Outsourced services	368,534	34%	36,539	12%	331,995	909%
Segment fee and network costs	97,065	9%	55,100	18%	41,966	76%
Others	146,323	13%	58,068	18%	88,255	152%
<i>Total Expenses</i>	<i>1,098,820</i>	<i>100%</i>	<i>314,695</i>	<i>100%</i>	<i>784,126</i>	<i>249%</i>

Cost of services totaling ₱1,098.82 million for the full year of 2016, was mainly driven by expenses relating to (1) Salaries, wages, and employee benefits, (2) Outsourced services, and (3) Segment fee and network costs, which accounted for 44%, 34%, and 9%, respectively. These costs were directly borne from rendering mobile consumer services, enterprise services, and other services to the Group's clients for the full year of 2016. Of the total cost of services for the period, 77% is attributable to new subsidiaries. Of the outsourced services in 2016, 84% was attributable to AoC. In comparison, as at the full year of 2015 cost of services (₱314.70 million) was broken down into 52% salaries, wages, and employee benefits, 12% outsourced services, and 18% segment fee and network costs.

Cost of Goods Sold

For the period ended December 31, 2016, cost of goods sold took up 3% of the Group's consolidated expenses, amounting to ₱41.82 million. This figure was a decrease of 40% from its level at ₱69.81 million in December 31, 2015. The decrease in cost of goods sold was directly attributable to the decrease in revenues of Storm Technologies Inc. Costs related to the sale of goods from its flexible benefits and performance programs were appropriated as cost of goods sold.

General and Administrative Expenses

In PhP Thousands	For the 12 months ended December 31					
	2016		2015		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Salaries, wages and employee and benefi	126,488	34%	66,933	34%	59,554	89%
Professional fees	43,307	12%	19,253	10%	24,053	125%
Repairs and maintenance	6,925	2%	9,202	5%	(2,276)	-25%
Rent	30,630	8%	10,739	5%	19,891	185%
Others	161,086	44%	90,006	46%	71,081	79%
<i>Total Expenses</i>	368,435	100%	196,132	100%	172,303	88%

General and administrative expenses relating to the Group's operations, for full year ended December 31, 2016 amounted to ₱368.44 million, higher by 88% compared to previous year's same period level of ₱196.13 million. Salaries, wages, and employee benefits was ₱126.49 million or 34% of the total general and administrative expenses (GAEX). The same expenses amounted to ₱66.93 million for the same period in 2015. The next biggest cost component in December 31, 2016 was professional fees amounting to ₱43.31 million or 12% of total GAEX. The increase in the GAEX was primarily brought about by the consolidation of operational expenses from newly acquired subsidiaries, which contributed 52% of the total.

Equity in Net Loss of Associates

The equity of the Group in the net loss of its associate companies for the full year ended December 31, 2016, amounted to ₱33.90 million. These companies are still in their testing phase or are in the process of ramping up or commercializing their operations.

Earnings before Interest, Tax, Depreciation, and Amortization (EBITDA)

In ₱ thousands	For the 12 months ended December 31			
	2016	2015	Amount Change	% Increase
Income before tax	426,918	331,101	95,818	29%
Depreciation and amortization	45,556	14,334	31,222	218%
Interest expense	13,018	5,612	7,406	132%
	485,492	351,047	134,563	38%

The Group's EBITDA increased by 38% in December 31, 2016 to ₱485.49 million from ₱351.05 million the same period of the previous year. Depreciation and amortization of property and office equipment and intangible assets amounted to ₱45.56 million as at December 31, 2016 from ₱14.33 million as at December 31, 2015. Of the net increase of ₱31.22 million, ₱29.20 million was from the depreciation of IT equipment and amortization of developed software. Interest expense increased by 132% from ₱5.61 million for the full year of 2015 to ₱13.02 million for the full year of 2016. Of this amount, ₱11.52 million was non-cash interest expense from the liability for a written put option.

Income before Income Tax

The Group's net income before taxes for year ended December 31, 2016 was 22% of total revenues or a figure of ₱426.92 million. The net income before taxes for the Group grew 29% from the same period ended December 31, 2015, which posted a figure of ₱331.10 million.

Provision for Income Tax

Provision for income tax during the year ended December 31, 2016 amounted to ₱122.03 million, compared to the same period in 2015, where provision for income tax was ₱101.48 million; a 20% increase.

Net Income

The Group posted a consolidated net income of ₱304.89 million for the full year of 2016, an increase of 33% from the previous year's same period at ₱229.62 million. Despite the Group's continuing organizational build-up, acquisition, investment-related expenses during this period versus that on December 31, 2015 the robust revenues generated a net income margin of 15% for the full year of 2016.

Core Net Income

As of December 31, 2016, core net income which excludes the non-recurring expenses amounting to ₱35.63 million, was at ₱329.84 million or an increase of 44% over the previous period.

Financial Position

As of December 31, 2016 compared to December 31, 2015

Assets

Cash and Cash Equivalents

The Group's consolidated cash and cash equivalents amounted to ₱428.52 million for the year ended December 31, 2016, a net increase of 40% or ₱122.63 million from consolidated cash and cash equivalents of ₱305.89 million as at December 31, 2015. On April 2016, the Parent Company's overnight top-up placement raised ₱1,243.20 million in equity funds.

Accounts Receivable

The Group's consolidated accounts receivable amounted to ₱956.90 million and ₱734.32 million as at December 31, 2016 and December 31, 2015, respectively, representing an increase of 30% or ₱222.58 million. In December 31, 2016, trade receivables were valued at ₱933.66 million, whereby Yondu Inc. and AoC accounted for ₱419.60 million (45% of the total) and ₱330.62 million (35% of the total), respectively.

Financial Assets at Fair Value through Profit or Loss

The total Net Asset Value (NAV) and fair value of the Fund as at December 31, 2016 and December 31, 2015 was ₱335.92 million and ₱80.32 million, respectively. Part of the funds raised by the Parent Company after the overnight top-up placement was placed in the SB Money Market Fund while waiting for the appropriate use of the proceeds. The SB Money Market Fund was invested in a diversified portfolio of primarily short-term fixed income instruments.

Available for Sale Financial Assets

As of December 31, 2016, the Group's available for sale financial assets amounted to ₱108.43 million. As of December 31, 2016, the Group's investment in convertible bonds issued by E insights Pte. Ltd., Pico Candy Pte. Ltd, MatchMe, and Altitude Games were at ₱23.48 million, ₱3.60 million, ₱52.50 million and ₱28.86 million, respectively.

Other Current Assets

The Group's consolidated other current assets totaled ₱52.63 million, an increase of ₱8.33 million or 19% from its previous level on December 31, 2015 at ₱44.30 million. Prepaid expenses and Input VAT comprised majority of other current assets.

Available for Sale Financial Assets-net of current portion

As of December 31, 2016, the Group's available for sale financial assets amounted to ₱44.54 million, which decreased by ₱23.42 million from its previous level on December 31, 2015. These are the investments in Zowdow, Inc. (formerly Quick.ly Inc) at ₱44.24 million and Club Punta Fuego at ₱0.30 million. The decrease in 2016 was attributable to the convertible bonds issued by Insights Pte. Ltd (₱23.48 million) that was reclassified to Available for Sale Financial Assets current portion.

Investment in Associates

As of December 31, 2016, the Group's consolidated Investment in Associates amounted to ₱534.53 million, a 420% increase from its figure of ₱102.81 million in December 31, 2015. The breakdown of the carrying amounts of these investments are: Altitude Games Pte. Ltd. (₱28.19million), MatchMe Pte. Ltd. (₱56.19 million), PT Sembilan Digital Investama (₱8.20 million), and Micro Benefits Limited (₱441.95 million).

Property and Equipment

The Group's consolidated Property and Equipment was ₱80.53 million in December 31, 2016 vis-à-vis ₱58.18 million in December 31, 2015, or an increase of 38%. This was a result of adding ₱50.30 million worth of said assets in the period ended December 31, 2016. Depreciation expense amounted to ₱26.28 million in the full year ended December 31, 2016. Property and Equipment mainly consisted of leasehold improvements, information technology equipment, furniture and fixtures, and leased assets.

Intangible Assets

Intangible assets of ₱3,239.02 million as at December 31, 2016 were recognized in relation to the Group's acquisitions and investments. The amortized amount was ₱19.28 million or 1.02% of the December 31, 2015 figure at ₱1,888.28 million. The major components are customer relationship, goodwill, developed software, and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group. As of December 31, 2016, goodwill is at ₱2,043.38 million.
- Customer relationship pertains to Yondu Inc.'s non-contractual and contractual agreements with Globe Telecom, Inc., its major customer which are expected to generate revenues for the Group in subsequent periods. As of December 31, 2016, customer relationship is valued at ₱1,077.81 million.
- Developed software pertains to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As of December 31, 2016, developed software net book value is at ₱104.78 million. Amortization of developed software for the year ended December 31, 2016 amounted to ₱16.80 million.
- Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination. As of December 31, 2016, leasehold rights net book value is at ₱13.75 million. Amortization of Leasehold rights for the year ended December 31, 2016 amounted to ₱2.48 million.

Pension Asset

The Group's recorded pension asset as of December 31, 2016 was at ₱2.39 million, compared to the previous year at nil.

Deferred Tax Assets – Net

The Group's consolidated net deferred tax assets level amounted to ₱55.44 million as at December 31, 2016, higher by 30% vis-à-vis its December 31, 2015 level at ₱42.52 million.

Other Noncurrent Assets

Other Noncurrent Assets amounted to ₱55.76 million As of December 31, 2016. This figure is 7% higher than the value posted as of December 31, 2015 at ₱52.13 million. This is advances to affiliates and primarily rental deposits amounting to ₱22.08 million and ₱20.04 million, respectively.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables valued at ₱413.73 million as of December 31, 2016 was a 77% increase from its December 31, 2015 figure of ₱233.50 million.

The Group's accounts and other payables consisted mainly of trade payables at ₱257.61 million (₱189.02 million from Art of Click Pte. Ltd.), deferred trade output VAT at ₱55.60 million (₱45.05 million from Yondu Inc.), and accrued expenses at ₱37.79 million (₱35.15 million from Yondu Inc.).

Loans Payable – current portion

The Group's loans payable is attributable to the Group's local bank loans amounting to ₱3.00 million as of December 31, 2016 compared to ₱14.00 million in 2015. These interest-bearing, short-term loans are payable in 60 days.

Income Tax Payable

The Group's consolidated income tax payable as of December 31, 2016 amounted to ₱64.44 million, an increase of 64% from the December 31, 2015 figure of ₱39.24 million.

Liability for Written Put Option

Based on PAS 32, **Financial Instruments: Presentation**, "...a contract that contains an obligation for an entity to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount." As such, a liability for the written put option is recognized which is equal to the present value of the amount payable upon exercise of the option is to be recognized. This amounts to ₱864.71 million and ₱853.18 million, as of December 31, 2016 and December 31, 2015, respectively.

Contingent Liability

The Group recorded ₱216.40 million in contingent liability as at December 31, 2016 compared to nil the previous year.

Other Current Liabilities

The Group's other current liabilities amounted to ₱127.72 million in December 31, 2016 compared to ₱289.24 million in 2015, a decrease of 56%. The decrease of ₱161.52 million was mostly from the decrease in dividends payable (₱69.00 million from Yondu Inc. from a carrying amount of ₱116.49 million in 2016).

Loans Payable – non-current portion

The Group recorded ₱14.00 million in non-current loans in December 31, 2016 and 2015. This is attributable to the loans of Seer Technologies Inc. which are interest-bearing, long-term (more than 360-days), and collateralized against Seer Technologies Inc.'s trade receivables.

Deferred Tax Liability

As of December 31, 2016, the deferred tax liability (net) was at ₱346.32 million, a decrease of 4% or ₱14.27 million from ₱360.59 million as of December 31, 2015. This is primarily the deferred tax liability on fair value adjustment on intangible assets.

Finance Lease- net of current portion

The Group entered into a lease agreement with BPI Leasing Corporation for the use of IT and transportation equipment with a lease term three (3) and five (5) years, respectively. Effective monthly interest rates range from 0.83% to 1.12%. The Group's finance lease net of current portion is ₱1.16 million in December 31, 2016 compared to nil in 2015.

Pension Liability

The accrued pension of the Group is at ₱28.91 million, which was a 29% or ₱11.97 million decrease from December 31, 2015 levels at ₱40.87 million. The decrease in pension liability was a result of Yondu Inc.'s pension contribution to its retirement plan fund during the month of April 2016 and from organizational restructuring that Xeleb Technologies Inc. (formerly Fluxion, Inc.) undertook, which lessened the amount of pension accrued.

Equity

Total Equity

The Group's total equity As of December 31, 2016 was at ₱3,814.23 million, a 144% increase from its December 31, 2015 level at ₱1,563.75 million. On April 29, 2016, the Parent Company issued and subscribed 77.70 million shares with par value of ₱0.10 for a total consideration of ₱1,243.20 million or ₱16.00 per share. The excess of subscription price over paid-up capital was recognized as additional paid-in capital. The net increase in total equity was a result of additional paid-in capital of ₱3,343.12 million, increase of ₱169.07 million in retained earnings, and increase of ₱14.76 million in capital stock as of December 31, 2016. Likewise, As of December 31, 2016, equity reserve of ₱892.22 million was recorded pertaining to the liability for written option. On November 14, 2016, the Parent Company commenced its share buyback program following its Board approval for the allotment of ₱170.00 million on November 9, 2016. As at December 31, 2016, treasury stocks acquired totaled to 8,532,900 shares which amounted to ₱71.51 million. Non-controlling interests were at ₱830.17 million in December 31, 2016, an 8% increase from its figure in December 31, 2015 at ₱771.52 million.

Liquidity and Capital Resources

The Group's liquidity is primarily driven by Cash Flows from Operating Activities and cash reserves. The Group knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity. The Group is current on all of its accounts. The Group has minimal bank debt through Seer Technologies Inc. which is short term in nature. The Group does not anticipate having any cash flow or liquidity problems over the next 12 months. The Group is not in breach or default on any loan or other form of indebtedness.

Cash Flows

In ₱ Key Financial Data	For the 12 months ended December 31	
	2016	2015
Net cash used in Operating Activities	(4,888,447)	(7,933,530)
Net cash used in Investing Activities	(887,019,435)	(559,675,619)
Net cash provided by (used in) Financing Activities	1,009,409,732	(84,178,026)
Effect of foreign currency exchange rate changes	5,130,801	(245,051)
Net increase in cash	122,632,651	(652,032,226)
Cash at beginning of period	305,885,002	957,917,228
Cash at end of period	434,713,767	305,885,002

Cash Flows Provided by Operating Activities

For the full year of 2016, operating income of ₱511.40 million was coupled with the corresponding increase in account receivables and the decrease in account payables for a resulting ₱153.31 million net cash generated from operations. Together with interest received and income taxes paid, this resulted in a net cash used for operating activities of ₱4.89 million.

Cash Flows Used in Investing Activities

The Group's consolidated cash flows used in investing activities for subsidiaries and associates for the full year of 2016 was ₱887.02 million compared to ₱559.68 million in the same period of 2015. The cash used in investing activities were mostly from the purchase of investment in associate, specifically Micro Benefits Limited in 2016. The investment in Micro Benefits Limited together with its other fees amounted to ₱469.78 million.

Cash Flows Used in Financing Activities

The Group's consolidated net cash flow provided by financing activities for the full year ended December 31, 2016 was ₱1,009.41 million, compared to ₱84.18 million net cash flow used as of December 31, 2015. For the year 2016, consolidated net cash flow provided by financing activities was attributable mainly to the issuance of new common shares worth ₱1,243.20 million, net loan availments amounting to ₱3.00 million, and dividends paid amounting to ₱86.78 million.

Capital Expenditure

The Group's capital expenditures through business combinations and regular means, for the year ended December 31, 2016 and the year ended December 31, 2015 amounted to ₱50.93 million and ₱57.77 million, respectively.

Key Financial Data (₱)	December 31, 2016 Additions		December 31, 2015 Additions	
	Business Combination	Regular	Business Combination	Regular
Office Equipment	0.05	2.33	0.53	1.63
IT Equipment	0.51	15.06	16.06	6.51
Furniture and Fixtures	0.07	7.12	1.00	1.74
Leasehold Improvements	-	23.98	23.94	3.43
Leased Asset	-	1.81	2.86	-
Transportation Equipment	-	-	0.08	-
Total	0.63	50.30	44.46	13.31

Commitments and Contingent Liabilities

The Group recorded contingent liabilities at ₱216.40 million as at December 31, 2016 and nil for the previous year. 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.

Key Performance Indicators

The following are the key performance indicators of the Group and its majority-owned subsidiaries:

In Percentage	For the years ended December 31		
	2016	2015	2014
Liquidity Ratios			
Current Ratio	119%	83%	1242%
Quick Ratio	115%	80%	1238%
Asset-to-Equity Ratio	198%	428%	111%
Profitability Ratios			
Net Income Margin	13%	25%	49%
Gross Margin	41%	57%	71%
Operating Margin	25%	39%	61%
Return on Total Assets	6%	9%	12%
Return on Equity	14%	19%	13%

Current Ratios

Current Ratio and Quick Ratios in December 31, 2016 were 119% and 115%, respectively, an increase from their respective 83% and 80% figures during the full year of 2015. The increase in both ratios was primarily from the significant increase in current assets of the Group for that period vis-à-vis the increase in current liabilities.

Asset-to-Equity Ratio

The decrease in the asset-to-equity ratio from 428% in December 31, 2015 to 198% in December 31, 2016 resulted from the large increase in equity, particularly additional paid-in capital and retained earnings. The increase in additional paid-in capital was a result of the April 2016 issuance and subscription of shares.

Profitability Ratios

Profitability margins decreased from December 31, 2015, as a result of business combination and expenses related to the Group's investments and acquisitions. The decrease in Gross Profit Margin (41%), Net Income Margin (13%), Operating Margin (25%), Return on Total Assets (6%) and Return on Equity (14%) was a result of the increase in overall expenses as a direct result of the Parent Company's expansion and acquisitions: the absorption of operational expenses of the acquired subsidiaries, expansion of operations offshore, salaries and wages paid to the Group's new employees for its organizational build-up program; and payment of professional and legal fees incurred from investments and acquisitions.

The manner by which the Company calculates the foregoing indicators is as follows:

Current Ratios

1. Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
2. Quick ratio	$\frac{\text{Current assets} - \text{Other current assets}}{\text{Current liabilities}}$

Asset-to-equity Ratio

$$\frac{\text{Total assets}}{\text{Total equity attributable to Parent Company}}$$

Profitability Ratios

1. Net income ratio	$\frac{\text{Net income attributable to Parent Company}}{\text{Service income}}$
2. Gross margin	$\frac{\text{Service income} - \text{Cost of services}}{\text{Service income}}$
3. Operating margin	$\frac{\text{Earnings before interest, tax, depreciation and amortization}}{\text{Service income}}$
4. Return on total assets	$\frac{\text{Net income attributable to Parent Company}}{\text{Average total assets}}$
5. Return on total equity	$\frac{\text{Net income attributable to Parent Company}}{\text{Average total equity attributable to the Parent Company}}$

Other Disclosures:

- i. Liquidity. There are no known trends, events, or uncertainties that will result in the Group's liquidity increasing or decreased in a material way.
- ii. Events that will trigger Direct or Contingent Financial Obligation. There are no events that will trigger direct or contingent financial obligations that are material to the Group, including and default or acceleration of an obligation.
- iii. Material Off-balance sheet Transactions, Arrangements, Obligations. Likewise, there were no materials off-

- balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the group with unconsolidated entities or other persons created during the reporting period.
- iv. Material Commitments for Capital Expenditure. There are no material commitments for capital expenditures.
 - v. Material Events/ Uncertainties. There are no known trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations.
 - vi. Results of Operations. There were no significant elements of income or loss that did not arise from continuing operations.
 - vii. Seasonality. The effects of seasonality or cyclicity on the operations of the Group's business are non-material.

Financial Performance

For the year ended December 31, 2015 compared with the year ended December 31, 2014

In PhP Thousands	For the year ended December 31					
	2015		2014		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Mobile consumer services	576,055	63%	309,368	79%	266,687	86%
Enterprise services	243,451	26%	68,947	18%	174,504	253%
Other services	78,868	7%	-	0%	78,868	n.a.
Interest income	9,435	1%	1,188	0%	8,247	694%
Other income	13,409	2%	12,716	3%	693	5%
Total Revenues	921,218	100%	392,219	100%	528,999	135%
Cost of Services	314,695	34%	113,865	29%	200,830	176%
Cost of Goods Sold	69,812	8%	-	0%	69,812	n.a.
Gross Profit	536,712	58%	278,354	71%	258,358	93%
General and Administrative Expenses	196,132	21%	39,214	10%	156,918	400%
Equity in Net Loss of Associate	9,479	1%	-	0%	9,479	n.a.
Income Before Income Tax	331,101	36%	239,141	61%	91,961	38%
Provision for Income Tax	101,483	11%	48,421	12%	53,062	110%
Net Income	229,618	25%	190,719	49%	38,899	20%
Other Comprehensive Income (Loss)	10,145	1%	(12,101)	-3%	22,246	-184%
Total Comprehensive Income	239,763	26%	178,619	46%	61,144	34%
Key Financial Data	Dec. 31, 2015 (Unaudited)	Dec. 31, 2014 (Audited)	Amount Change	% Increase		
In PhP Thousands	Amount	Amount				
Total Assets	3,394,373	1,654,459	1,739,914	105%		
Total Liabilities	1,830,622	163,901	1,666,721	1017%		
Total Equity	1,563,752	1,490,558	73,194	5%		

Summary

The net income of the Group for the year ended December 31, 2015, increased by 20% (from ₱190.72 million in 2014 to ₱229.62 million in 2015). Core net income (which excludes non-recurring expenses) over the same period increased by 32%. Although group revenues were expected to sustain its increasing trend in 2015 vis-à-vis 2014, net income was not expected to grow at the same pace because of the i) greater expenses as a result of expansion and organizational build-up of the parent company and its other subsidiaries ii) the parent company absorbing its share of the net losses of the technology companies it invested in, many of which are either in their beta testing phase or are in the stage of ramping up their operations iii) market expansion to Indonesia, and iv) higher effective tax rate with the expiration of the income tax holiday of the parent company.

Total revenues increased by ₱529.00 million or 135% for the comparable period, from ₱392.22 million in 2014 to ₱921.22 million in 2015. Of the incremental increase in revenues, ₱266.69 million or 50% was contributed by the mobile consumer services of the Parent Company and Yondu Inc.; ₱174.50 million or 33% of the net increase was from enterprise services, and ₱78.87 million or 15% was from other services. The revenue was enhanced by the introduction of new revenue segments as a result of the acquisitions over the past 12 months. These were enterprise services of Yondu Inc. and other services, which refer to the flexible benefits revenues of Storm Technologies Inc. (formerly Storm Flex Systems Inc.)

The blended cost of services (aggregating the subsidiaries' costs) increased by 176% from ₱113.86 million for the year ended December 31, 2014 to ₱314.70 million over the same period ended December 31, 2015. Cost of goods sold attributable to other services and benefits rendered from the sale of goods was ₱69.81 million for the year ended December 31, 2015. Gross profit margins for the year ended December 31, 2015 was at 58%, a decrease from the same period last year at 71%. However, in absolute amount, gross profit increased by 93% from ₱278.35 million for the period ended December 31, 2014 to ₱536.71 million for the same period in 2015.

General and administrative expenses increased by 400%, from ₱39.21 million for the year ended December 31, 2014 to ₱196.13 million for the same period in 2015. Overall, the increase was mainly attributed to the costs related to expansion: (i) absorption of the operating expenses of acquired subsidiaries, a number of which are just ramping up their operations, (ii) increase in salaries and wages due to organizational build-up of the parent company and acquired subsidiaries, and (iii) investment and acquisition-related costs and legal fees, the latter being non-recurring. The Company also shares in the net loss of the associate companies it has invested in, which amounted to ₱9.48 million for full year 2015.

Taxes paid for the year ended December 31, 2015 resulted from a full income tax imposed (30%), as the income tax holiday of the Parent Company expired in July 2014. Provision for taxes during the period of 2015 were ₱101.48 million or 110% higher than the same period in 2014 at ₱48.42 million.

Overall, the net income for the Group increased from ₱190.72 million for the full year 2015 to ₱229.62 million over the same period in 2015; an increase of 20%; notwithstanding the expected increase in expenses due to organizational build-up and acquisitions and the full imposition of the 30% corporate income tax.

As of December 31, 2015, core net income which excludes the non-recurring expenses amounting to ₱30.26 million, was at ₱250.80 million or an increase of 32% over the previous period.

Consolidated total assets as of December 31, 2015 amounted to ₱3,394.37 million, an increase of 105% from ₱1,654.46 million as of December 31, 2014. The increase was mainly brought about by the intangible assets and goodwill recognized from the Company's acquisitions. Consolidated total liabilities increased by 1,017% from ₱163.90 million as of December 31, 2014 to ₱1,830.62 million as of December 31, 2015, due mainly to the recognition of liabilities arising from Xurpas' put option pertinent to the acquisition of Yondu Inc. Consolidated total equity increased by 5% over the same period, from ₱1,490.56 million to ₱1,563.75 million.

Segment Financial Performance

As of December 31, 2015 In PhP	Mobile Consumer Services	Enterprise Services	Other Services	Intersegment Adjustments	Consolidated
Revenues	583,199	243,456	78,868	(7,148)	898,374
Equity in net loss of associates	(9,479)	-	-	-	(9,479)
Operating expenses	(276,342)	(190,411)	(117,904)	4,019	(580,638)
Operating profit	297,378	53,045	(39,036)	(3,128)	308,259
Interest and Other income	33,254	4,939	1,397	(16,745)	22,844
Provision for income tax	(96,780)	(16,471)	8,843	2,935	(101,473)
Net Income	233,852	41,513	(28,805)	(16,936)	229,618

As of December 31, 2015, mobile consumer services' revenue, operating profit and net income prior to eliminations were ₱583.20 million, ₱297.38 million, and ₱233.85 million, respectively. These translated to 51% operating margin and 40% net income margin. Enterprise services had operating profit of ₱53.05 million (operating profit margin of 22%) and net income of ₱41.51 million (net income margin of 17%) from revenues of ₱243.46 million. These figures were from ₱40.63 million operating profit and ₱27.61 million net income from ₱151.95 million of revenues. The other services segment has yet to yield a positive contribution to the Group.

Profitability

For the year ended December 31, 2015 compared with the year ended December 31, 2014

Revenues

The consolidated revenues of the Group for the year ended December 31, 2015 amounted to ₱921.22 million, 135% higher than the previous year's same period level of ₱392.22 million.

Service Income comprised of the following segments:

Segment	Description
Mobile consumer services	Revenues ultimately derived from providing Mobile consumer services via the Telcos
Enterprise services	Revenues derived from the provision of mobile platform solutions to corporate and government clients, including revenues derived from various enterprise solutions-based services to Telcos and other companies for network, platform and applications development
Other services	Revenues derived from services related to the proprietary platform called “Flex Benefits System,” which allows employees to convert their employee benefits to other benefits which includes sale of goods

In PhP Thousands	For the year ended December 31					
	2015		2014		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Mobile consumer services	576,055	63%	309,368	79%	266,687	86%
Enterprise services	243,451	26%	68,947	18%	174,504	253%
Other services	78,868	7%	-	0%	78,868	n.a.
Interest income	9,435	1%	1,188	0%	8,247	694%
Other income	13,409	2%	12,716	3%	693	5%
<i>Total Revenues</i>	921,218	100%	392,219	100%	528,999	135%

Majority of the service income is still the Mobile Consumer Services segment, which accounted for 63% of the total revenues (₱921.22 million) for the full year 2015. Growth of this segment year on year is 86%, from ₱309.37 million in 2014 to ₱576.05 million. Enterprise services comprised 26% (₱243.45 million) of total revenues in 2016. The other components of service income –enterprise services and other services – contributed ₱91.51 million (or 10%) and ₱78.87 million (or 9%), respectively, to total revenues. The enterprise services segment grew by 33%.

The incremental revenue is still mainly from the mobile consumer segment which accounted for 50% or ₱266.69 million of total incremental revenue of ₱529.00 million. Knowledge process outsourcing (KPO) services contributed ₱151.95 million or 29% of the net revenue increase.

Interest income as of December 31, 2015 amounted to ₱9.43 million or 694% higher vis-à-vis the ₱1.19 million from the same period in 2014. Interest income was derived from the interest generated by the Group from its cash deposits in banks and cash equivalents. Other income which includes financial assets at FVPL as of December 31, 2015 amounted to ₱13.41 million or 5% higher vis-à-vis the ₱12.72 million from the same period in 2014.

Expenses

The Group’s consolidated expenses during the year ended December 31, 2015 amounted to ₱580.64 million, a 279% increase from the same period of the previous year at ₱153.08 million. The increase in overall expenses can be seen as a direct result of the Parent Company’s expansion and acquisitions:

- the absorption of operational expenses of the acquired subsidiaries,
- salaries and wages paid to the Group’s new employees for its organizational build-up program;
- market expansion to Indonesia; and
- payment of professional and legal fees incurred from investments and acquisitions.

It should be noted that part of this period’s acquisition-related costs was non-recurring, resulting from transactions related to the Group’s expansion.

For the year ended December 31, 2015, cost of services accounted for the bulk of expenses, totaling ₱314.70 million or 54% of the Group's consolidated expenses at ₱580.64 million. For the same period in 2014, cost of services amounted to ₱113.87 million or 74% of overall expenses of ₱153.08 million.

In PhP Thousands	For the year ended December 31						2014-2015 % Increase
	2015		2014		Incremental		
	Amount	Percentage	Amount	Percentage	Amount	Percentage	
Expenses							
Cost of Services	314,695	54%	113,865	74%	200,830	47%	176%
Cost of Goods Sold	69,812	12%	-	0%	69,812	16%	n.a.
General and Administrative Expenses	196,132	34%	39,214	26%	156,919	37%	400%
<i>Total Expenses</i>	580,639	100%	153,078	100%	427,560	100%	279%

Cost of Services

As shown in the table below, cost of services totaling ₱314.70 million for the year ended December 31, 2015, were mainly driven by expenses relating to (1) salaries, wages, and employee benefits, (2) Segment fee and network costs, and (3) Outsourced services, which accounted for 52%, 18%, and 12%, respectively, for the year ended December 31, 2015. These costs were borne from rendering mobile consumer services, enterprise services, and knowledge process outsourcing services to the Group's clients for the year ended 2015. In comparison, the year ended December 31, 2014 cost of services (₱113.87 million) was broken down into 37% salaries, wages, and employee benefits, 32% outsourced services, and 15% segment fee and network costs. The termination of the agreement with DSI and the compensation given to the DSI officers absorbed by the Group and managing director/ founder (who is now receiving a regular salary) accounted for a significant portion of the change in composition of the cost of services.

In PhP Thousands	For the year ended December 31						2014-2015 % Increase
	2015		2014		Incremental		
	Amount	Percentage	Amount	Percentage	Amount	Percentage	
Cost of Service							
Salaries, wages and employee benefits	164,988	52%	42,248	37%	122,740	61%	291%
Segment fee and network costs	55,100	18%	16,586	15%	38,513	19%	232%
Outsourced services	36,539	12%	36,192	32%	347	0%	1%
Others	58,068	18%	18,839	17%	39,229	20%	208%
	314,695	100%	113,865	100%	200,830	100%	176%

Cost of Goods Sold

For the year ended December 31, 2015, Cost of goods sold took up 12% of the Group's consolidated expenses, amounting to ₱69.81 million. Cost of goods sold was taken entirely from Storm which was acquired by the Parent Company in end of February 2015. Costs related to the sale of goods from its 'Flexible Benefits' programs were appropriated as cost of goods sold.

General and Administrative Expenses

General and administrative expenses relating to the Group's day-to-day operations, for the year ended December 31, 2015 amounted to ₱196.13 million, higher by 400% compared to previous year's same period level of ₱39.21 million. Salaries, wages, and employee benefits was ₱66.93 million or 34% of the total general and administrative expenses (GAEX). The same expenses amounted to ₱11.06 million for the same period in 2014. The next biggest cost component in 2015 was professional fees amounting to ₱19.25 million or 10% of total GAEX. The increase in the GAEX was primarily brought about by the consolidation of operational expenses from acquired subsidiaries, salaries and wages paid to the Group's new employees from its organizational build-up program, market expansion to Indonesia, and other expenses related to securing viable acquisitions and investments for the Group, majority of which are legal and tax advisory fees.

In PHP Thousands	For the year ended December 31						2014-2015 % Increase
	2015		2014		Incremental		
	Amount	Percentage	Amount	Percentage	Amount	Percentage	
General and Administrative							
Salaries, wages and employee benefits	66,933	34%	11,057	28%	55,876	36%	505%
Professional fees	19,253	10%	7,690	20%	11,563	7%	150%
Marketing and promotions	13,527	7%	1,350	3%	12,177	8%	902%
Advertising	10,331	5%	1,793	5%	8,538	5%	476%
Others	86,088	44%	17,324	44%	68,764	44%	397%
	196,132	100%	39,214	100%	156,919	100%	400%

Equity in Net Loss of Associates

The equity of the Group in the net loss of its associate companies, namely: Altitude Games, MatchMe, and SDI, for the year ended December 31, 2015, amounted to ₱9.48 million. These companies are still in their beta testing stage or are in the process of ramping up their operations.

Income before Income Tax

The Group's net income before taxes for the year ended December 31, 2015 was 36% of total revenues or a figure of ₱331.10 million. The net income before taxes for the Group grew 38% from the same period ended December 31, 2014, which posted a figure of ₱239.14 million.

Provision for Income Tax

Provision for income tax during the year ended December 31, 2015 amounted to ₱101.48 million, compared to 2014, where provision for income tax was ₱48.42 million; a 110% increase. This significant increase partially resulted from a full income tax imposed (30%) for the period ended December 31, 2015, as the income tax holiday of the Parent Company expired in July 2014.

Net Income

The Group posted a consolidated net income of ₱229.62 million for the year ended December 31, 2015, an increase of 20% from the previous year's same period at ₱190.72 million. Despite the Group's continuing organizational build-up, acquisition, investment-related expenses during this period versus that on December 31, 2014 the robust revenues generated a healthy net income margin of 25% for the year ended December 31, 2015.

Core Net Income

As of December 31, 2015, core net income which excludes the non-recurring expenses amounting to ₱30.26 million, was at ₱250.80 million or an increase of 32% over the previous period.

Financial Position

As of December 31, 2015 compared to December 31, 2014

Assets

Cash and Cash Equivalents

The Group's consolidated cash and cash equivalents amounted to ₱305.89 million for the year ended December 31, 2015, a net decrease of 68% or ₱652.03 million from consolidated cash and cash equivalents of ₱957.92 million as at December 31, 2014. The decrease was due mainly to investment activities, foremost of which is the acquisition by the Parent Company of 51% of Yondu Inc.

Accounts Receivable

The Group's consolidated accounts receivable amounted to ₱734.32 million and ₱138.69 million as at December 31, 2015 and December 31, 2014, respectively, representing an increase of 429% or ₱595.63 million. In December 31, 2015, trade receivables were valued at ₱717.17 million, whereby Yondu accounts for ₱663.35 million or 92% of the total. Of such amount, ₱481.05 million is due from Globe Telecom, Inc. This is expected to be partially offset against the dividends payable by Yondu Inc. to Globe Telecom Inc. amounting to ₱244.49 million, as of December 31, 2015.

Financial Assets at Fair Value through Profit or Loss

As at December 31, 2015, the total Net Asset Value (NAV) and fair value of the Fund amounted to ₱80.32 million. This was an 84% decrease from the 2014 level, as the ₱500.00 million fund (plus interest) was redeemed to partially fund the acquisition of 51% of Yondu Inc. Subsequently, the Group placed ₱80.00 million. The change in fair value constituted the increase in financial assets at FVPL amounting to ₱0.32 million.

Available for Sale Financial Assets

As of December 31, 2015, the Group's available for sale financial assets amounted to ₱17.66 million. As of December 31, 2015, the Group's convertible bonds invested in Pico Candy Pte. Ltd and MatchMe Pte. Ltd. were at ₱3.60 million and ₱14.05 million, respectively.

Other Current Assets

The Group's consolidated other current assets totaled ₱44.30 million, an increase of ₱38.99 million or 734% from its previous level on December 31, 2014. Deferred input VAT and prepaid expenses comprised majority of other current assets.

Available for Sale Financial Assets-net of current portion

As of December 31, 2015, the Group's available for sale financial assets amounted to ₱67.96 million; a 1,676% increase from the 2014 level of ₱3.83 million. These are the investments in E insights Pte. Ltd. (₱23.48 million), Zowdow Inc. (formerly Quick.ly, Inc.) (₱44.24 million); and Club Punta Fuego (₱0.24 million).

Investment in Associates

As of December 31, 2015, the Group's consolidated Investment in Associates amounted to ₱102.81 million, a 209% increase from its figure of ₱33.22 million during December 31, 2014. The breakdown of the carrying amounts of these investments are: Altitude Games Pte. Ltd (₱31.51 million), MatchMe Pte. Ltd. (₱60.47 million), and PT Sembilan Digital Investama (₱10.83 million).

Property and Equipment

The Group's consolidated Property and Equipment was ₱58.18 million, a result of adding ₱49.27 million worth of said assets in the year ended December 31, 2015. This figure increased by 552% from December 31, 2014 levels at ₱8.92 million. Property and Equipment mainly consisted of transportation, office, information technology equipment, furniture, and fixtures. The increase during the period was mostly due to the consolidation of the property and equipment of Yondu Inc. which amounts to ₱39.60 million (net).

Intangible Assets

Intangible assets of ₱1,888.28 million were recognized in relation to the Group's acquisitions and investments. The major components are goodwill, customer relationship, developed software, and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group. As of December 31, 2015, goodwill is at ₱687.81 million.
- Customer relationship pertains to Yondu's non-contractual and contractual agreements with Globe Telecom, Inc. its major customer which are expected to generate revenues for the Group in subsequent periods. As of December 31, 2015, customer relationship is valued at ₱1,077.81 million.
- Developed software pertain to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As of December 31, 2015, developed software net book value is at ₱106.43 million.
- Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination. As of December 31, 2015, leasehold rights net book value is at ₱16.23 million.

Deferred Tax Assets – Net

The Group's consolidated net deferred tax assets level amounted to ₱42.52 million as at December 31, 2015, higher by 756% vis-à-vis its December 31, 2014 level at ₱4.97 million.

Other Noncurrent Assets

Other Noncurrent Assets amounted to ₱52.13 million as of December 31, 2015. This figure is 4,318% higher than the value posted as of December 31, 2014 at ₱1.18 million. This is primarily rental deposits amounting to ₱16.95 million or 33% of total.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables valued at ₱233.50 million as of the year ended December 31, 2015 was a 119% increase from its December 31, 2014 figure of ₱106.43 million. The Group's accounts and other payables consisted mainly of trade payables at ₱91.02 million (of which ₱68.12 million is attributed to Yondu Inc.); and deferred output VAT at ₱74.51 million (Yondu Inc. at ₱63.57 million).

Loans Payable

The Group's loans payable is attributable to Seer Technologies Inc.'s local bank loans amounting to ₱14.00 million as of December 31, 2015. These are interest-bearing, short-term, and collateralized by Seer Technologies Inc.'s trade receivables. Such loans are payable in 60 days, but subject to renewal.

Income Tax Payable

The Group's consolidated income tax payable as of December 31, 2015 amounted to ₱39.24 million, an increase of 74% from the December 31, 2014 figure of ₱22.61 million. Of the total, ₱20.03 million is attributed to the Parent Company and ₱16.56 million is attributed to Yondu Inc.

Liability for Written Put Option

Based on PAS 32, **Financial Instruments: Presentation**, "...a contract that contains an obligation for an entity to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount." As such, a liability for the written put option is recognized which is equal to the present value of the amount payable upon exercise of the option is to be recognized. This amounts to ₱853.18 million, as of December 31, 2015.

Other Current Liabilities

As of December 31, 2015, other current liabilities was at ₱289.24 million. This is primarily the dividend payable to the previous owner of Yondu and advances from customers of Storm which amounted to ₱253.49 million and ₱32.94 million, respectively.

Deferred Tax Liability

As of December 31, 2015, the deferred tax liability (net) was at ₱360.59 million which is a 3,810% increase from the 2014 level of ₱9.21 million. This is primarily the deferred tax liability on fair value adjustment on intangible assets.

Pension Liability

The accrued pension of the Group is at ₱40.87 million, which is a 59% increase from the ₱25.65 million recognized in 2014. In 2014, only the pension liabilities pertaining to the Parent Company and Xeleb Technologies Inc. (formerly Fluxion, Inc.) were recognized; but as of December 31, 2015, those of Seer Technologies Inc. and Yondu Inc. were included.

Equity

Total Equity

The Group's total equity as of December 31, 2015 was at ₱1,563.75 million, a 5% increase from its December 31, 2014 level at ₱1,490.56. The net increase in total equity was a result of the increase in retained earnings by ₱152.26 or 155% million in the year of December 31, 2015 from December 31, 2014. Likewise, as of December 31, 2015, equity reserve of ₱848.50 million was recorded pertaining to the liability for written option. Noncontrolling interests were at ₱771.52 million.

Liquidity and Capital Resources

The Group's liquidity is primarily driven by Cash Flows from Operating Activities and cash reserves. The Group knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity. The Group is current on all of its accounts. The Group has minimal bank debt through Seer Technologies Inc. which is short term in nature. The Group does not anticipate having any cash flow or liquidity problems over the next 12 months. The Group is not in breach or default on any loan or other form of indebtedness.

Cash Flows

In ₱ Key Financial Data	For the 12 months ended December 31	
	2015	2014
Net cash used in Operating Activities	(7,933,530)	202,807,585
Net cash used in Investing Activities	(559,675,619)	(526,449,030)
Net cash provided by (used in) Financing Activities	(84,178,026)	1,195,051,562
Effect of foreign currency exchange rate changes	(245,051)	4,436
Net increase in cash	(652,032,226)	871,414,553
Cash at beginning of period	957,917,228	86,502,675
Cash at end of period	305,885,002	957,917,228

Cash Flows Provided by Operating Activities

For the full year of 2015, a strong operating income of ₱355.99 million was coupled with the corresponding increase in account receivables and the decrease in account payables for a resulting ₱138.33 million net cash generated from operations. Together with interest received and income taxes paid, this resulted in a net cash used for operating activities of ₱7.93 million.

Cash Flows Used in Investing Activities

The Group's consolidated cash flows used in investing activities for acquisitions and associates for the years ended December 31, 2015 and 2014 amounted to ₱559.68 million and ₱526.45 million, respectively.

Cash Flows Used in Financing Activities

The Group's consolidated net cash flow used in financing activities for the years ended December 31, 2015 amounted to ₱84.18 million; compared to the net cash provided in 2014 of ₱1,195.05 million. For the year ended December 31, 2015, consolidated net cash flow used in financing activities was attributable mainly to the payment of cash dividends amounting to ₱77.55 million and to the principal payment Storm Technologies Inc.'s (formerly Storm Flex Systems, Inc.) loans payable amounting to ₱6.63 million.

Capital Expenditure

The Group's capital expenditures for the years ended December 31, 2015 and December 31, 2014 amounted to ₱57.76 million and ₱7.45 million, respectively. Please note that in 2015, there were additions to capital expenditure due to business combination.

Key Financial Data In PhP Thousands	December 31, 2015		December 31, 2014
	Additions through business combination	Additions (regular)	Additions (regular)
Transportation Equipment	77	-	-
Office Equipment	528	1,629	1,418
IT Equipment	16,055	6,510	1,185
Furniture and Fixtures	995	1,736	488
Leasehold Improvements	23,941	3,430	4,356
Leased Asset	2,860	-	-
Total	44,456	13,305	7,448

Commitments and Contingent Liabilities

The Group has no contingent liabilities for the years ended December 31, 2015 and for the year ended December 31, 2014.

Key Performance Indicators

The following are the key performance indicators of the Group and its majority-owned subsidiaries:

In Percentage	For the years ended December 31	
	2015	2014
Liquidity Ratios		
Current Ratio	83%	1242%
Quick Ratio	80%	1238%
Asset-to-Equity Ratio	428%	111%
Profitability Ratios		
Net Income Margin	25%	48%
Gross Margin	57%	70%
Operating Margin	39%	64%
Return on Total Assets	9%	20%
Return on Equity	19%	23%

Current Ratios

Current Ratio and Quick Ratios in the full year of 2015 were 83% and 80%, respectively, a decrease from their respective 1242% and 1238% figures during full year of 2014. The decrease in both ratios was primarily from the increase in current liabilities of the Group for that period due to the recognition of a liability for the written put option. This was substantially greater than the net decrease of the current assets.

Asset-to-Equity Ratio

The increase in the asset-to-equity ratio from 111% in December 31, 2014 to 428% in December 31, 2015 resulted from the increase in equity, particularly retained earnings. The increase in net income of the Group drove the increase in retained earnings in December 31, 2015.

Profitability Ratios

Profitability margins decreased from December 31, 2014, as a result of business combination and expenses related to the Group's investments and acquisitions. The decrease in Gross Profit Margin (57%), Net Income Margin (25%), Operating Margin (39%), Return on Total Assets (9%) and Return on Equity (19%) was a result of the increase in overall expenses as a direct result of the Parent Company's expansion and acquisitions: the absorption of operational expenses of the acquired subsidiaries, salaries and wages paid to the Group's new employees for its organizational build-up program; and payment of professional and legal fees incurred from investments and acquisitions. In addition, the Parent Company also shares in the net loss of the associate companies it has invested in. Finally, the income tax holiday of the Parent Company expired on July 2014, which accordingly resulted in full income corporate tax rate of 30%.

The manner by which the Company calculates the foregoing indicators is as follows:

Current Ratios

$$1. \text{ Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

$$2. \text{ Quick ratio} = \frac{\text{Current assets} - \text{Other current assets}}{\text{Current liabilities}}$$

Asset-to-equity Ratio

$$\frac{\text{Total assets}}{\text{Total equity attributable to Parent Company}}$$

Profitability Ratios

$$1. \text{ Net income ratio} = \frac{\text{Net income attributable to Parent Company}}{\text{Service income}}$$

2. Gross margin	$\frac{\text{Service income} - \text{Cost of services}}{\text{Service income}}$
3. Operating margin	$\frac{\text{Earnings before interest, tax, depreciation and amortization}}{\text{Service income}}$
4. Return on total assets	$\frac{\text{Net income attributable to Parent Company}}{\text{Average total assets}}$
5. Return on total equity	$\frac{\text{Net income attributable to Parent Company}}{\text{Average total equity attributable to the Parent Company}}$

Other Disclosures:

- i. Liquidity. There are no known trends, events, or uncertainties that will result in the Group's liquidity increasing or decreased in a material way.
- ii. Events that will trigger Direct or Contingent Financial Obligation. There are no events that will trigger direct or contingent financial obligations that are material to the Group, including and default or acceleration of an obligation.
- iii. Material Off-balance sheet Transactions, Arrangements, Obligations. Likewise, there were no materials off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the group with unconsolidated entities or other persons created during the reporting period.
- iv. Material Commitments for Capital Expenditure. There are no material commitments for capital expenditures.
- v. Material Events/ Uncertainties. There are no known trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations.
- vi. Results of Operations. There were no significant elements of income or loss that did not arise from continuing operations.
- vii. Seasonality. The effects of seasonality or cyclicity on the operations of the Group's business are non-material.

III. EXTERNAL AUDIT FEES AND SERVICES

The aggregate fees billed for each of the last two calendar years for professional services rendered by the external auditor were ₱880,000 and ₱800,000 for 2016 and 2015, respectively. The audit fees for 2017 are estimated to be at ₱968,000. Services rendered include the audit of the financial statements and supplementary schedules for submission to SEC, tax consultancy and assistance in the preparation of the consolidated financial statements of the Group as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014 were audited by SGV & Co., independent auditors, in accordance with Philippine Standards on Auditing (PSA).

In relation to the audit and review of the Company's annual consolidated financial statement, the Audit Committee shall, among other activities, (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company; (ii) ensure that other non-audit work provided by the external auditors is not in conflict with their functions as external auditors; and (iii) ensure the compliance of the Company with acceptable auditing and accounting standards and regulation.

The Audit Committee recommends to the Board of Directors the appointment of the external auditor and the fixing of the audit fees. The Board of Directors and stockholders approve the Audit Committee's recommendation.

IV. BRIEF DISCUSSIONS OF THE GENERAL NATURE AND SCOPE OF THE BUSINESS OF THE REGISTRANT AND ITS SUBSIDIARIES

Xurpas is a technology company specializing in the creation and development of digital products and services for mobile end-users, as well as the creation, development, and management of proprietary platforms for mobile operators. Xurpas provides mobile marketing and advertising solutions integrated in these consumer digital products and platforms for the consumption of mobile users. The Company is also engaged in platform development and customization, system integration, mobile platform consultancy services, management of off-the-shelf application and social media related services. This includes information technology (IT) staff augmentation and various enterprise solutions-based services to Telcos and other companies for network and applications development.

Today, the Company's main business units are: 1) Mobile consumer products and services; 2) Enterprise solutions; and 3) Other services (HR technology services).

In 2005, the Company acquired a 65% controlling stake in Fluxion, Inc. (currently registered as Xeleb Technologies Inc., referred herein as "Fluxion" or "Xeleb Tech") to expand its product and service portfolio. Fluxion, originally an iAyala wholly-owned subsidiary, had been organized to engage in mobile and internet systems design and the development of programming languages, usability and social media. Through Fluxion, the Company developed mobile platform solutions for the benefit of its client Telcos, which were used (and are still being used) by millions of mobile subscribers at any given time.

On November 12, 2014, the Philippine Stock Exchange ("PSE") approved the initial public offering of the Company and offer of 344.00 million common shares at an offer price of ₱3.97 per share. On December 2, 2014, the common shares of Xurpas were listed in the PSE.

In 2015, Xurpas acquired several companies to expand its portfolio of mobile technology products and services, enterprise services, and invest in companies that will aid in the distribution of the aforementioned products and services.

In February 2015, the Company acquired a 51% controlling stake in Storm Flex Systems, Inc. (currently registered as Storm Technologies Inc., referred herein as "Storm"), to enable Xurpas to expand beyond telecommunication networks and into corporations through offering human resource ("HR") technology solutions. As of date, Xurpas owns 56% controlling stake in Storm.

In June 2015, Xurpas acquired 70% controlling stake in Seer Technologies Inc. (“Seer”), a company engaged in software consultancy, design, development and managed services focused on mobile, cloud and data technologies. In the same month, the Company created Xeleb, a 67%-owned subsidiary, to engage in the development, design, sale and distribution of celebrity-branded games and applications.

In September 2015, the Company acquired 51% controlling stake in Yondu Inc. (“Yondu”), originally a Globe Telecom wholly-owned subsidiary which is presently engaged in the development and creation of wireless products and services accessible through telephones or other forms of communication devices and media networks. It also provides internet and mobile value added services, and information technology and technical services including software development and related services.

In March 2016, the Company incorporated Xurpas Enterprise Inc. to primarily engage in the business of software development including designing, upgrading, and marketing all kinds of information technology systems to corporate clients. In the same month, the Company acquired 23.53% ownership of Micro Benefits Limited, a company registered in Hong Kong. Micro Benefits is engaged in the business of providing employee benefits to Chinese workers through its operating company, Micro Benefits Financial Consulting (Suzhou) Co. Ltd, China.

On October 6, 2016, Xurpas acquired 100% stake in Art of Click Pte. Ltd (“AOC”), a company registered under the laws of Singapore and engaged in the business of mobile media advertising that offers a marketing platform for advertisers.

On October 7, 2016, the Board approved the application for Initial Public Offering of its subsidiary, Xeleb Tech. Xeleb Tech is currently in the process of securing approval from the Securities and Exchange Commission and the PSE for the registration and listing of up to 1,479,748,520 common shares (which includes the 296,000,000 offer shares).

PRODUCTS AND SERVICES

Mobile Consumer Services

Mobile Consumer Services includes airtime management, content development and management, and marketing and advertising solutions. The Company creates and develops mobile consumer content and other value-added services for mobile phone subscribers such as online casual games, info-on-demand services (e.g., news, social and other entertainment information), chat and messaging applications (e.g., mobile stickers), ringtones, licensed or unlicensed content such as music, videos, as well as mobile marketing and advertising solutions. In addition, for its online casual games (e.g. Grab-a-Gold, GlobeGameswithFriends and PlaySmart) and mobile casual game applications (e.g. Run Super V and Anne Galing!), each of which has been tailored to an internet and online consumer base, the Company develops and maintains its own platforms that host and enable mobile subscribers to access or use such products. The provision of these products and services for end-users is performed by the Company’s mobile consumer content and services segment.

Content Provider Agreements with Telcos

As of December 31, 2016, the Company is a party to content provider agreements with all three of the Philippines leading Telcos, namely, Smart Communications, Inc., Globe Telecom Inc. and Sun Cellular.

Under these arrangements, the Company is primarily responsible for conceptualizing, designing, sourcing, generating, and maintaining (including, where necessary, de-bugging) mobile consumer content and services that its client Telco may avail of for distribution to or access, subscription or use by its mobile phone subscribers. On the other hand, the client Telco shall be responsible for all costs incurred in maintaining and operating its telecommunications network, as well as the billing and collection of the fees prescribed by the Telco for access, subscription or use of the mobile consumer content and services paid for by the Telco’s mobile phone subscribers.

Access or subscription fees payable for access or subscription to the Company's mobile consumer content are paid exclusively through a mobile subscriber's outstanding mobile airtime credits, and payment of such fees is made by a subscriber by crediting a short code (which is a specific network access code assigned by the Telco to the Company) with the corresponding amount of mobile airtime credit. For instance, a mobile subscriber who wishes to subscribe to a news service offered by the Company, subscription to which is available for a price of ₱2.50, will need to send an instruction by SMS to the Telco through the short code (in the form of brief text commands) to debit his or her outstanding mobile airtime credit with the amount of ₱2.50. All access or subscription fees paid (or deemed paid) by the mobile subscriber are received and collected by the Telco.

In consideration for providing mobile consumer content and services (or access to such content, as for example, licensed content such as music or videos) to the client Telco, the Company receives a share in the revenues derived by the Telco from the fees paid by its mobile phone subscribers to the Telco to access, subscribe to or use such mobile consumer content and services. This share may vary depending on the type of content or service provided by the Company, but is typically equivalent to at least 50% of such access, subscription or usage fees, and is distributed to the Company by the Telco on a monthly basis.

For the year ended December 31, 2016, the Group's total revenue and net income from its mobile consumer products business were ₱1,239.92 million and ₱285.63 million, respectively, while total revenue and net income from its mobile consumer products business for the year ended December 31, 2015 amounted ₱576 million and ₱217 million, respectively.

Enterprise Services

The Company develops, on its own or in close collaboration with other technology companies, mobile platform solutions for the benefit of clients such as Telcos, government agencies, and other top-tiered companies. These products, which are tailored to a client's particular requirements and are used by millions of mobile subscribers at any given time, comprise the Company's enterprise services segment and include mission-critical applications such as customized call/SMS/data bundles, peer-to-peer mobile airtime credit transfers and various forms of mobile commerce.

The Company, through its subsidiaries, develops and customizes information technology platforms, provides system integration, mobile platform consultancy, manages off-the-shelf application and social media-related services.

Enterprise Services also includes information technology staff augmentation and various enterprise solutions-based services to Telcos and other companies for network and applications development.

For the year ended December 31, 2016, the Company's total revenue and net income from its enterprise business were ₱653.14 million and ₱76.47 million, respectively, while total revenue and net income from its enterprise business were ₱243.45 million and ₱41.51 million, respectively, for the year ended December 31, 2015.

Other Services

The Company, through its subsidiary Storm, provides HR technology solutions to its clients. Storm developed a proprietary online platform which allows employees of any company that has signed with Storm to exchange his or her current employee benefits and transform them into products and services such as mobile phones, gadgets, or financial training services, called 'Flex Ben.' Storm also offers the same service for employees who are rewarded with points for accomplishing set milestones or objectives by their employer, called 'Kudos.' The Company's subsidiary designs, develops, and customizes the HR technology platforms and streamlines the logistical requirements for product and service fulfillment.

For the year ended December 31, 2016, the Company's total revenue and net loss from its other services were ₱54.07 million and ₱36.49 million, respectively. While for the year ended December 31, 2015, the Company's total revenue and net loss from its other services were ₱78.87 million and ₱28.81 million.

V. MARKET PRICE AND DIVIDENDS

A. Market Information

On December 2, 2014, Xurpas Inc. had its initial public offering of 344.00 million common shares at the PSE at an offer price of ₱3.97 per share or ₱1.36 billion total proceeds. Net of costs, expenses, and taxes, the estimated net proceeds is ₱1.24 billion.

The following table shows the high and low prices (in PHP) of Xurpas' shares in the PSE for the year 2016:

	2016	
	High	Low
1 st Quarter	18.90	11.40
2 nd Quarter	20.00	14.80
3 rd Quarter	18.18	13.38
4 th Quarter	15.12	7.11

The market capitalization of the Company's common shares as of end-2016, based on the closing price of ₱7.99 per share, was approximately ₱14.85 billion versus ₱26.18 billion the previous year.¹

The price information of Xurpas' common shares as of the close of the latest practicable trading date, March 27, 2017, is ₱9.35.

B. Holders

There are eighteen (18) registered holders of common shares, as of March 1, 2017 (based on number of accounts registered with the Stock Transfer Agent)².

Stockholder's Name	Number of shares	Percentage to total	Nationality
PCD Nominee Corp. (Filipino) ³	1,199,241,240	64.21	Filipino
PCD Nominee Corp. (Non-Filipino)	320,181,622	17.14	Others
Raymond Gerard S. Racaza	174,100,010	9.32	Filipino
Fernando Jude F. Garcia	174,100,010	9.32	Filipino
Rogina C. Guda	6,000	0	Filipino
Aquilina V. Redo	5,000	0	Filipino
Dahlia C. Aspillera	2,900	0	Filipino
Mercedita S. Nolleto	1,060	0	Filipino
Wilfredo O. Racaza	1,060	0	Filipino
Joselito C. Herrera	500	0	Filipino
Frederick D. Go	500	0	Filipino
Dondi Ron R. Limgenco	111	0	Filipino
Philip &/or Elnora Turner	99	0	British-Indian
Nico Jose S. Nolleto	10	0	Filipino

¹ Xurpas has 1,859,107,246 outstanding common shares as of December 31, 2016.

² Based on the list of stockholders issued by BDO Unibank Inc. Stock and Investment Group; list includes PCD Nominees

³ A total of 899,097,850 common shares hereunder pertain to Messrs. Nico Jose S. Nolleto (415,765,950 common shares), Raymond Gerard S. Racaza (241,665,950 common shares), and Fernando Jude F. Garcia (241,665,950 common shares).

Jonathan Gerard A. Gurango	10	0	Filipino
Alvin D. Lao	10	0	Filipino
Owen Nathaniel S. AUITF: Li Marcus Au	3	0	Filipino
Joselito T. Bautista	1	0	Filipino
Total	1,867,640,146	100%	Filipino

C. Dividends and Dividend Policy

Dividend History

Information on the Company's declaration of dividends follow:

Parent Company	Per Share	Total Amount	Record Date	Payable Date
Cash dividend declared on:				
May 10, 2016	0.048	86.27 million	May 31, 2016	June 23, 2016
April 29, 2015	0.40	68.80 million	May 14, 2015	June 2, 2015
September 20, 2014	0.56	36.00 million	June 30, 2014	September 30, 2014
June 5, 2014	0.47	30.25 million	December 31, 2013	June 30, 2014
November 18, 2013	5.13	16.67 million	September 30, 2013	November 29, 2013
July 22, 2013	1.03	3.33 million	June 30, 2013	July 31, 2013
May 6 2013	0.83	2.70 million	December 31, 2012	May 31, 2013
March 13, 2013	3.08	10.00 million	December 31, 2012	March 31, 2013
Stock dividend declared on:				
July 10, 2014	0.95 shares	61.25 million	September 20, 2014	September 20, 2014
May 5, 2014	18.85 shares	61.25 million	May 5, 2014	May 5, 2014

Dividend Policy

The Company has adopted a dividend policy pursuant to which stockholders may be entitled to receive, upon declaration by the Company's Board of Directors and subject to the availability of the unrestricted retained earnings, dividends equivalent to at least 30% of the prior year's net income after tax based on the Company's audited consolidated financial statements as of such year, except when: (i) justified by definite corporate expansion projects or programs approved by the Board; or (ii) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or (iii) when it can be clearly shown that retention of earnings is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserves for probable contingencies.

The Company cannot provide assurance that it will pay any dividends in the future. In making a decision to declare dividends, the Board may consider various factors including the Company's cash, gearing, return on equity and retained earnings, the results of its operations or the Company's financial condition at the end of the year and such other factors as the Board may deem appropriate. The Company's Board may, at any time, modify such dividend payout ratio depending upon the results of operations and future projects and plans of the Company.

D. Recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction

1. Overnight Top-up Placement – April 26, 2016

On April 26, 2016, the Board of Directors of Xurpas approved the holding of a Placing and Subscription Transaction ("the Overnight Top-up Placement") wherein Messrs. Nico Jose S. Nolloedo, Raymond Gerard S. Racaza and

Fernando Jude F. Garcia (the "Selling Shareholders") will sell an aggregate of 155,400,000 common shares (the "Offer Shares") to investors (the "Placing tranche") and the Selling Shareholders will subscribe to an aggregate of 77,700,000 common shares (the "Subscription Shares") or 4.32% of the new issued and outstanding capital shares of the Corporation ("Subscription tranche").

The first part of the Overnight Top-up Placement consists of the offer and sale of the Offer Shares by the Selling Shareholders to (i) Qualified institutional investors in the Philippines qualified as an exempt transaction in reliance on Section 10.1(c) and 10.1(l) of the Philippine Securities Regulation Code (the "SRC"); (ii) outside the United States in reliance on Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"); and (iii) within the United States to "qualified institutional buyers" as defined in, and in reliance on, Rule 144A under the Securities Act. SB Capital Investment Corporation and Decker & Co., LLC are the Joint Global Coordinators and led the selling syndicate in placing the Offer Shares with investors.

The second part of the Overnight Top-up Placement consists of the subscription by each Selling Shareholder to 1.4% of the Corporation's total issued and outstanding capital shares, in the form of new shares issued out of the authorized capital stock of the Corporation at a subscription price equivalent to the Offer Price. For the issuance of the Subscription Shares, Xurpas is claiming exemption from registration under Section 10.1(e) and (k) of the Securities and Regulation Code.

2. Acquisition of Art of Click Pte. Ltd ("AOC") – October 6, 2016

On October 6, 2016, Xurpas signed a Share Purchase Agreement with Emmanuel Michel Jean Allix and Wavemaker Labs Pte. Ltd. (the "Sellers") for the acquisition of 100% stake in AOC, a company registered under the laws of Singapore and engaged in the business of mobile media advertising that offers a marketing platform for advertisers. The aggregate consideration to be paid by Xurpas is approximately US\$45 million. The consideration consists of both cash and common shares of Xurpas ("Xurpas Shares"). The consideration is further broken down as follows:

First Tranche:	
On October 6, 2016, upon signing of the Share Purchase Agreement, Xurpas shall pay:	
A) Emmanuel Michel Jean Allix	US\$2,797,106 in cash and US\$14,823,436 worth of Xurpas Shares
B) Wavemaker Labs Pte. Ltd	US\$4,628,303 worth of Xurpas Shares
C) Art of Click Pte. Ltd.	US\$2,202,894 in cash
Second Tranche:	
One year after signing of the Share Purchase Agreement, Xurpas shall pay:	
Emmanuel Michel Jean Allix	US\$1,696,467 worth of Xurpas Shares
Wavemaker Labs Pte. Ltd.	US\$384,130 worth of Xurpas Shares.
Third Tranche:	
Two years after signing of the Share Purchase Agreement, Xurpas shall pay:	
Emmanuel Michel Jean Allix	US\$1,130,978 worth of Xurpas Shares
Wavemaker Labs Pte. Ltd	US\$256,087 worth of Xurpas Shares.
Fourth Tranche	
Three years after signing of the Share Purchase Agreement, Xurpas shall pay:	
Emmanuel Michel Jean Allix	US\$1,696,467 worth of Xurpas Shares
Wavemaker Labs Pte. Ltd	US\$384,130 worth of Xurpas Shares

The number of shares to be issued shall be computed on a 30-day weighted average according to terms of payment provided above. The 30-day weighted average shall be based on the average market value of Xurpas shares 15 days before and 15 days after Closing Date, October 6, 2016. The number of shares to be issued and applied for listing for the second, third and fourth tranches shall be computed based on the average market value of Xurpas shares 15 days before and 15 days after the date corresponding to the 4th month prior to the applicable commitment dates below:

	Release / Commitment Dates	Computation of 30-day weighted average
Second Tranche	October 6, 2017	Market value of X shares 15 days before and 15 days after June 6, 2017 (<i>4th month prior to October 6, 2017</i>)
Third Tranche	October 6, 2018	Market value of X shares 15 days before and 15 days after June 6, 2018 (<i>4th month prior to October 6, 2018</i>)
Fourth Tranche	October 6, 2019	Market value of X shares 15 days before and 15 days after June 6, 2019 (<i>4th month prior to October 6, 2019</i>)

The Company has filed an Application for confirmation of availability of exemption for 69,939,486 common shares. Xurpas is claiming exemption under Section 10.1 (k) of the Securities and Regulation Code because the issuance of said common shares to the Sellers constitutes sale of securities by an issuer to fewer than 20 persons in the Philippines.

E. Discussion on compliance with leading practice on Corporate Governance

The Company has adopted a Manual on Corporate Governance which took effect on January 1, 2012 to fully comply with the leading practices on good corporate governance. The Board is primarily responsible for the governance of the company. The Board establishes the vision, strategic objectives, key policies, and procedures for the management of the company, as well as the mechanism for monitoring and evaluating management's performance. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.

The Company is prepared to take further steps to enhance adherence to principles and practices of good corporate governance. The Company is currently revising its Manual on Corporate Governance to effect the new provisions provided in the Code of Corporate Governance for publicly listed companies issued by the Securities and Exchange Commission on November 22, 2016 and which took effect on January 1, 2017.

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	2	0	0	1	1	7	7	0	8
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COMPANY NAME

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

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

7	t	h		F	l	o	o	r	,		C	a	m	b	r	i	d	g	e		C	e	n	t	r	e		1	0
8		T	o	r	d	e	s	i	l	l	a	s		S	t	.		S	a	l	c	e	d	o		V	i	l	l
a	g	e	,		M	a	k	a	t	i		C	i	t	y														

Form Type

A	A	F	S
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Department requiring the report

S	E	C
---	---	---

Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

Company's Email Address

info@xurpas.com
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Company's Telephone Number

889-6467

Mobile Number

N/A

No. of Stockholders

20

Annual Meeting (Month / Day)

May 11

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Nico Jose S. Nollado

Email Address

nix@xurpas.com
--

Telephone Number/s

889-6467

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

7th Floor Cambridge Centre, 108 Tordesillas St. Salcedo Village, Makati City

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

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



**“STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR
CONSOLIDATED FINANCIAL STATEMENTS”**

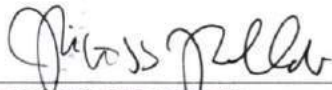
The management of **XURPAS INC. AND SUBSIDIARIES** (the “Group”) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

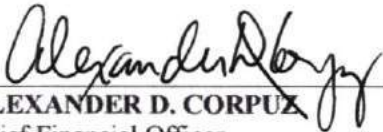
The Board of Directors is responsible for overseeing the Group’s financial reporting process.

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

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the group in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such examination.



NICO JOSE S. NOLLETO
Chairman of the Board/ Chief Executive Officer



ALEXANDER D. CORPUZ
Chief Financial Officer

Signed this MAR 28 2017

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES)

PASIG CITY

) S.S.


BEFORE ME, a Notary Public for and in Pasig City this 28th day of March 2017 personally appeared:

Name	Competent Evidence of Identity	Date/Place issued
Nico Jose S. Nollobo	Passport No. EB8683342	July 16, 2013 / DFA Manila
Alexander D. Corpus	Passport No. EB9863376	Dec. 20, 2013 / DFA NCR East

all known to me and to me known to be the same persons who executed the foregoing Statement of Management Responsibility consisting of two (2) pages, including this page and who acknowledged to me that the same are their true and voluntary act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal on the date and place first above written.

Doc No. 383 ;
Page No. 78 ;
Book No. 5 ;
Series of 2017.


ROSE ANN R. BAGAY
PTR No. 262444/01-18-2017/ Pasig City
IBP No. 1070606; 01-26-17/ Cavite City
Roll No. 64361
MCLE Compliance No. V-0014543; 02-29-2016
15/F Strata 2000, F. Ortigas Jr. Road,
Ortigas Center, Pasig City
Telephone No. 696-0687; 696-0988
Appointment No. 209 (2016-2017) - Pasig City
Commissioned until 31 December 2017

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Xurpas Inc.
7th Floor Cambridge Centre
108 Tordesillas St.
Salcedo Village, Makati City

Opinion

We have audited the consolidated financial statements of Xurpas Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, 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, 2016, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



Acquisition of 100% interest in Art of Click Pte. Ltd. (AOC)

In 2016, the Group acquired 100% of AOC for a total consideration of ₱1.40 billion in cash and in Parent Company shares and recognized goodwill of ₱1.36 billion based on the provisional purchase price allocation as disclosed in Note 21 to the consolidated financial statements. We consider the accounting for this acquisition to be a key audit matter because it required a significant amount of management judgment and estimation in identifying the underlying acquired assets and liabilities, determining their related fair values and assessing the recognition of any identified intangible asset. Further, the acquisition of AOC involved calculations of the acquisition-date fair values of assets transferred, the liabilities incurred to former owners, the equity interests issued over time and the contingent consideration.

Audit Response

We reviewed the share purchase agreements of this acquisition, the consideration paid and the Group's provisional purchase price allocation. We assessed the competence and relevant experience of the management's external specialist engaged by the Parent Company for the preparation of the provisional purchase price allocation of AOC. We involved our internal specialists in testing the fair value of consideration paid, testing the identification of the investees' underlying acquired assets and liabilities, specifically any identified intangible assets (i.e. technology), testing the fair values of the acquired assets and liabilities and evaluating the assumptions and methodologies used in arriving at these fair values. The acquisition-date fair values of consideration paid for the acquisition of AOC were based on the foreign exchange closing rate of the cash payment on the date of acquisition, foreign exchange closing rate of the liabilities incurred for the cash settlement for the termination of share options to the former owners and the fair value of the Parent Company's shares as a contingent consideration dependent on the financial performance of the AOC in the next three years from the acquisition date. We evaluated the key assumptions such as the net cash flows by reference to the existing contractual terms and historical growth rates, and the discount rate by reference to the Group's cost of capital and risk premium.

Acquisition of 23.53% interest in Micro Benefits Limited (Micro Benefits)

The Group also acquired 23.53% interest in Micro Benefits for a total consideration of ₱469.78 million in cash and notional goodwill of ₱442.72 million based on the final purchase price allocation as disclosed in Note 8 to the consolidated financial statements. We consider the accounting for this acquisition to be a key audit matter because it required a significant amount of management judgment and estimation in identifying the underlying acquired assets and liabilities, determining their related fair values, determining their related fair values and assessing the recognition of any identified intangible asset.

Audit Response

We reviewed the share purchase agreements of this acquisition, the consideration paid and the Group's final purchase price allocation. We assessed the competence and relevant experience of management's external specialist engaged by the Parent Company for the preparation of the final purchase price allocation of Micro Benefits. We involved our internal specialists in testing the fair value of consideration paid, testing the identification of the investees' underlying acquired assets and liabilities, specifically any identified intangible assets (i.e. technology), testing the fair values of the acquired assets and liabilities and evaluating the assumptions and methodologies used in arriving at these fair values. We evaluated the key assumptions such as the net cash flows by reference to the existing contractual terms and, historical growth rates, and the discount rate by reference to the Group's cost of capital and risk premium.



Realizability of goodwill and intangible asset with indefinite useful life

As disclosed in Note 21 to the consolidated financial statements, the Group had made various acquisition of subsidiaries. The Group determined that there were identifiable intangible assets to be recognized as a result of business combinations by considering, among others, the separability or contractual-legal criterion. Under PFRSs, the Group is required to annually test the amount of goodwill and other intangible asset with indefinite life for impairment. This impairment test was significant to our audit because the balance of goodwill and intangible asset with indefinite useful life as of December 31, 2016 is material to the consolidated financial statements. In addition, management's assessment process is complex and judgmental and is based on assumptions as disclosed in Notes 3 and 10 to the consolidated financial statements.

Audit Response

Our audit procedures included, among others, involving our internal specialist to assist us in evaluating the assumptions and methodologies used by the Group for the computation of value-in-use, in particular those relating to the forecasted cash flows and growth rate. We also focused on the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of goodwill.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

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

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

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

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



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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

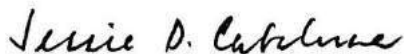
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jessie D. Cabaluna.

SYCIP GORRES VELAYO & CO.



Jessie D. Cabaluna

Partner

CPA Certificate No. 36317

SEC Accreditation No. 0069-AR-4 (Group A),

May 1, 2016, valid until May 1, 2019

Tax Identification No. 102-082-365

BIR Accreditation No. 08-001998-10-2015,

March 24, 2015, valid until March 23, 2018

PTR No. 5908676, January 3, 2017, Makati City

March 27, 2017



XURPAS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash (Notes 4 and 25)	₱428,517,653	₱305,885,002
Financial assets at fair value through profit or loss (Notes 6 and 25)	335,915,489	80,317,867
Accounts and other receivables (Notes 5, 18 and 25)	956,902,412	734,322,138
Available-for-sale financial assets (Notes 7 and 25)	108,428,123	17,657,123
Other current assets	52,628,844	44,298,472
Total Current Assets	1,882,392,521	1,182,480,602
Noncurrent Assets		
Available-for-sale financial assets - net of current portion (Notes 7 and 25)	44,544,956	67,959,956
Investments in associates (Note 8)	534,530,362	102,809,116
Property and equipment (Note 9)	80,527,763	58,183,944
Intangible assets (Notes 10 and 21)	3,239,022,313	1,888,282,481
Pension asset (Note 20)	2,386,458	-
Deferred tax assets - net (Note 19)	55,441,948	42,523,636
Other noncurrent assets	55,756,949	52,133,680
Total Noncurrent Assets	4,012,210,749	2,211,892,813
	₱5,894,603,270	₱3,394,373,415
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 11, 18 and 25)	₱413,725,647	₱233,504,626
Loans payable (Note 12)	3,000,000	13,998,370
Income tax payable	64,435,355	39,236,888
Liability for written put option (Notes 21 and 25)	864,705,965	853,181,279
Contingent liability (Note 21)	112,556,901	-
Other current liabilities (Note 13)	127,715,600	289,239,693
Total Current Liabilities	1,586,139,468	1,429,160,856
Noncurrent Liabilities		
Loans payable - net of current portion (Note 12)	13,998,370	-
Finance lease - net of current portion (Note 17)	1,163,602	-
Contingent liability - net of current portion (Note 21)	103,841,826	-
Deferred tax liabilities - net (Notes 19 and 21)	346,321,870	360,587,068
Pension liabilities (Note 20)	28,906,894	40,873,938
Total Noncurrent Liabilities	494,232,562	401,461,006
Total Liabilities	2,080,372,030	1,830,621,862
Equity		
Equity attributable to equity holders of Xurpas Inc.		
Capital stock (Note 22)	186,764,015	172,000,066
Additional paid-in capital (Note 22)	3,343,119,550	1,219,718,163
Retained earnings (Note 22)	419,869,821	250,798,331
Net unrealized loss on available-for-sale financial assets (Note 7)	(150,000)	(210,000)
Cumulative translation adjustment	1,131,974	6,484,416
Retirement benefit reserve (Note 20)	(2,939,890)	(8,064,767)
Equity reserve (Notes 21 and 22)	(892,221,754)	(848,496,865)
Treasury stock (Note 22)	(71,510,352)	-
	2,984,063,364	792,229,344
Noncontrolling interests (Notes 21 and 23)	830,167,876	771,522,209
Total Equity	3,814,231,240	1,563,751,553
	₱5,894,603,270	₱3,394,373,415

See accompanying Notes to Consolidated Financial Statements.



XURPAS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2016	2015	2014
INCOME			
Service income (Note 14)	₱1,896,460,031	₱824,022,641	₱378,315,389
Sale of goods	50,678,833	74,351,659	–
Interest income (Note 4)	3,025,253	9,434,640	1,187,715
Other income (Notes 6 and 9)	19,730,276	13,409,452	12,715,666
	1,969,894,393	921,218,392	392,218,770
COST AND EXPENSES			
Cost of services (Note 15)	1,098,820,154	314,694,526	113,864,591
Cost of goods sold	41,818,202	69,811,640	–
General and administrative expenses (Note 16)	368,435,431	196,132,359	39,213,640
Equity in net loss of associates (Note 8)	33,902,387	9,479,226	–
	1,542,976,174	590,117,751	153,078,231
INCOME BEFORE INCOME TAX	426,918,219	331,100,641	239,140,539
PROVISION FOR INCOME TAX (Note 19)	122,024,984	101,482,539	48,421,091
NET INCOME	304,893,235	229,618,102	190,719,448
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>			
Unrealized gain on available-for-sale financial assets (Note 7)	60,000	15,000	5,000
Cumulative translation adjustment	(4,138,826)	6,484,416	–
<i>Item that will not be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gain (loss) on defined benefit plan, net of tax (Note 20)	6,236,334	3,645,986	(12,105,543)
	2,157,508	10,145,402	(12,100,543)
TOTAL COMPREHENSIVE INCOME	₱307,050,743	₱239,763,504	₱178,618,905
Net income attributable to:			
Equity holders of Xurpas Inc.	₱255,361,122	₱221,059,181	₱182,070,562
Noncontrolling interests	49,532,113	8,558,921	8,648,886
	₱304,893,235	₱229,618,102	₱190,719,448
Total comprehensive income attributable to:			
Equity holders of Xurpas Inc.	₱255,193,557	₱230,231,811	₱171,324,106
Noncontrolling interests	51,857,186	9,531,693	7,294,799
	₱307,050,743	₱239,763,504	₱178,618,905
Earnings Per Share (Note 24)			
Basic	₱0.14	₱0.13	₱0.17
Diluted	₱0.14	₱0.13	₱0.17

See accompanying Notes to Consolidated Financial Statements.



XURPAS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 22)	Additional Paid-in Capital (Note 22)	Retained Earnings - Appropriated (Note 22)	Retained Earnings - Unappropriated (Note 22)	Net Unrealized Loss on Available- for-sale Financial Assets (Note 7)	Cumulative Translation Adjustment	Retirement Benefit Reserve (Note 20)	Equity Reserve (Notes 21 and 22)	Treasury shares (Note 22)	Total	Non- Controlling Interest (Note 23)	Total Equity
Balance at beginning of year	₱172,000,066	₱1,219,718,163	₱65,819,709	₱184,978,622	(₱210,000)	₱6,484,416	(₱8,064,767)	(₱848,496,865)	₱-	₱792,229,344	₱771,522,209	₱1,563,751,553
Issuance of new shares through cash subscription	7,770,000	1,190,606,997	-	-	-	-	-	-	-	1,198,376,997	-	1,198,376,997
Appropriation for share buy-back transactions	-	-	170,000,000	(170,000,000)	-	-	-	-	-	-	-	-
Cash dividend declaration	-	-	-	(86,289,632)	-	-	-	-	-	(86,289,632)	(4,900,000)	(91,189,632)
Acquisition of a subsidiary	6,993,949	932,794,390	-	-	-	-	-	-	-	939,788,339	-	939,788,339
Acquisition of NCI	-	-	-	-	-	-	-	(43,724,889)	-	(43,724,889)	(12,927,441)	(56,652,330)
Increase in NCI	-	-	-	-	-	-	-	-	(71,510,352)	(71,510,352)	24,615,922	24,615,922
Share buy-back transactions	-	-	-	-	-	-	-	-	-	-	-	(71,510,352)
Net income	-	-	-	255,361,122	-	-	-	-	-	255,361,122	49,532,113	304,893,235
Other comprehensive income - net of tax effect	-	-	-	-	60,000	(5,352,442)	5,124,877	-	-	(167,565)	2,325,073	2,157,508
Total comprehensive income	-	-	-	255,361,122	60,000	(5,352,442)	5,124,877	-	-	255,193,557	51,857,186	307,050,743
Balance at end of year	₱186,764,015	₱3,343,119,550	₱235,819,709	₱184,050,112	(₱150,000)	₱1,131,974	(₱2,939,890)	(₱892,221,754)	(₱71,510,352)	₱2,984,063,364	₱830,167,876	₱3,814,231,240



Year Ended December 31, 2015											
Equity attributable to equity holders of Xurpas Inc.											
	Capital Stock (Note 22)	Additional Paid-in Capital (Note 22)	Retained Earnings - Appropriated (Note 22)	Retained Earnings - Unappropriated (Note 22)	Net Unrealized Loss on Available- for-sale Financial Assets (Note 7)	Cumulative Translation Adjustment (Note 8)	Retirement Benefit Reserve (Note 20)	Equity Reserve (Notes 21 and 22)	Total	Non- Controlling Interest (Note 23)	Total Equity
Balance at beginning of year	₱172,000,066	₱1,219,718,163	₱-	₱98,539,176	(₱225,000)	₱-	(₱10,737,981)	₱-	₱1,479,294,424	₱11,263,488	₱1,490,557,912
Appropriations for dividend declaration	-	-	65,819,709	(65,819,709)	-	-	-	-	-	-	-
Cash dividend declaration	-	-	-	(68,800,026)	-	-	-	-	(68,800,026)	(8,750,000)	(77,550,026)
Recognition of liability for written put option	-	-	-	-	-	-	-	(848,496,865)	(848,496,865)	-	(848,496,865)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	759,477,028	759,477,028
Net income	-	-	-	221,059,181	-	-	-	-	221,059,181	8,558,921	229,618,102
Other comprehensive income - net of tax effect	-	-	-	-	15,000	6,484,416	2,673,214	-	9,172,630	972,772	10,145,402
Total comprehensive income	-	-	-	221,059,181	15,000	6,484,416	2,673,214	-	230,231,811	9,531,693	239,763,504
Balance at end of year	₱172,000,066	₱1,219,718,163	₱65,819,709	₱184,978,622	(₱210,000)	₱6,484,416	(₱8,064,767)	(₱848,496,865)	₱792,229,344	₱771,522,209	₱1,563,751,553

See accompanying Notes to Consolidated Financial Statements.

Year Ended December 31, 2014											
Equity attributable to equity holders of Xurpas Inc.											
	Capital Stock (Note 22)	Additional Paid-in Capital (Note 22)	Retained Earnings - Appropriated (Note 22)	Retained Earnings - Unappropriated (Note 22)	Net Unrealized Loss on Available- for-sale Financial Assets (Note 7)	Retirement Benefit Reserve (Note 20)	Total	Non- Controlling Interest (Note 23)	Total Equity		
Balance at beginning of year	₱3,250,000	₱-	₱91,500,000	₱13,718,614	(₱230,000)	₱13,475	₱108,252,089	₱8,635,356	₱116,887,445		
Issuance of common shares through cash subscriptions	168,750,066	1,219,718,163	-	-	-	-	1,388,468,229	-	1,388,468,229		
Appropriations for dividend declaration	-	-	97,250,000	(97,250,000)	-	-	-	-	-		
Release of appropriation for dividend declaration	-	-	(188,750,000)	188,750,000	-	-	-	-	-		
Stock dividend	-	-	-	(122,500,000)	-	-	(122,500,000)	-	(122,500,000)		
Cash dividend	-	-	-	(66,250,000)	-	-	(66,250,000)	(4,666,667)	(70,916,667)		
Net income	-	-	-	182,070,562	-	-	182,070,562	8,648,886	190,719,448		
Other comprehensive income - net of tax effect	-	-	-	-	5,000	(10,751,456)	(10,746,456)	(1,354,087)	(12,100,543)		
Total comprehensive income	-	-	-	182,070,562	5,000	(10,751,456)	171,324,106	7,294,799	178,618,905		
Balance at end of year	₱172,000,066	₱1,219,718,163	₱-	₱98,539,176	(₱225,000)	(₱10,737,981)	₱1,479,294,424	₱11,263,488	₱1,490,557,912		

See accompanying Notes to Consolidated Financial Statements.



XURPAS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱426,918,219	₱331,100,641	₱239,140,539
Adjustments for:			
Depreciation and amortization (Notes 9, 10, 15 and 16)	45,555,582	14,334,419	2,810,842
Equity in net loss of associates (Note 8)	33,902,387	9,479,226	–
Interest expense	24,543,027	5,612,191	–
Provision for impairment losses (Note 16)	387,325	3,487,562	1,828
Pension expense, net of contributions (Note 20)	323,136	6,959,464	1,514,237
Gain from disposal of assets (Note 9)	(619,451)	–	(58,517)
Unrealized gain from financial assets at FVPL (Note 6)	(915,489)	(317,867)	(431,059)
Interest income (Note 4)	(3,025,253)	(9,434,640)	(1,187,715)
Realized gain on financial assets at fair value through profit or loss (Note 6)	(4,836,415)	(5,473,524)	–
Unrealized foreign currency exchange loss (gain)	(5,060,719)	245,051	(4,436)
Gain on curtailment (Note 20)	(5,767,588)	–	–
Operating income before changes in working capital	511,404,761	355,992,523	241,785,719
Changes in working capital:			
Decrease (increase) in:			
Accounts and other receivables	(158,166,566)	43,411,168	(54,752,342)
Other current assets	(6,132,763)	13,148,984	(2,996,903)
Increase (decrease) in:			
Accounts and other payables	(25,612,608)	(548,493,791)	52,753,107
Other current liabilities	(168,178,916)	274,274,827	–
Net cash generated from operations	153,313,908	138,333,711	236,789,581
Interest received	3,025,253	9,938,750	683,605
Interest paid	(12,985,688)	–	–
Income taxes paid	(148,241,920)	(156,205,991)	(34,665,601)
Net cash provided by (used in) operating activities	(4,888,447)	(7,933,530)	202,807,585
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from redemption of investments in financial assets at FVPL	2,270,154,282	505,904,583	–
Proceeds from disposal of property and equipment	2,881,419	–	58,576
Additions to:			
Financial assets at FVPL (Note 6)	(2,520,000,000)	(80,000,000)	(500,000,000)
Available-for-sale financial assets (Note 7)	(67,296,000)	(81,774,956)	–
Investments in associates (Note 8)	(469,780,137)	(72,583,350)	(17,980,000)
Property and equipment (Note 9)	(48,493,388)	(13,305,142)	(7,447,866)
Intangible assets (Note 10)	(14,442,412)	(13,534,939)	–
Other noncurrent assets	(3,623,269)	(37,253,809)	(1,079,740)
Acquisition of subsidiary, net of cash acquired	(36,419,930)	(767,128,006)	–
Net cash used in investing activities	(887,019,435)	(559,675,619)	(526,449,030)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of shares (Note 22)	1,243,200,000	–	1,377,530,064
Increase in noncontrolling interests	24,615,922	–	–
Proceeds from loans payable (Note 12)	3,000,000	–	–
Payment of loans payable (Note 12)	–	(6,628,000)	–
Payment of finance lease liability (Note 17)	(1,640,872)	–	–
Transaction cost (Note 22)	(44,823,000)	–	(111,561,835)
Acquisition of NCI	(56,652,334)	–	–
Purchase of treasury shares (Note 22)	(71,510,352)	–	–
Dividends paid (Notes 22 and 23)	(86,779,632)	(77,550,026)	(70,916,667)
Net cash provided by (used in) financing activities	1,009,409,732	(84,178,026)	1,195,051,562
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH			
	5,130,801	(245,051)	4,436
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	122,632,651	(652,032,226)	871,414,553
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	305,885,002	957,917,228	86,502,675
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱428,517,653	₱305,885,002	₱957,917,228

See accompanying Notes to Consolidated Financial Statements.



XURPAS INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Xurpas Inc. (the Parent Company or Xurpas) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on November 26, 2001. The principal activities of the Parent Company and its subsidiaries (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 Board of Directors (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 to the current address. 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 listing of ₱344.00 million common shares at an offer price of ₱3.97 per share (₱1,365.68 million) for initial public offering of the Parent Company.

On November 13, 2014, the SEC granted the Parent Company 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 PSE (see Note 22).

The accompanying consolidated financial statements were for approval by the Audit Committee on March 20, 2017 and were approved and authorized for issue by the BOD on March 27, 2017.

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 (FVPL) 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 functional 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, 2016 and 2015, and for each of the three years in the period ended December 31, 2016 have been prepared in accordance with Philippine Financial Reporting Standard (PFRS).



Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Xurpas Inc. and its subsidiaries as at December 31, 2016 and 2015.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect that return through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other voter holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls and investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group obtains control until the date the Group ceases to control the subsidiary.

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.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without 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.



As of December 31, 2016 and 2015, the consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

	Percentage Ownership		Principal Activities
	2016	2015	
Xeleb Technologies Inc. (formerly Fluxion, Inc.) (Xeleb Technologies)	67.00%	65.00%	Enterprise services
Xeleb Inc. (Xeleb)	67.00	67.00	Mobile consumer services
Seer Technologies, Inc. (Seer)	70.00	70.00	Enterprise services
Codesignate Inc. (Codesignate)*	52.50	52.50	Enterprise services
Storm Technologies, Inc. (formerly Storm Flex Systems, Inc.) (Storm)	56.60	51.06	Human resource management Mobile consumer services and knowledge process outsourcing
Yondu, Inc. (Yondu)	51.00	51.00	
Xurpas Enterprise Inc. (Xurpas Enterprise)	100.00	-	Enterprise services
Art of Click Pte. Ltd. (AOC)	100.00	-	Mobile consumer services

*Codesignate is a 75.00%-owned subsidiary of Seer. The Group's effective ownership over Codesignate is 52.50%. The Group has determined that it has control over the entity and consolidates the entity on this basis.

Xeleb Technologies, Inc. (Xeleb Tech)

On August 22, 2016, Deeds of Absolute Sale were executed for the acquisition by the Parent Company of the remaining 35% interest in Xeleb Tech for ₱45 million. The acquisition of the 35% interest resulted in the Parent Company acquiring 100% interest in Xeleb Tech.

On the same date, Xeleb Technologies acquired 3,349,996 shares or 67% majority stake in Xeleb from the Parent Company at ₱1.00 per share or ₱3.35 million. In addition, Xeleb Technologies acquired the remaining 33% stake in Xeleb from its minority stakeholders for a total consideration of ₱1.65 million. This resulted in 100% ownership interest of Xeleb Technologies in Xeleb.

Xeleb Technologies and Xeleb are entities under common control of the Parent Company before and after the restructuring. As a result, the acquisition was accounted for using the pooling of interests method. This transaction has no effect on the carrying amounts of the Group's assets and liabilities, but has resulted to consolidation of Xeleb's assets and liabilities into Xeleb Technologies (see Note 21).

On August 24, 2016, the BOD and Stockholders of Xeleb Technologies approved its increase in authorized capital stock from ₱5.00 million divided into 5,000,000 common shares at a par value of ₱1.00, to ₱100.00 million divided into 4,000,000,000 common shares at a par value of ₱0.025.

On the same date, Xeleb Technologies' BOD authorized the registration and/or use the name "Xeleb Technologies Inc." to replace its corporate name "Fluxion, Inc." that was approved by the SEC on November 21, 2016.

On November 21, 2016, the SEC approved the increase in authorized capital stock of Xeleb Technologies. On the same date, Xeleb Technologies issued shares in relation to Subscription Agreements by the Parent Company, Selajo Inc., Conrev Inc., Joseliemm Holdings Inc. and Rainy Day Future Entertainment, Inc. for a total subscription of 1,000,000,000 common shares. This resulted to reduction of Parent Company's interest in Xeleb Technologies to 67.00% (see Note 21).



Xurpas Enterprise Inc. (Xurpas Enterprise)

On March 23, 2016, the Parent Company incorporated Xurpas Enterprise. Xurpas Enterprise shall primarily engage in the business of software development including designing, upgrading and marketing all kinds of information technology systems or parts thereof and other related services.

Xeleb Inc. (Xeleb)

On July 14, 2015, the Parent Company incorporated Xeleb Inc., a mobile games company domiciled in the Philippines. Xeleb was organized primarily to design, develop, test, build, market, distribute, maintain, support, customize, sell and/or sell applications, games, software, digital solutions, whether internet, mobile or other handheld applications, portals, hardware and other related projects and services, except internet provider services, both for proprietary and custom development purposes.

Storm Technologies, Inc. (Storm)

On October 27, 2016, the Parent Company acquired additional 3,735 common shares of Storm for ₱10.00 million. This brought Parent Company's ownership from 51.52% to 56.60% of the outstanding capital stock of Storm and there was no change in control (see Note 21).

On August 12, 2016, Storm's BOD authorized the registration and/or use the name "Storm Technologies, Inc." to replace its corporate name "Storm Flex Systems, Inc." and was approved by the SEC on December 27, 2016.

Art of Click Pte. Ltd. (AOC)

On October 6, 2016, Xurpas signed a Share Purchase Agreement with Emmanuel Michael Jean Allix and Wavemaker Labs Pte. Ltd. for the acquisition of 100% stake in AOC for an aggregate consideration of ₱1.40 billion in cash and in Parent Company's shares (see Note 21).

AOC, a Singapore-based company, is engaged in the business of mobile media agency that offers a marketing platform for advertisers.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year except for the new PFRS, amended PFRS and improvements to PFRS which were adopted beginning January 1, 2016. Adoption of these new standards and amendments did not have any significant impact on the consolidated financial position or performance unless otherwise indicated.

- Amendments to PAS 1, *Presentation of Financial Statements, Disclosure Initiative*
- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Separate Financial Statements, Equity Method in Separate Financial Statements*
- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures, Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Joint Arrangements, Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Annual Improvements to PFRSs 2012-2014 Cycle



- Amendment to PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*
- Amendment to PFRS 7, *Financial Instruments: Disclosures, Servicing Contracts*
- Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
- Amendment to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*
- Amendment to PAS 34, *Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'*
- PIC Q&A No. 2016-02
In 2016, the PIC issued Q&A to clarify the accounting treatment of club shares.

Standards and Interpretation Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on the consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014-2016 Cycle)*

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The amendments do not have any impact on Group's financial position and results of operation. The Group will include the required disclosure on its 2017 consolidated financial statements.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.



Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

These amendments are not expected to have any impact on the Group's consolidated financial statements.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The Group is currently assessing the potential effect of the amendments on its consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 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 PFRS 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 PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effectivity date.

- PFRS 9, *Financial Instruments*

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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

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.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

The Group does not expect the amendments to have material impact on its consolidated financial statements.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's



intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

The Group does not expect the amendments to have material impact on its consolidated financial statements.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the consolidated financial statements of the reporting period in which the entity first applies the interpretation.

The Group does not expect the amendments to have material impact on its consolidated financial statements.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Group is currently assessing the impact of adopting PFRS 16.



Standards and Interpretation with Deferred Effectivity

- *Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Cash

Cash includes cash on hand and in banks.

Fair Value Measurement

Fair value is the estimated 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.

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 25).

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.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument.



Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

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, 2016 and 2015, the Group's financial instruments are of the nature 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 and other receivables 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.

Financial assets and financial liabilities at FVPL

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

Financial assets and financial liabilities 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 derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Derivatives embedded in the host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at FVPL. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVPL.

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 statements of comprehensive income, included under “Other income” account.

As at December 31, 2016 and 2015, the Group holds its investment in Unit Investment Trust Fund (UITF) Security Bank (SB) Peso money market fund as held for trading and classified these as financial assets at FVPL (see Note 6).

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 and other receivables” accounts, except for “Advances to employees” which are subject to liquidation, in the consolidated statements of financial position.

After initial measurement, accounts and other receivables 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 and other receivables is 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 notes 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 consolidated statements of comprehensive income until the investment is derecognized, at which time the cumulative gain or loss is recognized in other comprehensive 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 foreseeable 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 foreseeable 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 notes and quoted and unquoted 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"), "Liability for written put option" 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 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 "Unrealized gain or loss on available-for-sale financial assets" 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 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.

Investments in Associates

The Group's investments in its associates are 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 statements 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 company. 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 company are eliminated to the extent of the interest in the associate company 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 company. When the associate company 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 company and the Group are identical and the associate company'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 retained 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 retained 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 to 5
Office equipment	2 to 4
Information technology (IT) equipment	2 to 4
Furniture and fixtures	2 to 5
Leased asset	3 to 5
Leasehold improvements	Useful life 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.

The estimated useful lives of intangible assets follow:

	Years
Customer relationships	Indefinite
Leasehold rights	7
Developed software	5 - 8

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

Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of goods sold. During the period of development, the asset is tested for impairment annually.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any noncontrolling interests in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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



If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognized either in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests) and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

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

When goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Noncontrolling Interests

In a business combination, as of the acquisition date, the Group recognizes, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. There is a choice of two measurement methods for those components of



noncontrolling interests that are both present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of a liquidation. They can be measured at:

- a. acquisition-date fair value (consistent with the measurement principle for other components of the business combination); or
- b. at their proportionate share of the value of net identifiable assets acquired.

Written put option over NCI

Any put options granted to noncontrolling interests give rise to a financial liability measured at fair value, which will be the present value of the redemption amount. The Group's accounting policy on financial instruments applies for the subsequent measurement of the financial liability.

The Group assesses whether the terms and conditions of the option give the acquirer present access to the ownership interest in the share subject to the put option. Factors that indicate that the NCI put provides a present ownership interest include:

- a. pricing - to the extent that the price is fixed or determinable, rather than being at fair value;
- b. voting rights and decision-making - to the extent that the voting rights or decision-making connected to the shares concerned are restricted;
- c. dividend rights - to the extent that the dividend rights attached to the shares concerned are restricted; and
- d. issue of call options - a combination of put and call options, with the same period of exercise and same/similar pricing indicates that the arrangement is in the nature of a forward contract.

If it is concluded that the acquirer has a present ownership interest in the shares concerned, the put option is accounted for as an acquisition of the underlying shares, and no noncontrolling interest is recognized.

When the terms of the transaction do not provide a present ownership interest, the noncontrolling interests continues to be recognized within equity until the NCI put is exercised. The carrying amount of noncontrolling interest changes due to allocations of profit or loss, changes in other comprehensive income and dividends declared for the reporting period. The financial liability for the put option is recognized through a debit made to "Equity reserve", a component of equity attributable to the Parent Company.

If the put option is exercised, the entity accounts for an increase in its ownership interest. At the same time, the entity derecognizes the financial liability and recognizes an offsetting credit in the same component of equity reduced on initial recognition.

If the put option expires unexercised, the financial liability is reclassified to the same component of equity that was reduced on initial recognition.

Combinations of Entities under Common Control

Business combinations of entities under common control are accounted for using the pooling of interests method. The pooling of interests method is generally considered to involve the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.



- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity under the “Equity reserve” account.

The financial information in the consolidated financial statements are not restated for periods prior to the combination of the entities under common control.

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 of disposal 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.

For assets excluding goodwill, 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.

Investments in associates

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 company and recognizes the difference in profit or loss.

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.

Intangible assets with indefinite useful life

Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level and when circumstances indicate that the carrying value may be impaired.



Impairment of goodwill

For assessing impairment of goodwill, a test of impairment is performed annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGUs is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

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 include 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.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

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.

Equity reserve

Equity reserve represents:

- (a) a portion of equity against which the recognized liability for a written put option was charged;
- (b) gains or losses resulting from increase or decrease in ownership without loss of control; and



- (c) difference between the consideration transferred and the net assets acquired in common control business combination.

Stock dividends

A stock dividend is considered to be small if the new shares being issued are less than 20-25% of the total number of shares outstanding prior to the stock dividend. On the declaration date of a small stock dividend, the dividend recorded is equal to market value of the shares being issued.

A stock dividend is considered to be large if the new shares being issued are more than 20-25% of the total value of shares outstanding prior to the stock dividend. On the declaration date of a large stock dividend, the dividend recorded is equal to the par value of the shares being issued.

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 consists of revenue from Value-Added Services (VAS), Business Process Outsourcing (BPO), and income earned for mobile solution and key platform maintenance and development services recognized by reference to the stage of completion of the transaction at the end of the reporting period in accordance with the service agreement.

VAS pertains to the Group's short services of mobile content application for telephone, internet, mobile and other forms of communication. BPO pertains to business outsourcing for technical support services and software developments.

Stage of completion of uncompleted contracts as the end of a reporting period are being determined based on the completion of proportion of work as indicated in the purchase orders or service agreement. Service income earned from content services is recognized when the service has been rendered through distribution of content services.

Sale of goods

Revenue from the sale of goods in the ordinary course of activities is measured at the fair value of the consideration received or receivable, net of discounts and applicable taxes. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is normally upon delivery and the amount of revenue can be measured reliably.

Interest income

Interest income is recognized as it accrues using the effective interest method.

Other income

Other income is recognized as it accrues.

Cost and Expenses

"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.

Cost of goods sold

Costs are recognized upon receipt of goods, utilization of services or at the date they are incurred.

General and administrative expenses

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

Earn-out payment

Earn-out payments pertaining to payments to former owners of the acquired subsidiary are considered remuneration for their continuing employment and are presented in the consolidated statements of comprehensive income in "General and administrative expenses".

Leases

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.

Finance Lease

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of minimum lease payments. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the assets or the respective lease terms.

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 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, except:

- When the deferred tax liability from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will not reverse in the foreseeable future taxable profit will be available against which the temporary differences 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 relating to items outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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.



Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or 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 statement of financial position.

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 the 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.



Foreign Currency Transactions

The Group's consolidated financial statements are presented Philippine Peso, which is also the Parent Company and the subsidiaries' functional currency, except for AOC which is Singaporean dollar. The Philippine peso is the currency of the primary economic environment in which the Parent Company operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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.

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 26 of the notes to 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. Information on events after the reporting period is presented in Note 28 of the notes to the consolidated financial statements.



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 statements. 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. Investment in subsidiaries

The Group determined that it has control over its subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following were also considered:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual agreements
- The Group's voting rights and potential voting rights

b. Existence of significant influence over an associate

The Group determined that it exercises significant influence over its associates (see Note 8) by considering, among others, its ownership interest (holding 20% or more of the voting power of the investee) and board representation.

c. Capitalization of development costs

The Group determined that intangible assets arising from development qualify for recognition by determining that all of the following are present:

- i. The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- ii. Intention to complete and its ability and intention to use or sell the asset;
- iii. How the asset will generate future economic benefits;
- iv. The availability of resources to complete the asset; and
- v. The ability to measure reliably the expenditure during development.

d. Identifiable intangible assets acquired through business combination

The Group determined that there are identifiable intangible assets to be recognized as result of business combination by considering, among others, the separability or contractual-legal criterion.



The following are the intangible assets acquired through business combinations:

- i. *Customer Relationship* - pertains to Yondu's noncontractual and contractual agreements with Globe Telecommunications, Inc. (GTI), its major customer which are expected to generate revenues for the Group in subsequent periods
 - ii. *Developed Software* - pertains to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment
 - iii. *Leasehold rights* - pertains to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination
- e. *Present ownership over underlying shares in written put option*
The Group determined that it does not have present ownership over the underlying shares in written put option by considering, among others, the voting rights, decision making rights and dividend rights attached to the shares.
- f. *Indefinite useful life of customer relationships*
The Group has determined that the recognized customer relationships has an indefinite useful life based on the current relationship with the Group and expected future cash-inflows from contracts with GTI.

Management's Use of Estimates

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

Evaluating impairment of goodwill and intangible assets with indefinite useful lives

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less cost of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a Discounted Cash Flow (DCF) model.

The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinites useful lives recognized by the Group.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level and when circumstances indicate that the carrying value may be impaired.



The carrying values of these nonfinancial assets follow:

	2016	2015
Goodwill (Notes 10 and 21)	₱2,043,384,111	₱687,808,790
Customer relationship (Notes 10 and 21)	1,077,809,700	1,077,809,700
	₱3,121,193,811	₱1,765,618,490

Fair value measurement of intangible assets resulting from business combination

Intangible assets resulting from business combinations are valued at fair value at the acquisition date as part of the business combination. Valuation techniques are used to determine the fair value of the intangible assets. Valuation techniques include multi-period excess earnings method (MEEM), and the “premium profits” method. The table below summarizes the carrying amounts of the intangible assets and the related valuation techniques used to determine fair value at the acquisition date for business combinations in 2015.

2015	Intangible Asset	Valuation Technique	Carrying Value
Yondu	Customer relationships	MEEM	₱1,077,809,700
	Developed software	MEEM	90,912,963
	Leasehold rights	Premium profits method	11,646,290
Storm	Leasehold rights	Premium profits method	3,608,475
Seer	Leasehold rights	Premium profits method	978,905
			₱1,184,956,333

The fair values of the intangible assets identified are sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rate used for determining terminal values. The growth rate is most relevant to the customer relationship intangible asset which is determined to have an indefinite useful life.

Discount rates used are risk-adjusted asset-specific discount rates considering information such as the reliance of the administration of the asset on the ongoing operation of the acquiree, the relative risk of the asset in relation to the acquiree’s other assets and the relative risk of the asset in relation to the acquiree’s overall risk.

Below are the significant inputs used in the estimation of the fair value that are not observable in the market:

- Assumed discount rate for and customer relationships and developed software ranging from 14.46% to 16.46%
- Assumed discount rate for leasehold rights range from 5.60% to 14.67%
- Terminal value, calculated based on long-term sustainable growth rates for the industry at 3%

Expected future cash inflows used for the determination of fair value do not consider the effects of any significant future investments or modification in the state of the developed software as of acquisition date which may enhance the asset’s performance.

It is possible that future results of operations could be materially affected by changes in estimates or in the effectiveness of the Group’s strategies in utilizing such intangible assets.

In 2016, no intangible asset is recognized as a result of business combination (see Note 21).



4. Cash

This account consists of:

	2016	2015
Cash on hand	₱8,113,051	₱393,149
Cash in banks	420,404,602	305,491,853
	₱428,517,653	₱305,885,002

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

Interest income earned from cash in banks and cash equivalents amounted to ₱3.03 million, ₱9.43 million and ₱1.19 million for the years ended December 31, 2016, 2015 and 2014, respectively.

5. Accounts and Other Receivables

This account consists of:

	2016	2015
Trade receivables	₱933,663,242	₱717,171,131
Advances to employees	7,952,381	3,686,835
Receivable from related parties (Note 18)	43,990	697,318
Others	17,126,242	16,254,416
	958,785,855	737,809,700
Less: Allowance for impairment loss	1,883,443	3,487,562
	₱956,902,412	₱734,322,138

Trade receivables arise mainly from the mobile content development services rendered by the Group to its major customer, GTI and other telecommunication companies. These are noninterest-bearing and are generally settled on a 30- to 60-day term. As of December 31, 2016 and 2015, the Group's receivables from GTI amounted to ₱401.16 million and ₱414.61 million, respectively, which comprise 42% and 58%, respectively, of the total trade receivables (see Note 25).

Advances to employees mainly pertain to advances which are subject to liquidation. These also include 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.

The table below shows the movements in the provision for impairment losses:

	2016	2015
At beginning of year	₱3,487,562	₱-
Provisions	387,325	3,487,562
Write-off	(1,991,444)	-
	₱1,883,443	₱3,487,562



In 2016, the Group reclassified “Other receivables” under “Accounts and other receivables” amounting to ₱22.08 million to “Other noncurrent assets” in the consolidated statements of financial position as of December 31, 2015. Management believes that this presentation appropriately reflects the classification of the Group’s assets.

6. Financial Assets at Fair Value through Profit or Loss

The Group invested in the SB Peso Money Market Fund (the Fund). The Fund, which is structured as a money market UITF, aims to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments. As of December 31, 2016 and 2015, the fair value of the Group’s total investment in the Fund is as follows:

	2016	2015
Beginning	₱80,317,867	₱500,431,059
Additions	2,520,000,000	80,000,000
Withdrawals	(2,265,317,867)	(500,431,059)
Unrealized gains	915,489	317,867
	₱335,915,489	₱80,317,867

The fair value of the investment in UITF is valued at ₱128.15 and ₱107.02 NAV per unit as at December 31, 2016 and 2015, respectively, and is determined using 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 (Note 25).

For the year ended December 31, 2016 and 2015, the Group recognized realized gain from redemption of financial assets at FVPL under “Other income” amounting to ₱4.84 million and ₱5.48 million, respectively.

7. Available-for-Sale Financial Assets

This account consists of:

	2016	2015
Balance at beginning of year	₱85,617,079	₱3,827,123
Additions during the year	67,296,000	81,774,956
Unrealized gain on AFS financial asset	60,000	15,000
	152,973,079	85,617,079
Less: current portion	108,428,123	17,657,123
	₱44,544,956	₱67,959,956

The rollforward analysis of net unrealized loss on AFS financial assets follow:

	2016	2015
Balance at beginning of year	(₱210,000)	(₱225,000)
Unrealized gain on AFS financial asset	60,000	15,000
Balance at end of year	(₱150,000)	(₱210,000)



Unrealized gain on AFS financial asset is recognized under “Other comprehensive income” in the consolidated statements of comprehensive income.

Carrying amount of the investments in available-for-sale financial assets as of December 31, 2016 and 2015 are as follow:

	2016	2015
Quoted shares		
Club Punta Fuego	₱300,000	₱240,000
Unquoted equity investment		
Quick.ly, Inc.	44,244,956	44,244,956
Unquoted debt investments		
MatchMe Pte. Ltd.	52,495,000	14,055,000
Altitude Games Pte. Ltd.	28,856,000	–
Einsights Pte. Ltd.	23,475,000	23,475,000
Pico Candy Pte. Ltd.	3,602,123	3,602,123
	₱152,973,079	₱85,617,079

The quoted shares are categorized under the Level 1 of the fair value hierarchy. The unquoted equity and debt investments are categorized under Level 2 (Note 25).

Quoted equity investments

Quoted equity instruments consist of investment in golf club shares.

Unquoted equity investments

In April 2015, the Group acquired 666,666 million shares of Series A Preferred Stock of Zowdow Inc. (“Zowdow”), formerly Quick.ly, Inc., (“Quick.ly”) at a purchase price of \$1.50 per share for a total investment of US\$999,999 or ₱44.24 million. As at December 31, 2016 and 2015, the Group holds a 4.22% ownership of Zowdow on a fully-diluted basis.

Fair value of unquoted equity investments was determined using prices from recent sales at arm’s length transaction. No unrealized gain or loss was recognized during the year for these investments (Note 25).

Unquoted debt investments

MatchMe Pte. Ltd.

On November 2, 2015, the Group acquired a convertible promissory note for US\$300,000 issued by MatchMe Pte. Ltd. (“MatchMe”), an associate of the Group based in Singapore (Note 8). The principal and interest will be due and payable six (6) months from the date of the note. Interest will accrue at 5% per annum.

On February 11, 2016, the Group acquired additional convertible promissory note issued by MatchMe for US\$500,000. The principal and interest will be due and payable twelve (12) months from Closing. Interest will accrue on an annual basis at the rate of 5% per annum.

On October 7, 2016, the Group acquired additional convertible promissory note issued by MatchMe for US\$300,000. The principal and interest will be due and payable twelve (12) months from Closing. Interest will accrue on an annual basis at the rate of 5% per annum.



Altitude Games Pte. Ltd.

On January 19, 2016, the Group purchased a convertible promissory note for US\$400,000 issued by Altitude Games Pte. Ltd. (“Altitude Games”), an associate of the Group. The principal and interest shall be due and payable twelve (12) months from the date of the note. Interest shall accrue on an annual basis at the rate of 3%.

On September 21, 2016, the Group acquired additional convertible promissory note for US\$200,000 issued by Altitude Games. The principal and interest shall be due and payable twelve (12) months from the date of the note. Interest shall accrue on an annual basis at the rate of 3.75%.

Einsights Pte, Ltd.

On September 30, 2015, the Group purchased a convertible promissory note for US\$500,000 issued by Einsights Pte, Ltd. (“Einsights”), a Singapore-based technology solutions provider with operations in Singapore, Vietnam, Hong Kong, India, Australia, Canada and Switzerland. The convertible promissory note will mature after 18 months from closing date with applicable interest rate at 3% per annum.

Pico Candy Pte. Ltd.

In August 2013, the Group invested in Pico Candy Pte. Ltd.’s convertible bonds amounting to SG \$0.10 million, which is equivalent to ₱3.60 million. Pico Candy Pte. Ltd. operates a digital sticker distribution platform. It was founded in 2013 and is based in Singapore.

8. Investments in Associates

This account consists of:

	2016	2015
Cost		
Balance at beginning of year	₱105,803,926	₱33,220,576
Additions during the year	469,780,137	72,583,350
Balance at end of year	575,584,063	105,803,926
Equity in net loss during the year		
Balance at beginning of year	(9,479,226)	–
Share in net loss during the year	(33,902,387)	(9,479,226)
Balance at end of year	(43,381,613)	(9,479,226)
Cumulative translation adjustment		
Balance at beginning of year	6,484,416	–
Movement during the year	(4,156,504)	6,484,416
Balance at end of year	2,327,912	6,484,416
	₱534,530,362	₱102,809,116



The Group's equity in the net assets of associates and the related percentages of ownership are shown below:

	Percentages of Ownership		Carrying Amounts	
	2016	2015	2016	2015
Micro Benefits Limited	23.53%	—%	₱441,948,554	₱—
MatchMe Pte. Ltd.	28.59	31.52	56,193,284	60,468,564
Altitude Games Pte. Ltd.	21.78	21.78	27,841,006	31,403,073
PT Sembilan Digital Investama	49.00	49.00	8,201,170	10,828,703
Altitude Games Inc.	21.17	21.17	346,348	108,776
			₱534,530,362	₱102,809,116

Micro Benefits Limited

On March 9, 2016, the Parent Company acquired 718,333 new Series C Preferred Shares equivalent to a 23.53% stake in Micro Benefits Limited (“Micro Benefits”) for US\$10.00 million. Micro Benefits, a company registered in Hong Kong, is engaged in the business of providing employee benefits to Chinese workers through its operating company, Micro Benefits Financial Consulting (Suzhou) Co. Ltd., located in China.

MatchMe Pte. Ltd.

On March 30, 2015, the Parent Company acquired 1,000,000 ordinary shares of MatchMe Pte. Ltd. (“MatchMe”), an international game development company based in Singapore, for a total consideration amounting to ₱60.47 million.

During the year, MatchMe issued 325,385 common shares to various individuals which resulted to the decrease in the Parent Company ownership interest from 31.52% to 28.59%.

Altitude Games Pte. Ltd.

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. Nolloo, a stockholder, assigned its 11.36 million ordinary shares representing 10.02% ownership in Altitude Games pursuant to the Deed of Assignment with the Parent Company. Accordingly, the Parent Company recognized a payable to a stockholder amounting to ₱15.24 million from the said assignment which was subsequently paid in 2015.

As at the December 31, 2016 and 2015, the Parent Company owns 21.78% ownership in Altitude Games resulting from the said acquisitions. The Parent Company acquired 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.

PT Sembilan Digital Investama

On March 26, 2015, the Parent Company acquired 147 shares representing 49% shareholdings in PT Sembilan Digital Investama (SDI) amounting to ₱10.83 million. The acquisition gave the Parent Company access to PT Ninelives Interactive (“Ninelives”), a mobile content and distribution company in Indonesia, which SDI owns.



Altitude Games Inc.

On July 22, 2015, the Parent Company subscribed to 211,656 shares of stock or 21.17% shareholdings in Altitude Games Inc. (“Altitude Philippines”), an affiliate of Altitude Singapore. Altitude Philippines engages in the business of development, design, sale and distribution of games and applications.

As of December 31, 2016 and 2015, there are no capital commitments relating to the Group’s interests in its associates.

The Parent Company considers an associate with material interest if its net assets exceed 5% of its total consolidated net assets of the Group as of reporting period and considers the relevance of the nature of activities of the entity compared to other operations of the Group. There are no significant restrictions on the Parent Company’s ability to use assets and settle liabilities of the Group.

Following are the significant financial information of the associates with material interest as of December 31, 2016:

Micro Benefits

Total assets	₱371,259,671
Total liabilities	(374,539,419)
Total equity	(3,279,748)
Proportion of Group’s ownership	23.53%
Group’s share in identifiable net assets	(771,725)
Goodwill	442,720,279
Carrying amount of the investment	₱441,948,554

No dividends were received in 2016, 2015 and 2014.

Total revenue	₱54,961,560
Total expenses	157,388,334
Net loss	(102,426,774)
Group’s share in net loss for the year	(24,101,020)
Total comprehensive loss	(102,426,774)
Group’s share in total comprehensive loss for the year	(24,101,020)

Aggregate financial information on associates with immaterial interest is as follows:

	2016	2015
Carrying amount	₱92,581,808	₱102,809,116
Group’s share of loss for the year	(9,801,367)	(9,479,226)
Group’s share in total comprehensive loss	(9,801,367)	(9,479,226)



9. Property and Equipment

Rollforward of this account is as follows:

December 31, 2016

	Transportation Equipment	Office Equipment	IT Equipment	Furniture and Fixtures	Leasehold Improvements	Leased Asset	Total
Cost							
At beginning of year	₱3,696,444	₱6,146,473	₱25,314,920	₱4,269,030	₱31,727,369	₱2,859,870	₱74,014,106
Additions through business combination (Note 21)	–	55,282	506,600	73,063	–	–	634,945
Additions	–	2,335,524	15,063,154	7,117,341	23,977,369	1,807,540	50,300,928
Disposals	–	(16,070)	(14,055,615)	(77,715)	–	–	(14,149,400)
Exchange differences	–	(5,642)	(38,780)	(7,982)	–	–	(52,404)
At end of year	3,696,444	8,515,567	26,790,279	11,373,737	55,704,738	4,667,410	110,748,175
Accumulated Depreciation and Amortization							
At beginning of year	3,282,916	5,600,230	2,018,401	2,082,183	2,116,068	730,364	15,830,162
Depreciation and amortization (Notes 15 and 16)	375,124	1,651,521	12,402,831	1,659,045	8,540,869	1,648,291	26,277,681
Disposals	–	(9,374)	(11,878,057)	–	–	–	(11,887,431)
At end of year	3,658,040	7,242,377	2,543,175	3,741,228	10,656,937	2,378,655	30,220,412
Net Book Value	₱38,404	₱1,273,190	₱24,247,104	₱7,632,509	₱45,047,801	₱2,288,755	₱80,527,763

December 31, 2015

	Transportation Equipment	Office Equipment	IT Equipment	Furniture and Fixtures	Leasehold Improvements	Leased Asset	Total
Cost							
At beginning of year	₱3,619,435	₱3,989,262	₱2,750,029	₱1,537,865	₱4,356,039	₱–	₱16,252,630
Additions through business combination (Note 21)	77,009	528,459	16,054,693	994,995	23,941,308	2,859,870	44,456,334
Additions	–	1,628,752	6,510,198	1,736,170	3,430,022	–	13,305,142
At end of year	3,696,444	6,146,473	25,314,920	4,269,030	31,727,369	2,859,870	74,014,106
Accumulated Depreciation and Amortization							
At beginning of year	2,475,271	2,368,596	1,295,767	876,261	318,152	–	7,334,047
Depreciation and amortization (Notes 15 and 16)	807,645	3,231,634	722,634	1,205,922	1,797,916	730,364	8,496,115
At end of year	3,282,916	5,600,230	2,018,401	2,082,183	2,116,068	730,364	15,830,162
Net Book Value	₱413,528	₱546,243	₱23,296,519	₱2,186,847	₱29,611,301	₱2,129,506	₱58,183,944



Depreciation and amortization for the years ended December 31, 2016 and 2015 are charged as follows:

	2016	2015
Cost of services (Note 15)	₱1,064,453	₱1,575,039
General and administrative expenses (Note 16)	25,213,228	6,921,076
	₱26,277,681	₱8,496,115

In 2016, the Group retired fully depreciated property and equipment amounting to ₱14.07 million for a gain of ₱0.62 million recognized under “Other income” account in the consolidated statements of comprehensive income.

The Group’s fully depreciated property and equipment with aggregate cost of ₱18.93 million and ₱21.01 million are still in use as at December 31, 2016 and 2015, respectively.

There were no capitalized interest as at December 31, 2016 and 2015.

10. Intangible Assets

This account consists of:

December 31, 2016

	Goodwill	Customer Relationship	Developed Software	Leasehold Rights	Total
Cost					
At beginning of year	₱687,808,790	₱1,077,809,700	₱111,123,483	₱17,378,812	₱1,894,120,785
Additions through business combination (Note 21)	1,355,575,321	-	-	-	1,355,575,321
Additions during the year	-	-	14,442,412	-	14,442,412
At end of year	2,043,384,111	1,077,809,700	125,565,895	17,378,812	3,264,138,518
Accumulated amortization					
At beginning of year	-	-	4,693,062	1,145,242	5,838,304
Amortization (Note 15)	-	-	16,795,214	2,482,687	19,277,901
At end of year	-	-	21,488,276	3,627,929	25,116,205
Net Book Value	₱2,043,384,111	₱1,077,809,700	₱104,077,619	₱13,750,883	₱3,239,022,313

December 31, 2015

	Goodwill	Customer Relationship	Developed Software	Leasehold Rights	Total
Cost					
Additions during the year	₱-	₱-	₱13,534,939	₱-	₱13,534,939
Additions through business combination (Note 21)	687,808,790	1,077,809,700	97,588,544	17,378,812	1,880,585,846
At end of year	687,808,790	1,077,809,700	111,123,483	17,378,812	1,894,120,785
Accumulated amortization					
Amortization (Note 15)	-	-	4,693,062	1,145,242	5,838,304
Net Book Value	₱687,808,790	₱1,077,809,700	₱106,430,421	₱16,233,570	₱1,888,282,481

Goodwill

Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group.



Customer Relationship

Customer relationship pertains to Yondu's noncontractual and contractual agreements with GTI, its major customer, which are expected to generate revenues for the Group in subsequent periods.

Developed Software

Developed software pertain to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment.

Leasehold Rights

Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination.

The amortization expense of intangible assets recognized in "Depreciation and amortization" under "Cost of services" in the statements of comprehensive income amounted to ₱19.28 million and ₱5.84 million in December 31, 2016 and 2015, respectively (see Note 15).

Impairment testing of goodwill and customer relationships with indefinite useful lives

Goodwill and customer relationship acquired through business combinations were reviewed to look for any indication that an asset may be impaired. The Group used a discounted cash flow analysis to determine value-in-use. Value-in-use reflects an estimate of the future cash flows the Group expects to derive from the cash-generating unit, expectations about possible variations in the amount or timing of those future cash flows, the time value of money and the price for bearing the uncertainty inherent in the asset. The calculation of the value-in-use is based on reasonable and supportable assumptions, the most recent budgets and forecasts approved by management covering a five-year period. Management determined the financial budgets based on past performance and its expectations for market development.

Key Assumptions Used in Value in Use Calculations

Key assumptions used to determine the value-in-use are discount rates including cost of debt and cost of capital, growth rates, EBITDA margins, working capital and capital expenditure.

- *Discount rate*

The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group used discount rates based on the industry's weighted average cost of capital (WACC). The rates used to discount the future cash flows are based on risk-free interest rates in the relevant markets where the subsidiaries are domiciled taking into consideration the debt premium, market risk premium, gearing, corporate tax rate and asset betas of these subsidiaries. In 2016 and 2015, management assumed discount rates of 9.4% to 16.0 % and 9.14%, respectively.

- *Growth rate*

Average growth rates in revenues are based on the Group's expectation of market developments and the changes in the environment in which it operates. The Group uses revenue growth rates based on past historical performance as well as expectations on the results of its strategies. On the other hand, the perpetual growth rate used to compute for the terminal value is based on the forecasted long-term growth of real gross domestic product (GDP) of the economy in which the business operates.



- *EBITDA margin*

The EBITDA margin represents the operating margin before depreciation and amortization and is estimated based on the margin achieved in the period immediately before the budget period and on estimated future development in the market. Committed operational efficiency programs are taken into consideration.

- *Capital expenditure*

In computing the value-in-use, estimates of future cash flows include future cash outflows necessary to maintain the level of economic benefits expected to arise from the asset in its current condition. Capital expenditures that improve or enhance the asset's performance therefore are not included.

Management recognizes that unfavorable conditions can materially affect the assumptions used in the determination of value-in-use. An increase of 8.5 percent to over 100.0 percent discount rates, or a reduction of growth rates of 11.5 percent to over 100.0 percent would give a value-in-use equal to the carrying amount of the cash generating units in 2016.

For the year ended December 31, 2016, no impairment of the Group's goodwill and customer relationship was recognized.

Impairment testing of goodwill

Goodwill acquired through business combinations pertain to the subsidiaries acquired during the year.

Allocation of goodwill to the CGUs is as follows:

	2016	2015
Art of Click Pte. Ltd. (AOC)	₱1,355,575,321	₱-
Yondu, Inc. mobile consumer services (Yondu VAS)	334,937,958	334,937,958
Yondu, Inc. knowledge process outsourcing (Yondu BPO)	205,209,959	205,209,959
Storm Technologies, Inc. (Storm)	134,161,688	134,161,688
Seer Technologies, Inc. (Seer)	13,499,185	13,499,185
	<u>₱2,043,384,111</u>	<u>₱687,808,790</u>

The recoverable amounts have been based on value in use calculations using cash flow projections from forecasts provided by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using a steady growth rate of 3%.

In 2016 and 2015, no impairment loss was recognized for the goodwill recognized from the business combinations.

Impairment testing of customer relationships

The recoverable amount of customer relationships was determined based on a value in use calculation using cash flow projections from financial budgets covering a five-year period. The pre-tax discount rate applied to the cash-flow projections is 15.1% and 14.46% in 2016 and 2015, respectively. The growth rate used to extrapolate the cash flows beyond the five-year period is 3%. The growth rate is based on the long-term sustainable growth rates for the industry.

In 2016 and 2015, no impairment loss was recognized for the customer relationships.



11. Accounts and Other Payables

This account consists of:

	2016	2015
Trade payables	₱257,608,036	₱91,022,651
Deferred output VAT	55,595,725	74,513,636
Accrued expenses	37,789,221	32,600,870
Taxes payable	31,373,312	32,332,480
Payable to related parties (Note 18)	27,812,097	–
Others	3,547,256	3,034,989
	₱413,725,647	₱233,504,626

Trade payables represent the unpaid subcontracted services and other cost of services to third parties. These are noninterest-bearing and are normally 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.

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

Taxes payable 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.

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

12. Loans Payable

This account pertains to short-term, secured and interest bearing 30- to 180-day term loans entered into by the Group with a local bank collateralized by trade receivables equivalent to the outstanding balances of the loans as at December 31, 2016 and 2015, with interest rates of 6.00 to 6.75% per annum. These loans are secured by an assignment of assets belonging to the Group.

On various dates in 2015, the Group availed from a local bank, additional short-term notes payable amounting to ₱2.00 million. In 2015, the Group also settled ₱4.00 million of its loans. The total outstanding loans payable amounted to ₱14.00 million as of December 31, 2015. There were no settlements made in 2016 for these loan as these are covered by an auto-renewal arrangement by the bank.

In 2016, the Group availed from a local bank additional short-term notes payable amounting to ₱3.00 million.

As at December 31, 2016, the Group has outstanding loans payable amounting to ₱17.00 million, ₱3.00 million of which is due within one year classified under current liabilities.



Interest expense recognized in the Group's statements of comprehensive income for the years ended December 31, 2016, 2015 and 2014 amounted to ₱1.20 million, ₱0.75 million and nil, respectively.

There were no undrawn loan commitments and transaction costs and interest expenses capitalized for the year ended December 31, 2016, 2015 and 2014.

13. Other Current Liabilities

This account consists of:

	2016	2015
Dividends payable	₱116,486,508	₱253,485,070
Unearned revenues	9,803,002	32,944,442
Finance lease liability (Note 17)	1,426,090	2,810,181
	₱127,715,600	₱289,239,693

Dividends payable pertain to amount payable to the previous stockholders of Xeleb Technologies, Seer Technologies, Yondu and AOC for dividends declared before the Parent Company acquired shares in the subsidiaries.

Unearned revenues mainly pertain to amounts received from clients from which the Group will obtain funds to finance the goods purchased by the clients' employees. The Group shall refund the remaining advances within 30 days from the end of the contract.

14. Service Income

Service income, amounting to ₱1,896.46 million, ₱824.02 million and ₱378.32 million for the years ended December 31, 2016, 2015 and 2014, respectively, pertain to revenues earned from mobile consumer products and services, mobile enterprise services and knowledge process outsourcing rendered by the Group to its major customer, GTI and other telecommunication companies.

For the years ended December 31, 2016, 2015 and 2014, the Group's revenue from GTI amounted to ₱1,315.22 million, ₱611.89 million and ₱362.65 million, respectively, which comprise approximately 69.00%, 74.00% and 96.00%, respectively, of the total service income of the Group.



15. Cost of Services

Cost of services consists of the following:

	2016	2015	2014
Salaries, wages and employee benefits	₱486,897,470	₱164,987,938	₱42,248,106
Outsourced services (Note 18)	368,534,252	36,539,184	36,191,763
Segment fee and network costs	97,065,281	55,099,561	16,586,174
Royalty fees	48,444,694	14,034,071	–
Web hosting	47,846,951	12,045,737	6,677,454
Depreciation and amortization (Notes 9 and 10)	20,342,354	7,413,343	431,572
Rent (Note 17)	8,383,837	6,257,375	3,517,592
Consultancy fees	6,496,179	3,367,551	955,727
Utilities	6,016,390	2,813,955	2,442,152
Transportation and travel	3,169,465	2,210,915	214,442
Prizes and winnings	1,649,132	1,600,216	1,992,172
Commission	184,734	1,250,000	666,667
Seminar and trainings	37,940	615,304	1,602,752
Others	3,751,475	6,459,376	338,018
	₱1,098,820,154	₱314,694,526	₱113,864,591

16. General and Administrative Expenses

This account consists of:

	2016	2015	2014
Salaries, wages and employee benefits	₱126,487,520	₱66,933,067	₱11,057,166
Professional fees	43,306,503	19,253,060	7,690,432
Rent (Note 17)	30,630,037	10,739,128	549,519
Depreciation and amortization (Notes 9 and 10)	25,213,228	6,921,076	2,358,651
Taxes and licenses	18,645,365	2,838,301	1,559,311
Utilities	15,761,555	7,107,956	1,324,074
Entertainment, amusement and recreation	14,072,398	9,534,714	2,433,532
Interest expense	13,018,341	5,612,191	–
Transportation and travel	12,448,990	7,082,467	2,755,095
Advertising	12,279,821	10,331,194	1,792,787
Outsourced services	10,422,401	6,196,641	584,071
Dues and subscription	8,665,080	2,589,970	615,872
Supplies	7,799,226	5,100,951	2,637,523
Repairs and maintenance	6,925,257	9,201,573	559,936
Marketing and promotions	5,049,347	13,527,021	1,349,675
Seminars and trainings	3,538,530	2,711,026	395,011
Directors' fees	1,875,000	617,500	–

(Forward)



	2016	2015	2014
Insurance	₱1,021,230	₱962,358	₱115,867
Provision for impairment losses (Note 5)	387,325	3,487,562	1,828
Miscellaneous	10,888,277	5,384,603	1,433,290
	₱368,435,431	₱196,132,359	₱39,213,640

Interest expense consists of:

	2016	2015	2014
Interest on loans payable	₱1,493,655	₱927,776	₱-
Amortization of discount on liability for written put option	11,524,686	4,684,415	-
	₱13,018,341	₱5,612,191	₱-

17. Agreements and Lease Commitments

Agreements with Licensors

The Group entered into various agreements with licensors for the use of and or distribution of the licensors' products and services as mobile content. Under these agreements, the Group pays the licensors a certain percentage of revenues earned from the use and distribution of licensors' products and services. The amounts arising from these agreements are recorded as "Royalty fees" under "Cost of services", and the related liability is included under "Accrued expenses". For the years ended December 31, 2016, 2015 and 2014, royalty fees amounted to ₱48.44 million, ₱40.18 million and nil, respectively.

Finance Lease

The Group entered into a finance lease agreement with BPI Leasing Corporation for the use of IT and transportation equipment with a lease term of three (3) and five (5) years, respectively. Effective monthly interest rates range from 0.83% to 1.12%.

Details of finance lease liability recognized as of December 31, 2016 and 2015 follow:

	2016	2015
Finance lease liabilities	₱2,589,692	₱2,810,181
Less: Noncurrent portion	1,163,602	-
	₱1,426,090	₱2,810,181

The present value of future minimum payments follow:

	2016	2015
Not later than one year	₱1,575,804	₱3,005,196
Later than one year and not later than five years	1,185,880	-
Total minimum lease payments	2,761,684	3,005,196
Less: Amounts representing finance charges	171,992	195,015
	₱2,589,692	₱2,810,181



Carrying amount of assets under the finance lease amounted to ₱2.29 million and ₱2.13 million as of December 31, 2016 and 2015, respectively. These are presented as “Leased asset” under “Property and equipment.”

Operating Lease

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 (2) years which commenced on May 1, 2012 and expired 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. The Parent Company renewed this contract for a period of four (4) months which commenced on May 1, 2014 and expired on August 31, 2014. The lease ended on August 31, 2014.
- b. The Parent Company entered into a noncancellable lease contract with Gervel, Inc. for office space for a period of three (3) years which commenced on April 1, 2014 and will expire 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.
- c. The Parent Company renewed a non-cancellable lease contract with Gervel, Inc. for the office space for a period of one (1) year and six (6) months which commenced on October 1, 2015 and will expire 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. Xeleb Technologies entered into a lease agreement with Asian Diamond Plans, Inc. (AADI) for a period of three (3) years which commenced on April 30, 2011. The applicable rental rate per month is ₱0.07 million. In 2012, Xeleb Technologies entered into another agreement with AADI for the adjacent unit for a period of one (1) year which commenced on September 17, 2012 with an applicable rate of ₱0.02 million per month. On April 21, 2014, Xeleb Technologies extended its rent and parking lease agreement with AADI from May 1 to 15, 2014. The lease ended on May 15, 2014.
- e. Xeleb Technologies entered into a noncancellable lease agreement with TKS Holdings, Inc. for a period of one (1) year which commenced on May 1, 2014 and expired on April 30, 2015 with an applicable rental rate per month of ₱0.17 million. The lease contract was renewed for a period of two (2) years which commenced on May 1, 2015 and will expire on April 30, 2017 for a monthly rental rate of ₱0.21 million for the first year and ₱0.23 million for the second year of lease.
- f. In 2014, Storm entered into a noncancellable lease contract with ECA Next Properties, Inc. for a period of one (1) year, which commenced on May 1, 2014 and expired on April 30, 2015. This contract was renewed for another period of two (2) years which commenced on May 1, 2015 and will expire on April 30, 2017. The lease contract was preterminated in January 2016. The monthly rental for the first year period amounted to ₱0.07 million and shall be increased by five percent (5%) for the second year.



- g. In 2014, Storm entered into a noncancellable lease contract with CYG Trinkets Shop for a period of two (2) years which commenced on March 1, 2014 and expired on February 29, 2016. The contract may be renewed in writing under the same terms and conditions upon mutual agreement between the parties. In 2016, Storm renewed its lease contract for another 2 years which commenced from March 1, 2016 and will expire on March 1, 2018. The applicable monthly rent amounts to ₱0.04 million.
- h. In 2014, Storm entered into a noncancellable lease contract with Kepwealth Property Phils., Inc. for the Storm's office situated in Cebu City for a period of two (2) years which commenced on December 1, 2014 and expired on November 30, 2016. The applicable lease rental on the first year amounted to ₱0.03 million per month and shall be increased by ten percent (10%) annually.
- i. In 2015, Storm entered into a cancellable lease contract with All Estate Realty Brokerage Inc. for a period of two (2) years which commenced on April 15, 2015 and will expire on April 14, 2017. The lease contract may be renewed upon mutual agreement between the parties. Monthly rent applicable on the first year amounted to ₱0.05 million per month with 10 percent (10%) annual escalation rate on the second year.
- j. In 2016, Storm entered into a noncancellable lease contract with United Tristar Realty Corporation for a period of 9 months which commenced on April 1, 2016 and expired December 31, 2016. The lease contract may be renewed upon mutual agreement between the parties. In 2017, Storm renewed its lease contract for another 1 year which will commence on January 1, 2016 and will expire on December 31, 2016. Monthly rent amounted to ₱0.05 million per month.
- k. In 2013, Seer executed a lease contract with Super Prime Holdings Inc. for a lease term of three (3) years which commenced November 15, 2013 and expired on November 14, 2016. The applicable lease rate amounted to ₱0.15 million per month on the first year subject to 6% annual escalation rate.
- l. In 2016, Seer executed a non-cancellable lease contract with TKS Holdings, Inc. for a period of one (1) year which commenced on November 15, 2016 and expired on November 14, 2017. The applicable lease rate amounted to ₱0.20 million per month. The lease contract may be renewed upon agreement between the parties.
- m. In 2014, Codesignate entered into a lease agreement with Jecoprime Development Corporation for a period of two (2) years which commenced December 12, 2014 and expired on December 11, 2016. The applicable base rent amounted to ₱0.07 million per month.
- n. In 2014, Yondu entered into a noncancellable lease contract with Panorama Development Corporation for its new office. The term of the lease is seven (7) years, which commenced on November 1, 2014 and will expire on October 31, 2021. The applicable rate per month for the first year is ₱1.02 million and a corresponding increase of 5% on the second year of lease.
- o. In 2015, Yondu entered into a cancellable lease agreement with Septus, Inc. for a period of five months which commenced on July 27, 2015. Yondu has extended its lease until second quarter of 2016. The applicable rate is ₱0.49 million.
- p. In 2016, Yondu entered into a noncancellable lease contract with Panorama Development Corporation. The term of the lease is five and a half (5.5) years, which commenced on April 16, 2016 and will expire on October 31, 2021. The applicable rate per month for the first year is ₱0.80 million and a corresponding increase of 5% in the succeeding years



- q. In 2016, AOC entered into a noncancellable lease contract with Chan Pek Har & Loh Pek Har & Loh Lik Hwa. The term of the lease is two (2) years, which commenced on July 20, 2015 and will expire on July 19, 2017. The applicable rate per month is SGD5,800.

Total rent expense charged under “Cost of services” and “General and administrative expenses” in the consolidated statements of comprehensive income amounted to P39.01 million and P17.00 million for the years ended December 31, 2016 and 2015, respectively (see Notes 15 and 16).

As at December 31, 2016 and 2015, the future minimum lease payments under noncancellable operating leases follow:

	2016	2015
Within one year	P31,692,981	P32,509,538
After one year but not more than 5 years	99,315,324	115,858,679
More than 5 years	–	20,763,649
	P131,008,305	P169,131,866

18. 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, 2016 and 2015 follow:

	Terms	Conditions	Amount/Volume		Outstanding Balance			
			2016	2015	2016		2015	
					Receivable	Payable	Receivable	Payable
Associates								
Cost of services	Noninterest-bearing	Unsecured, no impairment	P12,104,146	P9,622,782	P–	P4,568,854	P–	P1,809,459
Development cost	Noninterest-bearing	Unsecured, no impairment	4,673,000	4,673,000	–	–	–	–
					–	4,568,854	–	1,809,459
Stockholders								
Payable to directors and officers	Noninterest-bearing	Unsecured, no impairment	23,557,146	–	–	23,243,243	–	–
Advances	One year, noninterest-bearing	Unsecured, no impairment	631,603	–	43,990	–	697,318	–
					43,990	23,243,243	697,318	–
					P43,990	P27,812,097	P697,318	P1,809,459



Associates:

- a. The Parent Company gained exclusive rights to distribute several of Altitude Games Singapore's applications. In return, the Parent Company shall pay Altitude Games a certain percentage of the revenues generated from such applications.

For the years ended December 31, 2016 and 2015, the Group recognized "Outsourced services" under "Cost of services" amounting to ₱4.30 million and ₱9.62 million, respectively, in relation to the aforementioned transaction. As at December 31, 2016 and 2015, payable to Altitude Games amounted to ₱0.68 million and ₱1.81 million, respectively.

- b. In February 2016, the Group entered into a service agreement with Altitude Philippines, wherein the latter will render mobile content and application services in favor of the Group. In return, the Group shall pay Altitude Philippines a certain percentage of the revenues generated from such applications.

Total outsourced services charged under "Cost of services" account in the consolidated statements of comprehensive income amounted to ₱5.10 million during the ten-month period ended December 31, 2016, and outstanding payables amounted to ₱3.58 million as of December 31, 2016.

- c. In 2016, the Parent Company was granted exclusive right to distribute "Globe with Friends," a game developed by MatchMe, an associate. As agreed by the parties, the Parent Company shall pay MatchMe a certain percentage of the revenues earned from the said game.

For the year ended December 31, 2016, the Group recognized "Outsourced services" under "Cost of services" amounting to ₱2.70 million. As at December 31, 2016, payable to MatchMe amounted to ₱0.31 million.

- d. In 2015, the Group entered into service agreements with Altitude Philippines to develop mobile casual games that were launched. The cost of these services availed amounting to ₱4.67 million were capitalized as "Developed software" under "Intangible assets".

Stockholders:

- a. Payable to directors and officers pertain to directors' fees and advances from officers amounting to ₱1.88 million and ₱21.68 million which were incurred in 2016. Outstanding payable amounted to ₱23.24 million and nil as at December 31, 2016 and 2015, respectively.
- 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 ₱37.76 million, ₱45.22 million and ₱12.18 million for the years ended December 31, 2016, 2015 and 2014 respectively.



19. Income Taxes

Provision for income tax for the years ended December 31, 2016, 2015 and 2014 consists of the following:

	2016	2015	2014
Current	₱152,767,452	₱129,405,014	₱43,637,674
Final	572,968	1,894,404	219,304
Deferred	(31,315,436)	(29,816,879)	4,564,113
	₱122,024,984	₱101,482,539	₱48,421,091

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

Net deferred tax assets:

	2016	2015
Deferred tax assets on:		
NOLCO	₱23,874,003	₱18,298,512
Accrued expenses	14,763,575	8,338,423
Pension liability	8,672,068	9,087,313
Allowance for doubtful accounts	5,846,314	1,046,268
Provision for probable loss	1,681,109	1,681,109
Allowance for impairment of assets	1,182,203	1,182,203
MCIT	1,143,967	1,575,486
Unrealized foreign currency exchange loss	21,389	1,348,280
	57,184,628	42,557,594
Deferred tax liabilities on:		
Unrealized foreign currency exchange gain	1,378,900	-
Unrealized gain from financial assets at FVPL	274,647	33,958
Pension liability	89,133	-
	1,742,680	33,958
Net deferred tax assets	₱55,441,948	₱42,523,636

Net deferred tax liabilities:

	2016	2015
Deferred tax assets on:		
Interest expense on liability for written put option	₱4,862,730	₱-
Pension liability	-	3,174,868
Allowance for doubtful accounts	-	597,443
Accrued expense	-	73,098
	4,862,730	3,845,409
Deferred tax liabilities on:		
Fair value adjustment on intangible assets	351,184,600	354,081,556
Accrued income	-	10,347,128
Others	-	3,793
	351,184,600	364,432,477
Net deferred tax liabilities	₱346,321,870	₱360,587,068



Xurpas Enterprise, Storm and Codesignate have NOLCO amounting to ₱84.07 million and ₱46.95 million as of December 31, 2016 and 2015, respectively and Seer has MCIT amounting to ₱1.14 million and ₱1.58 million as of December 31, 2016 and 2015, respectively. Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. As of December 31, 2016, total unrecognized NOLCO pertaining to Storm amounted to ₱4.49 million. Storm will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

The carryforward NOLCO and MCIT that can be claimed as deduction from future taxable income or used as deduction against income tax liabilities over a period of three years are as follow:

NOLCO:

Year Incurred	Amount	Applied/ Expired	Balance	Year of Expiration
2013	₱1,564,018	₱1,564,018	₱-	2016
2014	10,647,429	1,704,584	8,942,845	2017
2015	34,777,339	-	34,777,339	2018
2016	40,346,547	-	40,346,547	2019
	₱87,335,333	₱3,268,602	₱84,066,731	

MCIT:

Year Incurred	Amount	Applied/ Expired	Balance	Year of Expiration
2013	₱431,519	₱431,519	₱-	2016
2014	674,502	-	674,502	2017
2015	469,465	-	469,465	2018
	₱1,575,486	₱431,519	₱1,143,967	

The reconciliation between the statutory and effective income tax rates for the years ended December 31, 2016, 2015 and 2014 follows:

	2016	2015	2014
Statutory income tax rate	₱128,075,466	₱99,330,192	₱71,742,162
Adjustments resulting from:			
Nondeductible loss from investment in associates	10,170,716	2,843,768	-
Nondeductible expenses	2,553,422	1,155,041	-
Reversal for allowance for doubtful accounts	597,433	-	-
Change in unrecognized DTA	469,205	(759,227)	-
Expired MCIT	431,519	-	-
Income under income tax holiday (ITH)	-	-	(23,184,161)

(Forward)



	2016	2015	2014
Effect of lower income tax rate	(P16,136,550)	P-	P-
Interest income subjected to final tax	(327,157)	(1,087,235)	(136,910)
Effect of tax rebate	(695,487)	-	-
Effect of income tax exemption	(901,525)	-	-
Effect of capital allowance utilized	(2,212,058)	-	-
Provision for income tax	P122,024,984	P101,482,539	P48,421,091

Registration with the Board of Investments (BOI)

On July 27, 2011, the Parent Company registered with the BOI as an 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 P81.42 million shall be used, which is equivalent to the enterprise's highest attained sales for three years prior to application for expansion.

The ITH has expired in July 2014.

The Parent Company availed of its ITH incentive granted by the BOI amounting to P23.18 million for the year ended December 31, 2014. There were no availed ITH incentive in years 2016 and 2015.

20. Retirement Plan

The Group, except for Yondu, 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.

Yondu has a noncontributory, defined benefit pension plan (the Plan) covering all of its regular full-time employees. The benefits are based on years of service and compensation on the last year of employment.

The funds of the Plan are administered by a trustee bank, BPI Asset Management and Trust Group, under the supervision of the Board of Trustee (BOT) of the Plan. The BOT is responsible for the investment strategy of the Plan.

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 net pension expense in the statements of comprehensive income are as follows:

	2016	2015	2014
Current service cost	₱9,083,236	₱5,571,898	₱1,077,754
Net interest cost on benefit obligation	2,066,825	1,387,566	436,483
Past service cost - curtailment	(7,618,102)	-	-
	₱3,531,959	₱6,959,464	₱1,514,237

The Group recognized pension expense amounting to ₱9.30 million, ₱6.96 million and ₱1.51 million included in “Salaries, wages and employee benefits” under “General and administrative expenses” in the consolidated statements of comprehensive income for the years ended December 31, 2016, 2015 and 2014, respectively.

In 2016, the Group undertook restructuring which caused a significant reduction in the headcount. Specifically, the decline in the number of employees covered by the Group’s plan included three (3) officers with 16 years tenure with the Parent Company. Accordingly, curtailment recognition, net of pension expense, amounting to ₱5.77 million was recognized under “Other income” in the consolidated statements of comprehensive income

The accrued pension of the Group is as follows:

	2016	2015	2014
Present value of benefit obligation	₱40,651,835	₱45,913,242	₱25,649,287
Fair value of plan assets	(14,131,399)	(5,039,304)	-
Net pension liability position	₱26,520,436	₱40,873,938	₱25,649,287

As of December 31, 2016 and 2015, pension asset amounted to ₱2.39 million and nil, respectively, and pension liabilities amounted to ₱28.91 million and ₱40.87 million, respectively.

The following table presents the changes in the present value of defined benefit obligation.

Present value of defined benefit obligation

	2016	2015	2014
Balance at beginning of year	₱45,913,242	₱25,649,287	₱6,841,418
Effect of business combination	-	18,659,475	-
Current service cost	9,083,236	5,571,898	1,077,754
Interest cost on benefit obligation	2,325,370	1,458,626	436,483
Past service cost - curtailment	(7,618,102)	-	-
Net actuarial losses (gains)	(9,051,911)	(5,426,044)	17,293,632
	₱40,651,835	₱45,913,242	₱25,649,287



Fair value of plan assets as of December 31, 2016

	2016	2015
Balance at beginning of year	₱5,039,304	₱-
Acquired through business combination	-	5,185,735
Interest income	258,545	71,060
Actual return excluding amount included in net interest cost	(142,861)	(217,491)
Actual contributions	8,976,411	-
Balance at end of year	₱14,131,399	₱5,039,304
Actual return on plan assets	₱115,684	₱26,147

The fair value of plan assets by each class as of December 31, 2016 and 2015 is as follows:

	2016	2015
Investment in mutual funds	₱10,886,368	₱3,592,541
Investment in UITF	3,244,561	1,198,631
Cash	470	-
Money market	-	248,132
	₱14,131,399	₱5,039,304

The Group does not currently employ any asset-liability matching.

Remeasurement gain (loss) on defined benefit plan under consolidated statements of changes in comprehensive income follow:

	2016	2015	2014
Actuarial gain (loss) on defined benefit obligation	₱9,051,911	₱5,426,044	(₱17,293,633)
Actual return excluding amount included in net interest cost	(142,861)	(217,491)	-
Tax effect relating to actuarial gain (loss)	(2,672,716)	(1,562,567)	5,188,090
	₱6,236,334	₱3,645,986	(₱12,105,543)

Actuarial loss (gain) on defined benefit pension plan recorded under “Retirement benefit reserve” in the consolidated statements of changes in equity follow:

	2016	2015	2014
Balance at beginning of year	₱11,899,877	₱12,099,282	(₱6,261)
Acquired through business combination	-	3,446,581	-
Actuarial loss (gain) on defined benefit obligation	(9,051,911)	(5,426,044)	17,293,633
Actual return excluding amount included in net interest cost	142,861	217,491	-
Tax effect relating to actuarial gain (loss)	2,672,716	1,562,567	(5,188,090)
	₱5,663,543	₱11,899,877	₱12,099,282



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

	2016	2015	2014
Discount rate	5.00 – 5.86%	4.86 – 5.77%	4.46%
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	
		2016	2015
Discount rate	(+) 1.0%	(P6,919,243)	(P7,120,966)
	(-) 1.0%	8,417,387	8,956,235
Salary increase rate	(+) 1.0%	10,072,753	10,366,553
	(-) 1.0%	(8,280,480)	(8,411,960)

The weighted average duration of defined benefit obligation at the end of the reporting period is 20.40 to 23.34 years and 21.80 to 24.08 years in 2016 and 2015, respectively.

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

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2016 and 2015:

	2016	2015
Within 1 year	P79,125	P57,498
More than 1 year to 5 years	1,080,312	903,227
More than 5 years	275,796,856	272,731,083
	P276,956,293	P273,691,808

Yondu has expected contribution amounting to P10.02 million for the retirement fund for 2017.

21. Business Combinations and Acquisition of Noncontrolling Interests

Business Combinations

Art of Click Pte. Ltd.

On October 6, 2016, the Parent Company executed a Share Purchase Agreement for the acquisition of 100% shares of Art of Click Pte. Ltd. (“AOC”) for an aggregate consideration of P1.40 billion in cash and in Parent Company’s shares. AOC is a Singaporean start-up firm established in 2011 that specializes on mobile marketing solutions for advertisers, publishers, app developers, and other operators. Its key markets include Japan, Korea, Hong Kong, Taiwan, Southeast Asia, North America and Europe.

The Group considers the acquisition an opportunity to grow its mobile consumer services by increasing its content offering.



The purchase price allocation has been prepared on a preliminary basis as the fair value of intangible asset (i.e., technology) is being finalized. The following are the preliminary fair values of the identifiable assets and liabilities assumed:

Assets	
Cash	₱205,580,070
Receivables	125,285,313
Property and equipment	634,945
Other assets	2,197,610
	333,697,938
Liabilities	
Accounts and other payables	₱270,986,229
Income tax payable	20,099,967
	291,086,196
Total net assets acquired	42,611,742
Acquisition cost	1,398,187,063
Goodwill	₱1,355,575,321

The fair value of the receivables approximate their carrying amounts. None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

The parties executed a Share Purchase Agreement for the cash payment and issuance of Xurpas shares in favor of the Sellers as follows:

Nature	US Dollar	Philippine Peso
Cash	5,000,000	242,000,000
Xurpas shares		
Upfront payment	19,451,739	939,788,337
Installment payment	5,548,261	268,057,832
Deferred purchase consideration	15,000,000	724,707,701
	45,000,000	2,174,553,870

The consideration for the acquisition partly involves cash and the upfront and installment payment of Xurpas shares payable to the Sellers amounting to ₱1.40 billion.

Cash

The cash consideration consists of (1) an upfront payment to the Sellers amounting to US\$2,797,106 and (2) cancellation of employee stockholder options through Parent Company's subscription to one ordinary share in the capital of AOC for US\$2,202,894. This amount was used to pay the AOC's Employee Stock Ownership Plan ("ESOP") shareholders.

Xurpas Shares

The Xurpas shares to be issued to the Sellers consists of (1) an Upfront Payment amounting to US\$19,451,739 payable in Xurpas shares to the Sellers on the listing date, (2) Installment Payment payable to the Sellers in Xurpas shares one year after the closing date and every year thereafter until three years after the closing date, and (3) a Deferred Purchase consideration which shall be subject to a net income after tax floor per year that AOC has to meet as a condition precedent to the entitlement of the Sellers to the Deferred Purchase Consideration. The aggregate amount of Deferred Payment Consideration for a three year deferred payment period shall in no case be greater than US\$13,962,725.



The number of Xurpas shares to be issued at each tranche shall be determined using the average market value of Xurpas common shares fifteen (15) days before and fifteen (15) days after the closing date or each commitment date, as applicable, agreed to by the parties. Further, in the event that the value of common share of the Parent Company to be issued to Sellers is lower than the value of the required tranche payments, the Parent Company has agreed to compensate for the shortfall through the payment of cash or to cause the additional issuance and listing of common shares of the Parent Company to constitute full payment thereof.

The Installment Payment payable in the next three years amounted to ₱216.40 million recognized under “Contingent liability” in the consolidated statements of financial position. These were measured at its fair value as at acquisition date using an assumed discount rate of 11.55%.

Call Option

Included in the Share Purchase Agreement is a call option granting the Sellers an option exercisable within fifty one (51) months following the Closing Date and only upon the occurrence of a Call Option event to purchase from the Parent Company their respective proportionate share in the Sale Shares.

From the date of acquisition on October 6, 2016, the Group’s share in the revenue and net income of AOC amounted to ₱477.95 million and ₱120.34 million, respectively. If the combination had taken place at the beginning of 2016, the Group’s total revenue and total net income of AOC would have been ₱2,120.93 million and ₱342.62 million, respectively.

Cash on acquisition follows:

Cash acquired from AOC	₱205,580,070
Cash paid	242,000,000
<u>Net cash flow</u>	<u>₱36,419,930</u>

Storm Technologies, Inc. (“Storm”)

On February 26, 2015, the Parent Company and 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, dining and other merchandise or service.

The acquisition of Storm will enable the Group to expand its distribution network to beyond telecommunication networks. The Group will be able to reach more customers and provide them with physical products and services through Storm's “flex benefits system.”

In 2016, the Parent Company finalized its purchase price allocation.



The following are fair values of the identifiable assets and liabilities assumed:

Assets	
Cash	₱110,123,616
Receivables	14,389,114
Inventories	978,648
Other current assets	5,788,668
Property and equipment	1,435,871
Intangible assets	4,096,106
Deferred tax asset	2,731,642
Other noncurrent asset	382,769
	139,926,434
Liabilities	
Accounts and other payables	₱20,965,139
Deferred tax liability	1,228,832
Loans payable	6,628,000
	28,821,971
Net assets	111,104,463
Noncontrolling interests in Storm	54,376,599
Total net assets acquired	56,727,864
Goodwill	134,161,689
Acquisition cost	₱190,889,553

The fair value of the trade and other receivables approximate their carrying amounts. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The noncontrolling interests have been measured at the proportionate share of the fair value of the net identifiable assets acquired and liabilities assumed.

Cash on acquisition follows:

Cash acquired from Storm	₱110,123,616
Cash paid	135,366,761
Net cash flow	₱25,243,145

From February 26 to December 31, 2015, the Group's share in revenue and net loss of Storm amounted to ₱80.27 million and ₱28.81 million, respectively. If the combination had taken place at the beginning of 2015, the Group's total revenue would have been ₱927.83 million, while the Group's net income would have been ₱226.47 million.

Seer Technologies, Inc. ("Seer") and subsidiary

On June 25, 2015, the Parent Company acquired 70,000 shares representing 70.00% stake holdings in Seer at a price of ₱18.00 million. Codesignate is a 75.00% owned subsidiary of Seer, wherein Group's effective ownership over Codesignate is 52.50%.

The Parent Company is also due to pay an earn-out amount corresponding to a fixed percentage of Seer's net income after tax for the years 2015 to 2017 based on its Audited Financial Statements, as an incentive for Seer's management to continue to improve Seer's financial performance in the immediately succeeding years after the acquisition.



Seer is a company in the mobile platform development space, with a human resource base composed primarily of software engineers. Its acquisition will enhance the ability of the Group to provide mobile solutions such as applications and mobile marketing solutions to its enterprise clients.

In 2016, the Parent Company finalized its purchase price allocation.

The following are the fair values of the identifiable assets and liabilities assumed:

Assets	
Cash	₱3,706,340
Receivables	29,735,813
Other current assets	7,297,243
Property and equipment	3,381,984
Intangible assets	1,054,205
Deferred tax asset	5,562,638
Other noncurrent asset	2,886,447
	<hr/>
	53,624,670
Liabilities	
Accounts and other payables	22,014,409
Loans payable	13,998,370
Pension liability	6,959,000
Finance lease liability	3,906,890
Deferred tax liability	316,262
	<hr/>
	47,194,931
Net assets	6,429,739
Noncontrolling interests in Seer	1,928,922
	<hr/>
Total net assets acquired	4,500,817
Goodwill	13,499,183
	<hr/>
Acquisition cost	₱18,000,000

The fair value of the trade and other receivables approximate their carrying amounts. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The noncontrolling interests have been measured at the proportionate share of the fair value of the net identifiable assets acquired and liabilities assumed.

Cash on acquisition follows:

Cash acquired from Seer	₱3,706,340
Cash paid	18,000,000
	<hr/>
Net cash flow	₱14,293,660

From June 26 to December 31, 2015, the Group's share in revenue and net income of Seer amounted to ₱41.02 million and ₱5.27 million, respectively. If the combination had taken place at the beginning of 2015, the Group's total revenue would have been ₱954.25 million, while the Group's net income would have been ₱223.72 million.



Yondu, Inc. (“Yondu”)

On September 16, 2015, the Parent Company acquired 22,950 shares of common stock in Yondu, a content developer and provider of mobile value-added services and information technology services for a total consideration of ₱900.00 million. 5,000 shares out of the 22,950 shares were from unissued shares of Yondu while 17,950 shares were purchased from GTI. Purchase price of unissued shares and shares previously held by GTI amounted to ₱230.00 million and ₱670.00 million, respectively. The purchase resulted to a 51% ownership by the Parent Company in Yondu.

Included in the Shareholders’ Agreement are a call and put option granting the Parent Company the right to require GTI to sell and granting GTI the right to require the Parent Company to purchase all, but not part only, of the 49% shareholding of GTI in Yondu at ₱39,215.69 per company share, respectively. The options has an exercise date starting September 16, 2016 and will expire after two years therefrom. The put option and call option shall be exercised by a share swap of Xurpas shares for shares held by GTI or a combination of share swap and cash, at the mutual agreement of both parties.

A financial liability amounting to ₱853.18 million was initially recognized in the consolidated statements of financial position for the redemption obligation related to the written put option over the shares held by GTI. The liability was recognized initially at the present value of the redemption price at acquisition date. For the years ended December 31, 2016 and 2015, interest expense amounting to ₱11.52 million and ₱4.68 million, respectively, was recognized in the consolidated statements of comprehensive income in “General and administrative expenses” and is reflected in the net income attributable to the equity holders of the Parent Company. As of December 31, 2016 and 2015, the carrying value of the financial liability amounted to ₱864.71 million and ₱853.18 million, respectively.

In 2016, the Parent Company finalized its purchase price allocation.

The following are fair values of the identifiable assets and liabilities assumed:

Assets	
Cash	₱175,110,666
Receivables	598,921,607
Other current assets	38,071,606
Property and equipment	39,638,479
Intangible assets	1,187,626,747
Deferred tax asset	6,652,819
Other noncurrent asset	10,431,165
	<hr/>
	2,056,453,089
Liabilities	
Accounts and other payables	₱582,669,211
Income tax payable	41,541,943
Pension liability	6,514,740
Deferred tax liability	355,471,170
Other long-term liabilities	3,900,000
	<hr/>
	990,097,064
Net assets	1,066,356,025
Noncontrolling interests in Yondu	706,503,943
	<hr/>
Total net assets acquired	359,852,082
Goodwill	540,147,918
	<hr/>
Acquisition cost	₱900,000,000



The fair value of the trade and other receivables approximate their carrying amounts. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The Group elected to measure the noncontrolling interests in the acquiree at fair value.

The fair value of the noncontrolling interest has been estimated by determining the present value of discounted cash flow. The fair value measurements are based on significant inputs that are not observable in the market. The fair value estimate is based on:

- An assumed discount rate of 13.46%; and
- A terminal value, calculated based on long-term sustainable growth rates for the industry ranging from 2.00% to 4.00% which has been used to determine income for the future years.

Cash on acquisition follows:

Cash acquired from Yondu	₱175,110,666
Cash paid	900,000,000
<u>Net cash flow</u>	<u>₱724,889,334</u>

From September 15 to December 31, 2015, the Group's share in revenue and net income of Yondu amounted to ₱235.89 million and ₱35.87 million, respectively. If the combination had taken place at the beginning of 2015, the Group's total revenue would have been ₱1,498.37 million, while the Group's net income would have been ₱312.98 million.

Acquisition of Noncontrolling Interests

Xeieb Technologies Inc.

On August 22, 2016, Deeds of Absolute Sale were executed for the acquisition by the Parent Company of the remaining 35.00% interest in Xeieb Technologies. The acquisition of the 35.00% interest in Xeieb Technologies made it a wholly-owned subsidiary of the Parent Company. The acquisition resulted to recognition of equity reserves amounting to ₱41.49 million (see Note 22).

Xeieb Inc.

On August 22, 2016, Xeieb Technologies Inc. acquired 3,349,996 shares or 67.00% majority stake in Xeieb from the Parent Company at ₱1.00 per share or ₱3.35 million. On the same date, Xeieb Technologies acquired the remaining 33.00% stake in Xeieb Inc. from various individuals for a total consideration of ₱1.65 million. This resulted in 100.00% ownership interest of Xeieb Technologies, Inc. in Xeieb Inc.

Xeieb Technologies and Xeieb are entities under common control of Xurpas before and after the restructuring. As a result, the acquisition was accounted for using the pooling of interests method. This transaction has no effect on the carrying amounts of the Group's assets and liabilities, but has resulted to consolidation of Xeieb's assets and liabilities into Xeieb Technologies. This resulted to recognition of equity reserves amounting to ₱5.39 million (see Note 22).

Storm Technologies, Inc.

On October 27, 2016, the Parent Company acquired additional 3,735 common shares of Storm for ₱10.00 million. This brought the Parent Company's ownership from 51.52% to 56.60% of the outstanding capital stock of Storm and there was no change in control.



22. Equity

The details of the Parent Company's capital stock follow:

	2016	2015
Authorized shares	5,000,000,000	5,000,000,000
Par value per share	₱0.10	₱0.10
Issued shares	1,867,640,146	1,720,000,660
Treasury shares	8,532,900	-
Value of shares issued	₱186,764,015	₱172,000,066
Value of treasury shares	(₱71,510,352)	₱-

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 which were subsequently approved by the SEC on June 25, 2014:

- Increase in authorized capital stock from ₱10.00 million divided into 10.00 million common 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 July 10, 2014, the Parent Company's BOD approved the following transactions which were subsequently approved by the SEC on September 2, 2014:

- 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, to be paid in the form of stock dividends. These represent twenty five percent of the additional increase in authorized capital stock.

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 certain executives and employees through cash payments.

On September 3, 2014, the Parent Company's BOD approved the 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 an Amended Articles of Incorporation to decrease the par value of the capital stock. Thus, the Parent Company cancelled all the previously issued stock certificates and reissued new stock certificates to all stockholders effecting the 10-to-1 stock split.



Initial Public Offering (IPO)

On November 12, 2014, PSE 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, the SEC granted the Parent Company permit to sell or offer its securities which consists 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 stock 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 statements of financial position and “General and administrative expense” in the consolidated statements of comprehensive income, respectively.

Overnight Top-Up Placement

On April 29, 2016, the Parent Company issued and subscribed 77.70 million shares with par value of ₱0.10 for a total consideration of ₱1,243.20 million or ₱16.00 per share. The excess of subscription price over paid-up capital was recognized as APIC. The Parent Company incurred transaction costs incidental to the share issuance amounting to ₱44.82 million which were charged to “Additional paid-in capital” in the consolidated statements of financial position.

Installment Payment in Shares

On November 11, 2016, the Parent Company issued 69,939,486 common shares to the Sellers of AOC as payment of the upfront consideration in relation to the acquisition of 100% stakeholding in AOC (see Note 21). The excess of subscription price over paid-up capital amounting to ₱932.79 million was recognized as APIC.

Retained Earnings

Appropriations

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.

On December 29, 2015, the Parent Company’s BOD approved the appropriation of unrestricted retained earnings for cash dividend declaration amounting to ₱65.82 million.

On November 9, 2016, the BOD of the Parent Company approved the appropriation of unrestricted retained earnings for the buyback of its common shares up to the extent of the total allotment amounting to ₱170.00 million subject to the prevailing market price at the time of the share buyback.



Dividends declaration

Information on the Group's declaration of dividends follow:

	Per Share	Amount	Date	
			Record	Payable
Parent Company				
Cash dividend declared on:				
May 10, 2016	₱0.05	₱86,289,632	May 31, 2016	June 23, 2016
April 29, 2015	0.04	68,800,026	May 14, 2015	June 2, 2015
September 20, 2014	0.56	36,000,000	June 30, 2014	Sept. 30, 2014
June 5, 2014	0.47	30,250,000	Dec. 31, 2013	June 30, 2014
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

Equity Reserve

In 2016, the Parent Company purchased additional shares from noncontrolling interests of Xeleb, Xeleb Technologies and Storm. The transactions were accounted as an equity transaction since there was no change in control. The movements within equity are accounted for as follows:

	Consideration paid	Carrying value of noncontrolling interests	Difference recognized within Equity
Xeleb Technologies Inc.	₱45,000,000	₱3,506,647	(₱41,493,353)
Storm Technologies Inc.	10,002,330	2,382,396	(7,619,934)
Xeleb Inc.	1,650,000	7,038,398	5,388,398
	₱56,652,330	₱12,927,441	(₱43,724,889)

In 2015, a reserve amounting to ₱848.50 million was set up in relation to a recognized financial liability for the written put option over the ownership interest of GTI in Yondu. This will be subsequently reversed once the option is exercised or has expired.

Treasury Stock

On November 9, 2016, the BOD of the Parent Company approved the buyback of its common shares up to the extent of the total allotment amounting to ₱170.00 million subject to the prevailing market price at the time of the buyback. The Parent Company commenced the program on November 14, 2016 and will end upon full usage of the approved allotment, or as otherwise may be directed by the BOD, subject to an appropriate disclosure to the SEC and PSE. As at December 31, 2016, treasury stocks acquired totaled to 8,532,900 shares which amounted to ₱71.51 million.

Employee Stock Option Plan

The Parent Company's BOD, on January 20, 2016, and the stockholders, on May 11, 2016, approved the Employee Stock Option Plan (the Plan) of the Parent Company. Full time and regular employees of the Parent Company and those deemed qualified by the Compensation and Remuneration Committee from the names recommended by the Executive Committee are eligible to participate in the Plan. As at December 31, 2016, the Plan has been filed with and is pending approval of the SEC and PSE.



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:

	2016	2015
Capital stock	₱186,764,015	₱172,000,066
Additional paid-in capital	3,343,119,550	1,219,718,163
Retained earnings	419,869,821	250,798,331
	₱3,949,753,386	₱1,642,516,560

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 as at December 31, 2016 and 2015.

23. Subsidiary with Material Noncontrolling Interests

Noncontrolling interests pertain to the following percentage interests in subsidiaries that the Parent Company does not own. Summarized financial information are provided for each of the subsidiaries. These information are based on the amounts before intercompany eliminations.

The Parent Company considers a subsidiary with material noncontrolling interests if its net assets exceed 5.00% of its total consolidated net assets of the Group as of reporting period and considers the relevance of the nature of activities of the entity compared to other operations of the Group. There are no significant restrictions on the Parent Company's ability to use assets and settle liabilities of the Group.

Yondu, Inc.

	2016	2015
Proportion of equity interests held by noncontrolling interests	49.00%	49.00%
Accumulated balances of noncontrolling interests	₱780,266,530	₱727,264,301
Profit allocated to noncontrolling interests	51,421,922	20,679,038
Other comprehensive income allocated to noncontrolling interests	1,580,307	81,320
Total comprehensive income allocated to noncontrolling interests	53,002,229	20,760,358



	2016	2015
Statements of financial position		
Current assets	₱501,983,966	₱787,126,557
Noncurrent assets	1,799,996,225	1,789,646,030
Current liabilities	207,609,373	569,868,750
Noncurrent liabilities	350,029,114	361,206,348
Total equity	2,859,618,678	3,507,847,685
Attributable to:		
Equity holders of Xurpas Inc.	964,075,174	921,607,720
Noncontrolling interests	780,266,530	727,264,301
	For the years ended December 31	
	2016	2015
Statements of comprehensive income		
Revenue	₱822,415,340	₱236,091,544
Cost and expenses	672,758,255	173,400,388
Income before income tax	149,657,085	62,691,156
Provision for income tax	44,714,387	20,489,038
Income from operations	104,942,698	42,202,118
Other comprehensive income (loss)	3,225,116	165,959
Total comprehensive income	108,167,814	42,368,077
Attributable to:		
Equity holders of Xurpas Inc.	55,165,585	21,607,720
Noncontrolling interests	53,002,229	20,760,357
	For the years ended December 31	
	2016	2015
Statements of cash flows		
Net cash provided by operating activities	(₱101,415,296)	₱149,427,729
Net cash used in investing activities	(42,666,060)	(15,437,313)
Net cash used in financing activities	115,000,000	(84,000,000)
Effect of exchange rate changes	463,256	(1,441,188)

24. Earnings Per Share

The Group's earnings per share for the years ended December 31, 2016, 2015 and 2014 were computed as follow:

	2016	2015	2014
Net income attributable to the equity holders of the Parent Company	₱255,361,122	₱221,059,181	₱182,070,562
Weighted average number of outstanding shares	1,788,554,700	1,720,000,660	1,064,690,970
Dilutive shares arising from contingent liability	28,209,155	-	-
Adjusted weighted average number of common shares for diluted earnings per share	1,816,763,855	1,720,000,660	1,064,690,970
Basic earnings per share	₱0.14	₱0.13	₱0.17
Diluted earnings per share	₱0.14	₱0.13	₱0.17



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 dividends issued on June 25, 2014 and 10-to-1 stock split approved on September 3, 2014 were retroactively adjusted.

Future issuance of shares in relation to the consideration for the acquisition of 100.00% ownership in AOC has a dilutive effect on the computation of earnings per share.

25. Financial Instruments

Fair Value Information

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

- Cash, accounts and other receivables, refundable deposits under other current assets, cash bond under other noncurrent assets, accounts and other payables (excluding “Taxes payable”, “Deferred output VAT”, “Unearned revenue”, and statutory payables included as “Others”), loans payable, liability on written put option, contingent liability and “Finance lease liability” under other current liabilities - Carrying amounts approximate fair values due to the relatively short-term maturities of these instruments.
- Financial assets at FVPL - These pertain to investment in UITF. Fair value of investment in UITF 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 and AFS unquoted debt investments - For unquoted equity and debt investments with recent sales at arm’s length transaction, fair values were determined using prices in such transaction.

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



The following table provides the fair value hierarchy of the Group's financial assets which are measured at fair value as of December 31, 2016 and 2015:

December 31, 2016

	Date of Valuation	Total	Fair value measurement using		
			Quoted prices in active markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable inputs (Level 3)
Financial assets at FVPL	December 31, 2016	₱335,915,489	₱-	₱335,915,489	₱-
Available-for-sale financial assets					
Quoted equity investments	December 31, 2016	300,000	300,000	-	-
Unquoted equity investments	December 31, 2016	44,244,956	-	-	44,244,956
Unquoted debt investments	December 31, 2016	108,428,123	-	-	108,428,123
Financial liabilities at FVPL					
Liability for written put option	December 31, 2016	864,705,965	-	864,705,965	-
Contingent liability	December 31, 2016	216,398,727	-	216,398,727	-
		₱1,569,993,260	₱300,000	₱1,417,020,181	152,673,079

December 31, 2015

	Date of Valuation	Total	Fair value measurement using		
			Quoted prices in active markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable inputs (Level 3)
Financial assets at FVPL	December 31, 2016	₱80,317,867	₱-	₱80,317,867	₱-
Available-for-sale financial assets					
Quoted equity investments	December 31, 2016	240,000	240,000	-	-
Unquoted equity investments	December 31, 2016	44,244,956	-	-	44,244,956
Unquoted debt investments	December 31, 2016	41,132,123	-	-	41,132,123
Financial liability at FVPL					
Liability for written put option	December 31, 2016	853,181,279	-	853,181,279	-
		₱1,019,116,225	₱240,000	₱933,499,146	₱85,377,079

As at December 31, 2016 and 2015, there have been no reclassifications from Level 1 to Level 2 or 3 categories.

Financial Risk Management and Objectives and Policies

The Group's financial instruments comprise cash, financial assets at FVPL, accounts and other receivables, AFS financial assets, refundable deposits under other current assets, cash bond under other noncurrent assets, accounts and other payables (excluding taxes payable, deferred output VAT, customer's deposit and statutory payables), loans payable, liability on written put option, contingent liability and finance lease liability under other current liabilities, 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.

There were no changes in the Group's risk management objectives and policies in 2016 and 2015.



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 in bank and accounts and other receivables. Credit risk management involves monitoring 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 42.00% and 58.00% of its total trade receivables as at December 31, 2016 and 2015, respectively (see Note 5). Recent economic condition and market segment of GTI shows its continuing growth and success.

The Group's maximum exposure to credit risk is equal to the carrying values of its financial assets as of December 31, 2016 and 2015.

The aging analysis of accounts and other receivables presented per class follows:

December 31, 2016

	Neither Past Due nor Impaired	Past Due but Not Impaired			Total	Individually Impaired	Total
		<30 days	30 to <90 days	>90 days			
Trade receivable	₱385,590,181	₱163,681,537	₱227,498,338	₱155,009,743	₱546,189,618	₱1,883,443	₱933,663,242
Receivable from related parties	43,990	—	—	—	—	—	43,990
Others	17,126,242	—	—	—	—	—	17,126,242
	₱402,760,413	₱163,681,537	₱227,498,338	₱155,009,743	₱546,189,618	₱1,883,443	₱950,833,474

December 31, 2015

	Neither Past Due nor Impaired	Past Due but Not Impaired			Total	Individually Impaired	Total
		<30 days	30 to <90 days	>90 days			
Trade receivable	₱490,272,909	₱86,348,837	₱75,255,770	₱61,806,053	₱223,410,660	₱3,487,562	₱717,171,131
Receivable from related parties	697,318	—	—	—	—	—	697,318
Others	9,574,430	—	—	6,679,986	6,679,986	—	16,254,416
	₱500,544,657	₱86,348,837	₱75,255,770	₱68,486,039	₱230,090,646	₱3,487,562	₱734,122,865



The tables show the credit quality by class of the Group's financial assets as at December 31, 2016 and 2015:

December 31, 2016

	Neither Past Due nor Impaired			Past due but not Impaired	Individually Impaired	Total
	High Grade	Medium Grade	Low Grade			
Cash in banks	₱420,404,602	₱-	₱-	₱-	₱-	₱420,404,602
Financial asset at FVPL	335,915,489	-	-	-	-	335,915,489
Accounts and other receivables:						
Trade receivable	385,590,181	-	-	546,189,618	1,883,443	933,663,242
Receivable from related parties	43,990	-	-	-	-	43,990
Others	17,126,242	-	-	-	-	17,126,242
AFS financial assets	152,973,079	-	-	-	-	152,973,079
Other current assets						
Refundable deposits	4,339,029	-	-	-	-	4,339,029
Other noncurrent assets						
Cash bond	-	-	-	65,485	-	65,485
	₱1,316,392,612	₱-	₱-	₱546,255,103	₱1,883,443	₱1,864,531,158

December 31, 2015

	Neither Past Due nor Impaired			Past due but not Impaired	Individually Impaired	Total
	High Grade	Medium Grade	Low Grade			
Cash in banks	₱305,491,853	₱-	₱-	₱-	₱-	₱305,491,853
Financial asset at FVPL	80,317,867	-	-	-	-	80,317,867
Accounts and other receivables:						
Trade receivable	490,272,909	-	-	223,410,660	3,487,562	717,171,131
Receivable from related parties	697,318	-	-	-	-	697,318
Others	9,574,430	-	-	6,679,986	-	16,254,416
AFS financial assets	85,617,079	-	-	-	-	85,617,079
Other noncurrent assets						
Cash bond	-	-	-	65,485	-	65,485
	₱971,971,456	₱-	₱-	₱230,156,131	₱3,487,562	₱1,205,615,149

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

Cash in banks, financial assets at FVPL, quoted AFS financial assets and other 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 and other receivables - 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.

Unquoted AFS financial assets are unrated.

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 table summarizes the maturity profile of the Group's financial liabilities at December 31, 2016 and 2015 based on contractual undiscounted payments:

December 31, 2016

	<1 year	>1 to <5 years	>5 years	Total
Loans payable	₱3,000,000	₱13,998,370	₱-	₱16,998,370
Finance lease liability	1,575,804	1,185,880	-	2,761,684
Liability for written put option	864,705,965	-	-	864,705,965
Contingent liability	100,521,693	167,536,139	-	268,057,832
	₱969,803,462	₱182,720,389	₱-	₱1,152,523,851

December 31, 2015

	<1 year	>1 to <5 years	>5 years	Total
Loans payable	₱13,998,370	₱-	₱-	₱13,998,370
Finance lease liability	3,005,196	-	-	3,005,196
Liability for written put option	864,705,965	-	-	864,705,965
	₱881,709,531	₱	₱-	₱881,709,531

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The terms and maturity profile of the interest-bearing financial assets and liabilities, together with the corresponding nominal amounts and carrying values are shown in the following table:

December 31, 2016

	Interest Terms (p.a.)	Rate Fixing Period	Nominal Amount	<1 year	1 to 6 years	>6 years	Carrying Value
Cash in banks	Fixed at the date of investment	Various	₱420,404,602	₱420,404,602	₱-	₱-	₱420,404,602
AFS financial assets							
<i>Floating</i>							
SGD	Variable at 3.5% to 4.5%	Annually	3,602,123	-	3,602,123	-	3,602,123
<i>Fixed</i>							
USD	Fixed at 5%	Annually	52,495,000	38,440,000	14,055,000	-	52,495,000
USD	Fixed at 3% and 3.75%	Annually	28,856,000	28,856,000	-	-	28,856,000
USD	Fixed at 3%	Annually	23,475,000	-	23,475,000	-	23,475,000
Loans payable	Fixed at 6.75%	Monthly	16,998,370	3,000,000	13,998,370	-	16,998,370
Finance lease liability	Variable at 0.9% to 1.4%	Monthly	2,761,684	1,575,804	1,185,880	-	2,761,684
			₱548,592,779	₱492,276,406	₱56,316,373	₱-	₱548,592,779



December 31, 2015

	Interest Terms (p.a.)	Rate Fixing Period	Nominal Amount	<1 year	1 to 6 years	>6 years	Carrying Value
Cash in banks	Fixed at the date of investment	Various	₱305,491,853	₱305,491,853	₱-	₱-	₱305,491,853
AFS financial assets							
<i>Floating</i>							
SGD	Variable at 3.5% to 4.5%	Annually	3,602,123	-	3,602,123	-	3,602,123
<i>Fixed</i>							
USD	Fixed at 5%	Annually	14,055,000	14,055,000	-	-	14,055,000
USD	Fixed at 3%	Annually	23,475,000	23,475,000	-	-	23,475,000
Loans payable	Fixed at 6.75%	Monthly	13,998,370	13,998,370	-	-	13,998,370
Finance lease liability	Variable at 0.9% to 1.4%	Monthly	3,005,196	3,005,196	-	-	3,005,196
			₱363,627,542	₱360,025,419	₱3,602,123	₱-	₱363,627,542

Foreign Currency Risk

The Group's exposure to foreign exchange rate is minimal as concentration of business is denominated in Philippine peso.

The following table shows the outstanding foreign currency-denominated monetary assets and their respective Philippine peso equivalent as of December 31, 2016 and 2015.

	2016		2015	
	Original currency	Peso equivalent	Original currency	Peso equivalent
Cash in bank				
US Dollar (USD)	100,401	₱4,991,929	58,897	₱23,285,621
Singapore Dollar (SGD)	3,746,076	128,342,100	-	-
Trade receivables				
U.A.E. Dirham (AED)	23,447	316,770	-	-
Euro (EUR)	21,103	1,100,916	-	-
Hong Kong Dollar (HKD)	26,870	171,763	-	-
Malaysian Ringgit (MYR)	2,065	22,828	-	-
Saudi Arabia Rial (SAR)	327,205	4,326,439	-	-
Singapore Dollar (SGD)	10,777,270	369,233,699	-	-
Taiwan Dollar (TWD)	11,177	17,094	-	-
Total foreign currency denominated assets		508,523,538		23,285,621
Trade Payables				
US Dollar (USD)	199,139	9,901,180	209,188	9,879,298
Singapore Dollar (SGD)	5,502,012	188,501,178	-	-
Total foreign currency denominated liabilities		198,402,358		9,879,298
Net foreign currency denominated financial instruments		₱310,121,180		₱13,406,323



In translating the foreign currency-denominated monetary assets into Peso amounts, the exchange rates used were as follows:

	2016	2015
USD to ₱	₱49.72	₱47.06
SAR to ₱	13.22	-
JPY to ₱	0.42	-
HKD to ₱	6.39	-
AED to ₱	13.51	-
MYR to ₱	11.05	-
TWD to ₱	1.53	-
SGD to ₱	34.26	-
EUR to ₱	52.17	-

Equity Price Risk

Equity price risk is the risk that the financial assets whose values will fluctuate as a result of changes in market prices. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in market. As of December 31, 2016 and 2015, the Group has minimal exposure in equity price risk since the Group's quoted AFS amounted only to ₱0.30 million and ₱0.24 million, respectively. Moreover, the Group's investments in AFS are generally perceived as not highly susceptible to the equity price risk since the shares are issued by stable companies and are not subjected to other than temporary decline.

Quoted financial assets at FVPL pertain to investment in UITF (Fund). The Fund, which is structured as a money market UITF, aims to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments.

The following table demonstrates the sensitivity of the Group's income before income tax to a reasonably possible change in market indexes of financial assets at FVPL on December 31, 2016 and 2015, with all variables held constant:

December 31, 2016

Change in Variable	Income before income tax
+19%	₱62,297,767
-19%	(₱62,297,767)

December 31, 2015

Change in Variable	Income before income tax
+1%	₱1,174,696
-1%	(₱1,174,696)

There is no impact on the Group's equity other than those already affecting net income.

26. Segment Reporting

The industry segments where the Group operates follow:

- Mobile consumer services - includes airtime management, content development and management and marketing and advertising solutions



- Enterprise services - includes platform development and customization, system integration, mobile platform consultancy services, management of off-the-shelf application and social media related services. This also includes IT staff augmentation and various enterprise solutions-based services to telecommunication companies and other companies for network and applications development
- Other services - includes consultancy services in the field of human resource management, trading in general, sourcing for and supplying of goods to import and export goods

The following tables regarding business segment revenue and profit information for the years ended December 31, 2016, 2015 and 2014:

2016

	Mobile consumer services	Enterprise Services	Other services	Intersegment adjustments	Consolidated
Revenue from services to external customers	₱1,326,703,575	₱658,468,960	₱3,392,600	(₱92,105,104)	₱1,896,460,031
Revenue from sale of goods	–	–	50,678,833	–	50,678,833
Equity in net loss of associates	(33,902,387)	–	–	–	(33,902,387)
Operating expenses	(911,506,522)	(562,014,463)	(102,935,274)	67,382,472	(1,509,073,787)
Operating profit (loss)	₱381,294,666	₱96,454,497	(₱48,863,841)	(₱24,722,632)	₱404,162,690
Interest income	3,481,784	146,991	40,719	(644,241)	3,025,253
Other income	13,993,572	7,859,771	445,359	(2,568,426)	19,730,276
Provision for (benefit from) income tax	(113,643,698)	(27,994,957)	11,890,178	7,723,493	(122,024,984)
Net income (loss)	₱285,126,324	₱76,466,302	(₱36,487,585)	(₱20,211,806)	₱304,893,235
Net income (loss) attributable to:					
Equity holders of Xurpas Inc.					₱255,361,122
Noncontrolling interests					49,532,113
					₱304,893,235

2015

	Mobile consumer services	Enterprise Services	Other services	Intersegment adjustments	Consolidated
Revenue from services to external customers	₱583,198,532	₱243,455,830	₱4,516,466	(₱7,148,187)	₱824,022,641
Revenue from sale of goods	–	–	74,351,659	–	74,351,659
Equity in net loss of associates	(9,479,226)	–	–	–	(9,479,226)
Operating expenses	(276,341,921)	(190,410,784)	(117,904,343)	4,018,523	(580,638,525)
Operating profit (loss)	297,377,385	53,045,046	(39,036,218)	(3,129,664)	308,256,549
Dividend income	16,250,000	–	–	(16,250,000)	–
Interest income	9,762,120	160,719	7,263	(495,462)	9,434,640
Other income	7,241,380	4,777,899	1,390,173	–	13,409,452
Provision for (benefit from) income tax	(96,780,054)	(16,470,714)	8,833,511	2,934,718	(101,482,539)
Net income (loss)	₱233,850,831	₱41,512,950	(₱28,805,271)	(₱16,940,408)	₱229,618,102
Net income (loss) attributable to:					
Equity holders of Xurpas Inc.					₱221,059,181
Noncontrolling interests					8,558,921
					₱229,618,102



2014

	Mobile consumer services	Enterprise Services	Intersegment adjustments	Consolidated
Revenue from services to external customers	₱309,368,413	₱68,946,976	₱-	₱378,315,389
Operating 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 (benefit from) income tax	(37,839,965)	(10,581,126)	-	(48,421,091)
Net income (loss)	₱174,675,012	₱24,711,103	(₱8,666,667)	₱190,719,448
Net income (loss) attributable to:				
Equity holders of Xurpas Inc.				₱182,070,562
Noncontrolling interests				8,648,886
				₱190,719,448

The following tables present business segment assets and liabilities as at December 31, 2016 and 2015:

2016

	Mobile consumer services	Enterprise services	Other services	Intersegment adjustments	Consolidated
Other information					
Segment assets	₱3,831,262,803	₱448,990,650	₱66,521,158	₱1,492,386,711	₱5,839,161,322
Deferred tax assets	22,054,141	10,761,546	22,441,558	184,703	55,441,948
Total assets	3,853,316,944	459,752,196	88,962,716	1,492,571,414	5,894,603,270
Segment liabilities	690,652,142	203,682,030	46,665,740	793,050,248	1,734,050,160
Deferred tax liabilities	-	-	-	346,321,870	346,321,870
Segment liabilities	₱690,652,142	₱203,682,030	₱46,665,740	₱1,139,372,118	₱2,080,372,030

2015

	Mobile consumer services	Enterprise services	Other services	Intersegment adjustments	Consolidated
Other information					
Segment assets	₱2,079,516,313	₱639,285,569	₱123,288,301	₱509,759,596	₱3,351,849,779
Deferred tax assets	17,685,349	13,273,134	11,565,153	-	42,523,636
Total assets	2,097,201,662	652,558,703	134,853,454	509,759,596	3,394,373,415
Segment liabilities	379,289,480	436,716,041	58,572,226	595,457,047	1,470,034,794
Deferred tax liabilities	-	6,505,523	-	354,081,545	360,587,068
Segment liabilities	₱379,289,480	₱443,221,564	₱58,572,226	₱949,538,592	₱1,830,621,862

27. Notes to Consolidated Statement of Cash Flows

The noncash investing and financing activities of the Group are as follows:

- Unrealized gain on available-for-sale financial assets amounted to ₱60,000 and ₱15,000 in 2016 and 2015, respectively.
- Cumulative translation adjustments recognized under “Investments in associates” amounted to ₱4.16 million and ₱6.48 million for the years 2016 and 2015, respectively.
- As of December 31, 2016, outstanding dividends payable pertaining to dividends declared to noncontrolling interests amounted to ₱4.41 million recognized under “Other current liabilities”.



- In 2016, receivables amounting to ₱60.48 million was used as payment to outstanding dividends payable under “Other current liabilities” in 2015.
- As of December 31, 2016, additions to property and equipment has outstanding unpaid costs under accounts and other payables amounting to ₱0.54 million and finance lease liability amounting to ₱1.27 million.
- As a result of the business combinations in 2016 and 2015, the Group acquired receivables, other current assets, property and equipment, accounts and other payables, income tax payable, other current liabilities, loans payable, net deferred tax liabilities and pension liability. See Note 21 for acquisition-date assets and liabilities acquired through business combination. Also, goodwill and intangible assets acquired through business combination amounted to ₱1,355.58 million and ₱1,880.59 million in 2016 and 2015, respectively.
- In 2016, as part of the consideration for the acquisition of AOC, the Group recognized “Contingent liability” amounting to ₱216.40 million and issued 69,939,486 common shares for ₱939.79 million.
- As of December 31, 2015, a financial liability and equity reserves amounting to ₱853.18 million were recognized for the redemption obligation related to the written put option over the shares held by the noncontrolling interests in Yondu.

28. Events After Reporting Date

Extension of Convertible Promissory Note

On February 17, 2017, MatchMe Pte. Ltd. and the Parent Company executed an agreement to extend the maturity of the Convertible Promissory Note dated November 2, 2015 in such a way that the Principal and unpaid accrued interest will be due and payable on or before May 1, 2017.

Acquisition of treasury shares

In various dates of January and February 2017, the Parent Company acquired an aggregate of 2,154,500 treasury stocks for a total amount of ₱17.30 million.

Reversal of appropriated retained earnings

On March 27, 2017, the BOD of the Parent Company approved the termination of the Buy-back Program adopted last November 9, 2016 appropriating an aggregate of ₱170.00 million. A total of ₱88.82 million has been used as of to date. Accordingly, the balance of ₱81.18 million previously allocated for the Buy-back Program shall be released from such appropriation.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULE

The Stockholders and the Board of Directors
Xurpas Inc.
7th Floor Cambridge Centre
108 Tordesillas St.
Salcedo Village, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Xurpas Inc. and its subsidiaries (the Group) as at and for the years ended and have issued our report thereon dated March 27, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules A to K listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for the purpose of complying with the Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-AR-4 (Group A),
May 1, 2016, valid until May 1, 2019
Tax Identification No. 102-082-365
BIR Accreditation No. 08-001998-10-2015,
March 24, 2015, valid until March 23, 2018
PTR No. 5908676, January 3, 2017, Makati City

March 27, 2017



XURPAS INC. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED 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 SUBSIDIARIES

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	Income received or accrued
Loans and receivables			
Cash and cash equivalents			
Cash on hand	₱-	₱8,113,051	₱-
Cash in banks			
Bank of the Philippine Islands			
Current Account	-	2,363,077	301,806
Savings Account	-	73,839,249	-
US Dollar Account	-	399,284	1,147
Robinsons Bank			
Savings Account	-	12,100	2
Security Bank			
Savings Account	-	123,295,116	2,463,563
US Dollar Account	-	2,479,357	13,772
Unionbank	-		
Savings Account		73,315,376	36,348
US Dollar Account	-	1,184,195	751
Eastwest	-	1,703,422	18,202
China Bank			
Savings Account	-	11,258,196	42,293
US Dollar Account	-	916,037	22,775
Banco De Oro			
Current Account	-	573,960	4,832
CIMB Bank	-		
US Dollar Account	-	37,180,262	-
SG Dollar Account	-	68,596,854	119,762
OCBC Bank	-		
US Dollar Account	-	10,538,639	-
SG Dollar Account	-	12,376,178	-
Paypal	-	373,300	-
Accounts and other receivables			
Trade	-	933,663,242	-
Advances to employees	-	7,952,381	-
Receivable from related parties	-	43,990	-
Others	-	17,126,242	-
	-	1,387,303,508	3,025,253
Financial assets at FVPL	-	335,915,489	-
AFS financial assets			
Unquoted debt investments	108,428,123	108,428,123	-
Unquoted equity investment	-	44,244,956	-
Quoted equity investment	-	300,000	-
	108,428,123	152,973,079	
	₱108,428,123	₱1,876,192,076	₱3,025,253



XURPAS INC. AND SUBSIDIARIES**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 year	Additions	Amounts collected	Current	Noncurrent	Balance at the end of the year
Advances to employees	₱3,686,835	₱17,995,629	₱13,730,083	₱7,952,381		₱- ₱7,952,381
Accounts receivable from directors, officers, KMP and employees	697,318	5,859,913	6,513,241	43,990		- 43,990
	₱4,384,153	₱23,855,542	₱20,243,324	₱7,996,371		₱- ₱7,996,371



XURPAS INC. AND SUBSIDIARIES**SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**

Amount owed by Xurpas Parent to Xurpas Subsidiaries				
	Receivable balance per Xurpas Parent	Payable balance per Xurpas Subsidiaries	Current	Noncurrent
Storm Technologies, Inc.	₱30,000,000	₱30,000,000	₱30,000,000	₱-
Art of Click Pte. Ltd.	24,300,000	24,300,000	24,300,000	-
Seer Technologies, Inc.	12,000,000	12,000,000	12,000,000	-
Xeleb Inc.	2,993,104	2,993,104	2,993,104	-
Xeleb Technologies Inc.	1,214,576	1,214,576	1,214,576	-
<i>Subtotal</i>	₱70,507,680	₱70,507,680	₱70,507,680	₱-

Amount owed by Xurpas Parent to Xurpas Subsidiaries				
	Receivable balance per Xurpas Subsidiaries	Payable balance per Xurpas Parent	Current	Noncurrent
Xeleb Inc.	₱22,471,621	₱22,471,621	₱22,471,621	₱-
Seer Technologies, Inc.	173,600	173,600	173,600	-
Storm Technologies Inc.	15,500	15,500	15,500	-
<i>Subtotal</i>	₱22,660,721	₱22,660,721	₱22,660,721	₱-

Amount owed to Xurpas Subsidiary to Xurpas Subsidiary			
Receivable to	Payable from	Current	Noncurrent
Yondu, Inc.	Seer Technologies, Inc.	₱1,762,686	₱-
Yondu, Inc.	Storm Technologies, Inc.	251,047	-
Storm Technologies Inc.	Seer Technologies, Inc.	98,536	-
<i>Subtotal</i>		₱2,112,269	₱-
Total eliminated receivables		₱95,280,670	₱-



SCHEDULE D**XURPAS INC. AND SUBSIDIARIES****SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS**

Description	Beginning balance	Acquired through business combination	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Goodwill	₱687,808,790	₱1,355,575,321	₱-	₱-	₱-	₱-	₱2,043,384,111
Customer relationship	1,077,809,700	-	-	-	-	-	1,077,809,700
Developed software	106,430,421	-	14,442,412	16,795,214	-	-	104,077,619
Leasehold rights	16,233,570	-	-	2,482,687	-	-	13,750,883
	₱1,888,282,481	₱1,355,575,321	₱14,442,412	₱19,277,901	₱-	₱-	₱3,239,022,313



SCHEDULE E**XURPAS INC. AND SUBSIDIARIES****SUPPLEMENTARY SCHEDULE OF 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	Long-term Debt
			Amount shown under caption “long-term debt” in related balance sheet
Promissory note	₱–	₱3,000,000	₱13,998,370



XURPAS INC. AND SUBSIDIARIES

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
-----------------------	--------------------------------	--------------------------

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 SUBSIDIARIES**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
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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.



XURPAS INC. AND SUBSIDIARIES
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	1,859,107,246*	–	–	1,283,584,291	575,522,955

*Net of treasury shares.

**No fixed number of shares is reserved as consideration for the AOC acquisition. The number of shares to be issued is dependent on the market price of Parent Company's shares.



SCHEDULE I

XURPAS INC. AND SUBSIDIARIES

**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION**

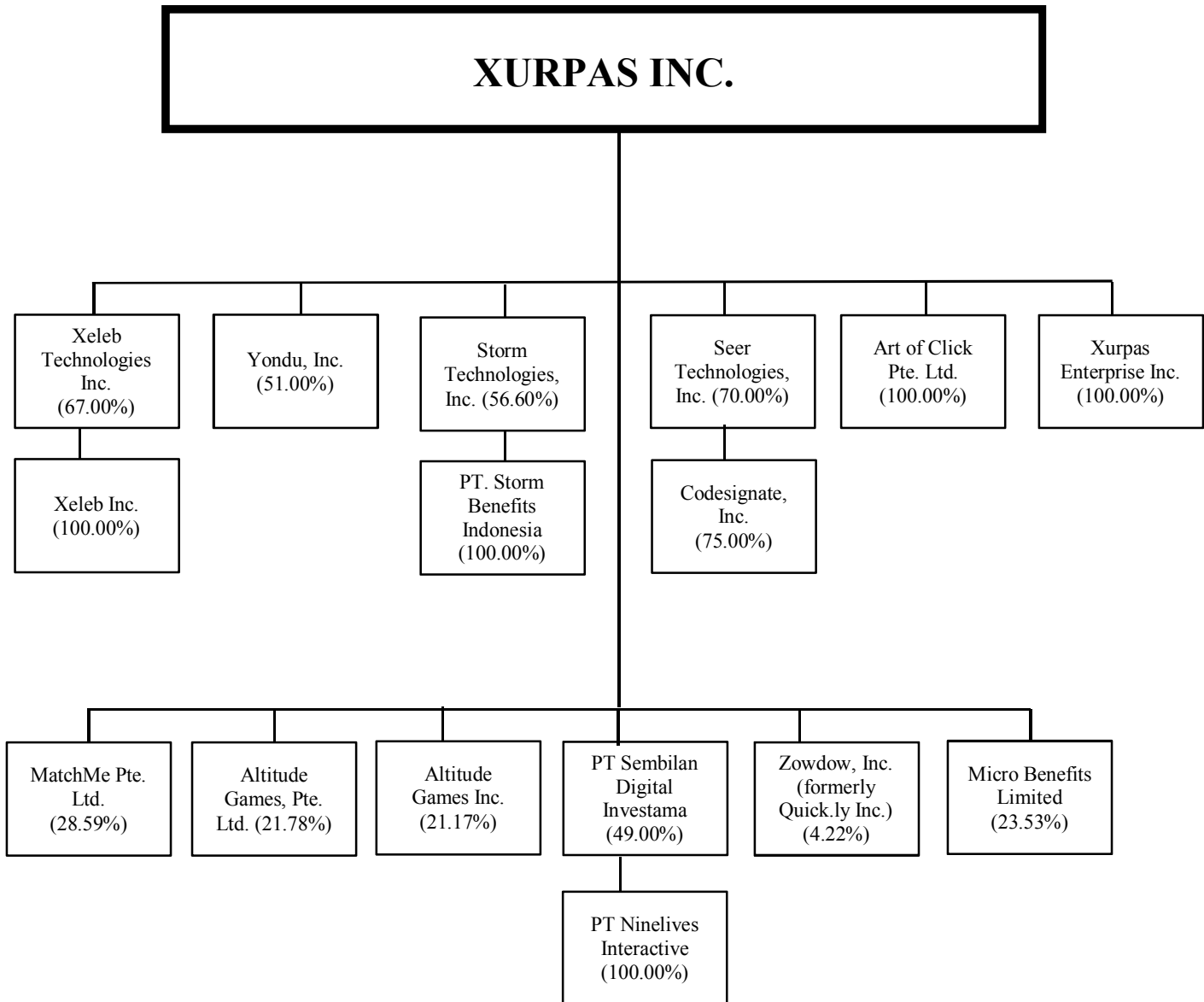
Unappropriated Retained Earnings, beginning	₱184,933,382
Less adjustments:	
Treasury shares	—
Deferred tax assets	11,714,273
Fair value adjustments	—
Unappropriated Retained Earnings, as adjusted, beginning	173,219,109
Net Income based on the face of AFS	130,853,383
Less: Non-actual/unrealized income net of tax	
Amount of provision for deferred tax during the year	9,646,797
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	—
Unrealized actuarial gain	—
Fair value adjustment (M2M gains)	915,489
Fair value adjustment of Investment Property resulting to gain adjustment due to deviation from PFRS/GAAP - gain	—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	
Adjustment due to deviation from PFRS/GAAP - loss	
Loss on fair value adjustment of investment property (after tax)	
Net Income Actual/Realized	120,291,097
Less: Other adjustments	
Dividend declarations during the period	86,289,632
Effects of prior period adjustments	—
Reversal of Treasury shares	—
Appropriations during the year*	170,000,000
	256,289,632
Unappropriated retained earnings, end available for dividend distribution	₱37,220,574

**On November 9, 2016, the BOD of the Parent Company approved the appropriation of unrestricted retained earnings for the buyback of its common shares up to the extent of the total allotment amounting to ₱170.00 million subject to the prevailing market price at the time of the share buyback. As at December 31, 2016, treasury stocks acquired totaled to 8,532,900 shares which amounted to ₱71.51 million.*



XURPAS INC. AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES



XURPAS INC. AND SUBSIDIARIES

LIST OF EFFECTIVE STANDARDS AND INTERPRETATIONS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		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, 2016		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	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	✓		
	Amendments to PFRS 7: Disclosures - Servicing Contracts			✓
	Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
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: Classification and Measurement (2010 version)	✓		
	Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)			✓
	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			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities	✓		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term Receivable and Payables	✓		
	Amendments to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
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			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Information	✓		
	Presentation of Financial Statements – Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7, Statement of Cash Flows, Disclosure Initiative	✓		
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	✓		
	Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of servicing equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendment to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
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	✓		
	Amendments to PAS 19: Regional Market Issue regarding Discount Rate			✓
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	✓		
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	✓		
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28, Sale or Contribution of Assets* between an Investor and its Associate or Joint Venture			✓
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	✓		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 34	Interim Financial Reporting			✓
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendments to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report			✓
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			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 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			✓
	Amendments to PAS 40, Investment Property, Transfers of Investment Property			✓
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
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	<i>Determining Whether an Arrangement Contains a Lease</i>			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
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 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			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
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			✓



XURPAS INC. AND SUBSIDIARIES**FINANCIAL RATIOS**

Financial Ratios	2016	2015
A. Current ratios		
Current ratios	119%	83%
Quick ratios	115%	80%
B. Debt-to-equity ratios	70%	231%
C. Asset-to-equity ratios	198%	428%
D. Interest rate coverage ratios	3,379%	6,000%
E. Profitability ratios		
Net income margin	13%	25%
Gross margin	41%	57%
Operating margin	25%	39%
Return on total assets	6%	9%
Return on equity	14%	19%

