COVER SHEET

SEC Registration Number

A	2	0	0	1	1	7	7	0	8	

Company Name

XURPAS INC. AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town/Province)

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
info@xurpas.com	889-6467	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
15	May 27	2014

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Nico Jose S. Nolledo	nix@xurpas.com	889-6467	N/A

Contact Person's Address

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

Note: 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.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2015**

2. Commission identification number **A200117708**

3. BIR Tax Identification No **219-934-330**

4. **Xurpas Inc.**
   Exact name of issuer as specified in its charter

   Philippines
5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: [ ] (For SEC Use Only)

   7F Cambridge Centre, 108 Tordesillas St., Salcedo Village, Makati City **1227**
7. Address of issuer's principal office Postal Code

   (632) 889-6467
8. Issuer's telephone number, including area code

   Not Applicable
9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Shares	**1,720,000,660**

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [✓] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
    Philippine Stock Exchange **Common Shares 1,720,000,660**

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
    Yes [✓] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.
    Yes [✓] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Unaudited Interim Condensed Consolidated Statements of Financial Position
As at March 31, 2015 (with Comparative Audited Consolidated Statements of Financial Position as at December 31, 2014)

Unaudited Interim Condensed Consolidated Statements of Income and Comprehensive Income
For the Three-Month Periods Ended March 31, 2015 and 2014

Unaudited Interim Condensed Consolidated Statements of Changes in Equity
For the Three-Month Periods Ended March 31, 2015 and 2014

Unaudited Interim Condensed Consolidated Statements of Cash Flows
For the Three-Month Periods Ended March 31, 2015 and 2014

Notes to Unaudited Interim Condensed Consolidated Financial Statements

Attachments:

Schedule I: Map Showing the Relationships Between and Among the Companies in the Group, Its Subsidiaries and Associate
Schedule II: Schedule of All Effective Standards and Interpretations under Philippine Financial Reporting Standards
Schedule III: Reconciliation of Retained Earnings Available for Dividend Declaration
Schedule IV: Financial Ratios

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The MD&A is a discussion and analysis of the Company's financial position as of March 31, 2015 and December 31, 2014 and performance for the three-month periods ended March 31, 2015 and 2014. The primary objective of this MD&A is to help the readers understand the dynamics of the Company's business and the key factors underlying the Company's financial results.

The MD&A as of and for the three-month period ended March 31, 2013 should be read in conjunction with the unaudited interim condensed consolidated financial statements and the accompanying notes.

PART II--OTHER INFORMATION

The Board of Directors of the Company approved the following matters in various meetings called for such purpose, in which a quorum was present at each instance:

Regular Board Meeting held on December 11, 2014

1. Approval of the third quarter financials
2. Acceptance of the resignation of Mr. Fernando Jude F. Garcia as Corporate Secretary
3. Appointments of Atty. Mark S. Gorriceta as new Corporate Secretary, Chief Legal Officer and Assistant Compliance Officer; and of Mr. Alexander D. Corpuz as Chief Financial Officer, Chief Compliance Officer and Chief Information Officer
4. Approval to proceed with on-going negotiations and conduct of due diligence for the acquisition of shares in other companies and other confidential projects

Special Board Meeting held on February 26, 2015

1. Approval of the acquisition of 51% shareholdings in Storm Flex Systems, Inc. ("Storm")
2. Authority of Mr. Jose Vicente T. Colayco to sign the Memorandum of Agreement, Shareholders' Agreement and other documents and papers in connection with the purchase of shares in Storm
3. Approval of the opening of a savings account in Union Bank of the Philippines

Regular Board Meeting held on March 26, 2015

1. Approval of the audited financial statements for 2014
2. Approval of the acquisition of 49% shareholdings in PT Sembilan Digital Investama
3. Appointment of SGV as external auditor

Regular Board Meeting held on March 30, 2015

1. Approval of the acquisition of 31.52% shareholdings in MatchMe Pte. Ltd.
2. Approval of the details of the annual stockholders' meeting and record date

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on May 11, 2015.

Issuer **XURPAS INC.**

By:

NICO JOSE S. NOLLEDO
Chairman and President

ALEXANDER D. CORPUZ
Chief Finance Officer

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

XURPAS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents(Notes 5 and 23)	**₱879,558,696**	₱957,917,228
Accounts receivable (Notes 6, 18 and 23)	**181,688,987**	138,686,070
Financial assets at fair value through profit or loss (Notes 7 and 23)	**502,366,591**	500,431,059
Inventories	**11,487,656**	–
Other current assets (Note 8)	**10,577,957**	5,311,291
Total Current Assets	**1,585,679,887**	1,602,345,648
Noncurrent Assets		
Available-for-sale financial assets (Notes 9 and 23)	**3,842,123**	3,827,123
Investment in an associate (Note 10)	**32,706,277**	33,220,576
Property and equipment (Note 11)	**11,672,807**	8,918,583
Deferred tax assets – net	**6,511,103**	4,967,223
Other noncurrent assets (Note 12)	**38,226,835**	1,179,491
Total Noncurrent Assets	**92,959,145**	52,112,996
	₱1,678,639,032	₱1,654,458,644
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 13, 18 and 23)	**₱124,121,473**	₱106,434,122
Income tax payable	**43,829,449**	22,608,350
Total Current Liabilities	**167,950,922**	129,042,472
Noncurrent Liabilities		
Advances from customers (Note 19)	**7,887,423**	–
Loans payable	**6,955,000**	–
Deferred tax liabilities – net	**11,498,776**	9,208,973
Pension liabilities	**25,649,287**	25,649,287
Total Noncurrent Liabilities	**51,990,486**	34,858,260
Total Liabilities	**219,941,408**	163,900,732
Equity		
Capital stock	**172,000,066**	172,000,066
Additional paid-in capital	**1,219,718,163**	1,219,718,163
Retained earnings	**65,483,310**	98,539,176
Net unrealized loss on available-for-sale financial assets	**(210,000)**	(225,000)
Actuarial gain (loss) on pension liabilities	**(10,737,981)**	(10,737,981)
Equity attributable to equity holders of Xurpas Inc. (Notes 9 and 21)	**1,446,253,558**	1,479,294,424
Noncontrolling interests	**12,444,066**	11,263,488
Total Equity	**1,458,697,624**	1,490,557,912
	₱1,678,639,032	₱1,654,458,644

See accompanying Notes to Interim Condensed Consolidated Financial Statements

XURPAS INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	March 31	
	2015 (Unaudited)	2014 (Unaudited)
REVENUE		
Service income (Note 14)	**₱126,032,951**	₱86,664,090
Sale of goods	**1,378,210**	–
Interest income (Note 5)	**2,634,907**	95,577
Other income (Note 7)	**2,180,841**	–
	132,226,909	86,759,667
COST AND EXPENSES		
Cost of services (Note 15)	**28,680,059**	30,871,026
Cost of goods sold	**1,347,526**	–
General and administrative expenses (Note 16)	**16,093,658**	4,272,594
Equity in net loss of associate (Note 10)	**514,299**	–
	46,635,542	35,143,620
INCOME BEFORE INCOME TAX	**85,591,367**	51,616,047
PROVISION FOR INCOME TAX (Note 20)	**26,381,387**	4,821,651
NET INCOME	**₱59,209,980**	₱46,794,396
OTHER COMPREHENSIVE INCOME		
Item that may be reclassified to profit or loss in subsequent periods:		
Unrealized gain on available-for-sale financial assets (Note 9)	**15,000**	–
TOTAL COMPREHENSIVE INCOME	**₱59,224,980**	₱46,794,396
Net income (loss) attributable to:		
Equity holders of Xurpas Inc.	**₱58,190,137**	₱45,802,494
Noncontrolling interests	**1,019,843**	991,902
	₱59,209,980	₱46,794,396
Total comprehensive income attributable to:		
Equity holders of Xurpas Inc.	**₱58,205,137**	₱45,802,494
Noncontrolling interests	**1,019,843**	991,902
	₱59,224,980	₱46,794,396
Basic Earnings Per Share (Note 22)	**₱0.05**	₱0.11

See accompanying Notes to Consolidated Financial Statements.

XURPAS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	March 31	
	2015	2014
	(Unaudited)	(Unaudited)
CAPITAL STOCK - ₱0.10 par value (Note 21)		
Authorized – 5,000,000,000 shares		
Issued and outstanding		
Balance at beginning and end of period	**₱172,000,066**	₱3,250,000
ADDITIONAL PAID-IN CAPITAL (Note 21)		
Balance at beginning and end of period	**1,219,718,163**	–
RETAINED EARNINGS (Note 21)		
Appropriated		
Balance at beginning and end of period	**–**	91,500,000
Unappropriated		
Balance at beginning of period	**98,539,176**	13,718,614
Effect of business combination	**(91,246,003)**	–
Net income	**58,190,137**	45,802,494
Balance at end of period	**65,483,310**	59,521,108
	65,483,310	151,021,108
NET UNREALIZED LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSET (Note 9)		
Balance at beginning of period	**(225,000)**	(230,000)
Changes in fair value of available-for-sale financial assets	**15,000**	–
Balance at end of period	**(210,000)**	(230,000)
ACTUARIAL LOSS ON PENSION LIABILITIES, NET OF INCOME TAX EFFECT		
Balance at beginning and end of period	**(10,737,981)**	13,475
	1,446,253,558	154,054,583
NONCONTROLLING INTERESTS		
Balance at beginning of period	**11,263,488**	8,635,356
Effect of business combination	**160,735**	–
Net income	**1,019,843**	991,902
Balance at end of period	**12,444,066**	9,627,258
	₱1,458,697,624	₱163,681,841

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

XURPAS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	March 31	
	2015	2014
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱85,591,367**	₱51,616,047
Adjustments for:		
Depreciation and amortization (Note 15 and 16)	**1,012,956**	584,535
Equity in net loss of associate (Note 10)	**514,299**	–
Interest expense	**37,833**	–
Unrealized gain from financial assets at FVPL (Note 7)	**(1,935,532)**	–
Interest income (Note 5)	**(2,634,907)**	(95,577)
Operating income before changes in working capital	**82,586,016**	52,105,005
Changes in working capital		
Decrease (increase) in:		
Receivables	**(30,499,743)**	(6,391,089)
Other current assets	**444,544**	(1,218,501)
Inventories	**(7,934,857)**	–
Increase (decrease) in:		
Accounts and other payables	**(74,414,423)**	3,329,212
Advances from customers	**(4,422,036)**	–
Net cash generated from operations	**(34,240,499)**	47,824,627
Interest received	**2,654,902**	95,577
Interest paid	**(37,833)**	
Income taxes paid	**(2,669,125)**	(1,641,816)
Net cash provided by (used in) operating activities	**(34,292,555)**	46,278,388
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment (Note 11)	**(2,497,693)**	(579,727)
Increase in other noncurrent assets	**(37,068,284)**	(400,424)
Net cash used in investing activities	**(39,565,977)**	(980,151)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of loans payable	**(4,500,000)**	–
NET INCREASE (DECREASE) IN CASH	**(78,358,532)**	45,298,237
CASH AT BEGINNING OF PERIOD	**957,917,228**	86,502,675
CASH AT END OF PERIOD (Note 5)	**₱879,558,696**	₱131,800,912

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

XURPAS, INC. AND SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

Fluxion, Inc. ("Fluxion"), a 65%-owned subsidiary, is engaged in mobile and internet systems design and programming languages, usability and social media. The registered office address of Fluxion is at Unit 701 Globe Telecom Plaza 2, Pioneer corner Madison Streets, Mandaluyong City.

Storm Flex Systems, Inc. ("Storm"), a 51%-owned subsidiary, is primarily engaged in providing consultancy services in the field of human resource management. Storm is also engaged in the business of trading in general, sourcing for and supplying of goods to import and export goods insofar as may be permitted by law. The registered office address of Storm is at Unit 602, Centerpoint Condominium, J. Vargas Ave., Ortigas Center, San Antonio, Pasig City.

The accompanying interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on April 29, 2015.

2. Summary of Significant Accounting Policies

<u>Basis of Preparation</u>
The interim condensed consolidated financial statements of the Group as at March 31, 2015 and for the three-month periods ended March 31, 2015 and 2014, have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*.

Accordingly, the interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements as at and for the year ended December 31, 2014.

The interim condensed consolidated financial statements are presented in Philippine Peso (₱), the Group's presentation currency. All amounts were rounded-off to the nearest Peso, except when otherwise indicated. The interim condensed consolidated financial statements have been prepared under the historical cost basis, except for AFS financial assets that have been measured at fair value.

<u>Statement of Compliance</u>
The accompanying interim condensed consolidated financial statements of the Group as at March 31, 2015 and December 31, 2014 and for the three-month periods ended March 31, 2015 and 2014 have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and the following majority-owned subsidiaries (the Group) as at March 31, 2015 and 2014:

	Effective Percentages of Ownership	
	March 31, 2015	December 31, 2014
Fluxion	**65%**	65%
Storm	**51%**	–

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

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

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

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

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

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

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

Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)

These Amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10, *Consolidated Financial Statements*. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

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

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

reversed during the period. These Amendments are effective retrospectively with earlier application permitted, provided PFRS 13 is also applied. The Amendments affect disclosures only and have no impact on the Group's financial position or performance.

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

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

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

Annual Improvements to PFRSs (2011-2013 cycle)
In the 2011 – 2013 annual improvements cycle, four Amendments to four standards were issued, which included an Amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards– First-time Adoption of PFRS*. The Amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This Amendment is applicable to the Group as it is a first-time adopter of PFRS.

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

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

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

Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this Interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. This interpretation is not relevant to the Group.

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

Effective January 1, 2015

Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These Amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This Amendment is effective for annual periods beginning on or after January 1, 2015 and it is not expected that this would be relevant to the Group.

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

PFRS 2, *Share-based Payment – Definition of Vesting Condition*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same Parent Company
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

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

PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The Amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

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

PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets- Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
The Amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation and amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

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

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

PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
The Amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

- Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

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

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

Effective January 1, 2016

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

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

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

PFRS 10, *Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
These Amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The Amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These Amendments are effective from annual periods beginning on or after 1 January 2016.

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

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

PFRS 14, *Regulatory Deferral Accounts*
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its

First-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after
January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

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

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

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

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

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

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

Effective January 1, 2018

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

from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy (see Note 23).

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

The Group classifies its financial assets in the following categories: financial assets at FVPL, heldto-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 March 31, 2015 and December 31, 2014, the Group’s financial instruments consist of loans and receivables, financial assets at FVPL, AFS financial assets and other financial liabilities.

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

At the end of each reporting period, the carrying amount of receivables is reviewed to determine whether there is any objective evidence that the amount is not recoverable. Any impairment loss is recognized immediately in profit or loss. The amount of impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account.

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

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

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

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

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

As at March 31, 2015 and December 31, 2014, the Group holds its investment in Unit Investment Trust Fund (UITF) Security Bank Peso money market fund as held for trading and classified these as financial assets at FVPL (see Note 7). As at December 31, 2013 and January 1, 2013, the Group has no financial assets at FVPL.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified as other financial assets held for trading, designated as AFS investments or financial assets designated at FVPL. This accounting policy relates to “Cash and cash equivalents” and “Accounts receivable” accounts in the consolidated statements of financial position.

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

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

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

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

The Group evaluated its AFS financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the 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 bonds and quoted equity securities. AFS financial assets are included in current assets if expected to be realized within 12 months from the reporting date.

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

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

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

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

impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

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

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

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

In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the profit or loss - is removed from other comprehensive income and recognized in the profit or loss as “Miscellaneous” under “General and administrative expenses” account. Impairment losses on equity investments are not reversed through the profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

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

<u>Derecognition of Financial Assets and Liabilities</u>
Financial asset
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:
a. the right to receive cash flows from the asset have expired;
b. the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or
c. the Group has transferred its right to receive cash flows from the asset and either; (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a ‘pass-through’ arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the Group's statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method and includes all costs incurred in bringing each inventory to its present location and condition. Net realizable value of inventories is the estimated selling price less cost to sell or current replacement cost.

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

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

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

Under the equity method, the investment in an associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the associate, less any impairment in values. The consolidated statement of comprehensive income reflects the share of the results of the operations of the associate. The Group's share of post-acquisition movements in the associate's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

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

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

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

Property and Equipment

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

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

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

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

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

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

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

Intangible Assets

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

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

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

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

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

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

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

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

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

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

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

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

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

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

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

Equity

Capital stock and additional paid-in capital

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

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

Retained earnings

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

Unappropriated retained earnings

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

Appropriated retained earnings

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

Revenue Recognition

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

Service income

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

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.

Other income
Other income is recognized as they accrue.

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.

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

Operating 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.

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

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

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

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

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

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

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

Foreign Currency Transactions

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

Value-Added Tax (VAT)

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

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

Earnings Per Share (EPS)

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

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and serves different markets. Financial information on business segments is presented in Note 24 of the consolidated financial statements.

Provisions

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

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes when an inflow of economic benefits is probable.

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

3. Significant Accounting Judgments and Estimates and Assumptions

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

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

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

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

b. *Existence of significant influence over an associate*
   The Group determined that it exercises significant influence over its associate (see Note 10) by considering, among others, its ownership interest (holding 20% or more of the voting power of the investee) and board representation.

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

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

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

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

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

The carrying values of the Group's accounts receivable amounted to ₱181.69 million and ₱138.69 million as at March 31, 2015 and December 31, 2014 respectively (see Note 6).

Evaluating impairment of AFS equity securities
The Group treats AFS equity securities as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more and 'prolonged' as greater than 6 months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities (Note 9).

The carrying values of the Group's AFS quoted equity securities amounted to ₱0.24 million and ₱0.23 million as at March 31, 2015 and December 31, 2014, respectively (see Note 9).

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

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

The net book value of property and equipment as of March 31, 2015 and December 31, 2014 amounted to ₱11.67 million and ₱8.92 million, respectively (see Note 11).

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

The carrying values of these nonfinancial assets follow:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Inventories	**₱11,487,656**	₱–
Other current assets	**10,577,957**	5,311,291
Investment in an associate	**32,706,277**	33,220,576
Property and equipment	**11,672,807**	8,918,583
Other noncurrent assets	**38,226,835**	1,179,491
	₱104,671,532	₱48,629,941

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

The Group's deferred tax assets amounted to ₱6.51 million and ₱4.97 million as at March 31, 2015 and December 31, 2014, respectively.

Fair value of financial instruments
PFRS requires certain financial assets and liabilities to be carried at fair value or have the fair values disclosed in the notes, which requires use of extensive accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates and interest rates), the amount of changes in fair value would differ if the Group utilized different valuation methodology. Any changes in fair value of these financial assets and liabilities would affect directly the consolidated statement of comprehensive income and consolidated statement of changes in equity. Certain financial assets and liabilities of the Group were initially recorded at its fair value by using the discounted cash flow methodology. See Note 23 for the related balances.

4. Seasonality of Interim Operations

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

5. Cash and Cash Equivalents

This account consists of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Cash on hand and in banks	**₱277,564,175**	₱457,917,228
Cash equivalents	**601,994,521**	500,000,000
	₱879,558,696	₱957,917,228

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

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

Interest income earned from cash in banks and cash equivalents amounted to ₱2.63 million and ₱0.10 million for the three-month periods ended March 31, 2015 and 2014, respectively.

6. Accounts Receivable

This account consists of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Trade receivables	**₱171,983,783**	₱137,108,320
Receivable from related parties	**7,059,863**	381,188
Advances to employees	**2,225,884**	665,563
Interest receivable (Note 5)	**484,115**	504,110
Others	**36,004**	26,889
	181,789,649	138,686,070
Less: Allowance for impairment loss	**100,662**	–
	₱181,688,987	₱138,686,070

Trade receivables arise mainly from the mobile content development services rendered by the Group to its major customer, Globe Telecommunications, Inc. (GTI) and other telecommunication companies. These are noninterest-bearing and are generally settled on a 30- to 60-day term. As at March 31, 2015 and December 31, 2014, the Group's receivables from GTI amounted to ₱135.93 million and ₱127.41 million, respectively, which comprise 79% and 94%, respectively, of the total trade receivables (Note 23).

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

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

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

7. Financial Assets at Fair Value through Profit or Loss

The Group invested in the Security Bank Peso Money Market Fund (the Fund) on December 9, 2014. The Fund, which is structured as a money market unit investment trust fund (UITF), aims to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments. As at March 31, 2015, the total Net Asset Value (NAV) and fair value of the Fund amounted to ₱502.37 million.

The fair value of the investment in UITF is valued at ₱124.58 NAV per unit as at March 31, 2015 and is determined using the valuation techniques. These valuation techniques maximize the use of observable market data where it is available such as quoted market prices or dealer quotes for similar instruments. Thus, the fair value measurement is categorized under Level 2 of fair value hierarchy.

For the three-month period ended March 31, 2015, the Group recognized unrealized gain from financial assets at FVPL under "Other income" amounting to ₱1.94 million.

8. Other Current Assets

This account consists of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Deferred input VAT	**₱8,593,107**	₱3,663,742
Refundable deposits	**1,145,900**	1,015,900
Creditable withholding tax	**416,495**	–
Prepaid expenses	**422,455**	631,649
	₱10,577,957	₱5,311,291

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

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

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

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

9. Available-for-Sale Financial Assets

This account consists of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Unquoted		
Pico Candy Pte. Ltd. bonds	**₱3,602,123**	₱3,602,123
Quoted shares		
Club Punta Fuego	**240,000**	225,000
	₱3,842,123	₱3,827,123

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

	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Balance at beginning of period	**(₱225,000)**	(₱230,000)
Unrealized gain (loss) on AFS financial asset	**15,000**	–
Balance at end of period	**(₱210,000)**	(₱230,000)

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

10. Investment in an Associate

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

On the same date, Mr. Nico Jose S. Nolledo, a stockholder, assigned his 11.36 million ordinary shares representing 10.02% ownership in Altitude Games pursuant to the Deed of Assignment to the Parent Company. Accordingly, the Parent Company recognized payable to a stockholder amounted to ₱15.24 million from the said assignment (see Note 18).

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

For the three-month period ended March 31, 2015, the Group recognized equity in net loss of associate amounting to ₱0.51 million in its interim condensed consolidated statement of comprehensive income.

11. Property and Equipment

The Group acquired property and equipment amounting to ₱0.06 million during the three-month period ended March 31, 2015. Depreciation expense amounted to ₱1.01 million and ₱0.58 million for the three-month period ended March 31, 2015 and 2014, respectively.

The Group's fully depreciated property and equipment with aggregate cost of ₱3.14 million are still in use as at March 31, 2015 and December 31, 2014, respectively.

12. Other Noncurrent Assets

This account consists of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Subscriptions deposit	**₱37,010,250**	₱–
Rental deposit	**733,810**	683,810
Others	**482,775**	495,681
	₱38,226,835	₱1,179,491

Subscriptions deposit pertain to initial payment made for the acquisition of 49.00% and 31.52% shareholdings in Sembilan Digital Investama (SDI) and MatchMe Pte. Ltd. (MatchMe), respectively. As at March 31, 2015, these acquisitions were not yet complete, pending the final definitive documents.

Rental deposits consist of security deposits for the rental of office spaces, which can be refunded upon the termination of the lease contract, and advance rentals which are applicable to the last month's rent.

Others pertain to legal costs, filing fees and registration costs incurred in the application and acquisition of patent rights and trademarks to proprietary names and symbols.

13. Accounts and Other Payables

This account consists of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Payable to related parties (Note 18)	**₱67,680,574**	₱15,240,576
Trade payable	**22,826,026**	9,258,583
Deferred output VAT	**13,071,656**	10,056,886
Taxes payable	**13,408,496**	66,049,397
Advances from customers (Note 19)	**4,507,426**	–
Accrued expenses	**1,763,630**	5,407,804
Others	**863,665**	420,876
	₱124,121,473	₱106,434,122

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

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.

Taxes payable consists of output VAT after application of available input VAT, expanded withholding tax on payment to suppliers and employees' compensation which are settled within one year and other percentage tax.

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

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

14. Service Income

Service income, amounting to ₱126.03 million and ₱86.66 million for the three-month periods ended March 31, 2015 and 2014, respectively, pertain to revenues earned from mobile consumer products and services and mobile enterprise services rendered by the Group to its major customer, GTI and other telecommunication companies.

For the three-month periods ended March 31, 2015 and 2014, the Group's revenue from GTI amounted to ₱121.02 million and ₱75.09 million, respectively, which comprise approximately 96% and 87%, respectively, of the total service income of the Group.

15. Cost of Services

Cost of services for the three-month periods ended March 31, 2015 and 2014 consists of:

	March 31	
	2015 (Unaudited)	2014 (Unaudited)
Salaries, wages and employee benefits	**₱14,113,897**	₱6,009,972
Contractual services	**8,296,001**	20,966,560
Web hosting	**1,722,514**	1,118,902
(Forward)		

	March 31	
	2015	2014
	(Unaudited)	(Unaudited)
Rent (Note 15)	**1,073,048**	1,294,098
Utilities	**529,027**	295,540
Transportation and travel	**289,736**	90,957
Prizes and winnings	**197,827**	658,200
Depreciation and amortization	**137,365**	78,618
Seminars and trainings	**33,214**	34,920
Others	**2,287,430**	323,259
	₱28,680,059	₱30,871,026

16. **General and Administrative Expenses**

General and administrative expenses for the three-month periods ended March 31, 2015 and 2014 consists of:

	March 31	
	2015	2014
	(Unaudited)	(Unaudited)
Salaries, wages and employee benefits	**₱5,823,005**	₱2,044,066
Professional fees	**3,079,782**	55,000
Taxes and licenses	**1,729,185**	112,775
Depreciation and amortization	**875,591**	505,917
Supplies	**802,859**	496,820
Entertainment, amusement and recreation	**761,471**	216,564
Transportation and travel	**481,669**	142,743
Advertising	**429,598**	46,800
Rent (Note 15)	**287,228**	143,789
Marketing and promotions	**228,567**	150,509
Repairs and maintenance	**162,726**	124,005
Dues and subscription	**129,353**	127,793
Utilities	**58,781**	32,838
Interest expense	**37,833**	–
Seminars and trainings	**34,000**	17,000
Miscellaneous	**1,172,010**	55,975
	₱16,093,658	₱4,272,594

17. **Operating Lease Commitments**

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

Total rent expense charged under “Cost of services” and “General and administrative expenses” in the consolidated statements of comprehensive income amounted to ₱1.36 million and ₱1.43 million for the three-month periods ended March 31, 2015 and 2014, respectively (see Notes 13 and 14).

As at March 31, 2015 and December 31, 2014, the future minimum lease payments under noncancellable operating leases amounted to ₱7.05 million and ₱6.14 million, respectively.

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 March 31, 2015 and December 31, 2014 follow:

					Outstanding Balance			
			Amount/Volume		**2014**		2013	
	Terms	**Conditions**	**2014**	2013	**Receivable**	**Payable**	Receivable	Payable
Affiliates								
Investment	Noninterest-bearing	Unsecured, no impairment	**₱–**	₱–	**₱4,485,000**	**₱67,566,111**	₱–	₱–
Cost of services	Noninterest-bearing	Unsecured, no impairment	**–**	27,732,429	**–**		–	–
Advances	Noninterest-bearing	Unsecured, no impairment	**–**	–	**7,059,863**	**–**	308,831	–
			–	27,732,429	**11,544,863**	**67,566,111**	308,831	–
Stockholders								
Investment	Noninterest-bearing	Unsecured, no impairment	**–**	–	**–**	**–**	–	15,240,576
Advances	One year; noninterest-bearing	Unsecured, no impairment	**–**	5,771,086		**114,463**	72,357	–
				5,771,086	**–**	**114,463**	72,357	15,240,576
			₱–	₱33,503,515	**₱11,544,863**	**₱67,680,574**	₱381,188	₱15,240,576

Affiliates:

a. On March 30, 2015, the Parent Company paid an initial amount for the acquisition of 49% shareholdings to PT Sembilan Digital Investama ("SDI"). SDI is engaged in the business of information technology service and internet content, e-commerce service, and the supply and use of multimedia services through telecommunications devices, among others.

   As at March 31, 2015, advances to SDI amounted to ₱4.49 million.

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

   As at March 31, 2015, the Parent Company has an outstanding payable amounting to ₱67.57 million in relation to the said acquisition.

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

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

d. Transactions with Altitude Games, Strategic Organization Rewards Management, Inc., Mobile Academy and Starfish Mobile Technologies Pty. pertain to advances for its operating expenditures amounting to ₱11.54 million and ₱0.31 million as at March 31, 2015 and December 31, 2014.

Stockholders:

a. On December 11, 2014, the Parent Company acquired on account 11.36 million ordinary shares from Mr. Nico Jose S. Nolledo, a stockholder, comprising 10.02% ownership in Altitude Games amounting to ₱15.24 million.

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.

Compensation of key management personnel pertaining to short-term employee benefits amounted to ₱9.09 million and ₱0.73 million for the three-month periods ended March 31, 2015 and 2014, respectively.

19. Advances from Customers

Advances from customers pertain to initial deposits received from certain customers of Storm which are equivalent to the value of fund for customers' employees who are entitled to a specific program. The Group shall have access to this fund to be used exclusively to purchase the benefits chosen by the customers' employees through Flexible Benefit Service. The Group shall return the remaining advances within 30 working days after the end of term of the service contract.

As at March 31, 2015, current, presented under "Accounts and other payables", and non-current portions of advances from customers amounted to ₱4.51 million and ₱7.89 million, respectively.

20. Income Taxes

Provision for income tax for the three-month periods ended March 31, 2015 and 2014 consists of:

	March 31	
	2015 (Unaudited)	2014 (Unaudited)
Current	**₱23,390,972**	₱4,785,862
Deferred	**2,491,163**	16,674
Final	**499,252**	19,115
	₱26,381,387	₱4,821,651

Registration with the Board of Investments (BOI)

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

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

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

The Parent Company availed of its ITH incentive granted by the BOI amounted to nil and ₱10.65 million for the three-month periods ended March 31, 2015 and 2014, respectively.

21. Equity

The details of the number of shares as at March 31, 2015 and 2014 follow:

	March 31	
	2015	2014
	(Unaudited)	(Unaudited)
Authorized - common shares (₱0.10 par value in 2014; ₱1.00 par value in 2013)	**5,000,000,000**	10,000,000
Issued and outstanding		
Balance at beginning and end of period	**1,720,000,660**	3,250,000

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:

	March 31 2015 (Unaudited)	December 31, 2014 (Audited)
Capital stock	**₱172,000,066**	₱172,000,066
Additional paid-in capital	**1,219,718,163**	1,219,718,163
Retained earnings	**65,408,334**	98,539,176
	₱1,457,126,563	₱1,490,257,405

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 in 2015 and 2014.

22. Basic Earnings Per Share

Basic/diluted earnings per share for the three-month periods ended March 31, 2015 and 2014 were computed as follows:

	March 31	
	2015	2014
	(Unaudited)	(Unaudited)
a. Net income attributable to the equity holders of the Parent Company	**₱58,190,137**	₱45,802,494
b. Weighted average number of outstanding shares	**1,064,690,970**	430,625,000
c. Earnings per share (a/b)	**₱0.05**	₱0.11

Earnings per share is calculated using the consolidated net income attributable to the equity holders of Xurpas, Inc. divided by the weighted average number of shares.

23. Financial Instruments

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

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

Financial assets at FVPL - These are investments in UITF. Fair value is based on NAV as at reporting dates.
AFS quoted equity security - Fair value is based on quoted prices published in the market and debt securities.

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

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

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

AFS financial assets-quoted equity securities amounting to ₱0.24 million and ₱0.23 million as at March 31, 2015 and December 31, 2014, respectively, were classified under Level 1 category.

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

As at March 31, 2015 and December 31, 2014, the Group has no financial instruments under Level 3. There have been no reclassifications from Level 1 to Level 2 or 3 categories for the three-month period ended March 31, 2015.

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

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

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

The Group’s risk management policies are summarized below:

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

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

The Group entered into an agreement with GTI, wherein the former will provide mobile consumer products and services and mobile enterprise services to the latter in accordance with the service order and description specified in the service level agreement among the parties involved. The mobile consumer products and services include creation and development of mobile electronic content for delivery to GTI and distribution to GTI's mobile phone subscribers. Mobile enterprise services, 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 79% and 94% of its total trade receivables as at March 31, 2015 and December 31, 2014, respectively (see Note 6). Recent economic condition and market segment of GTI shows its continuing growth and success.

As disclosed in Note 6, the Group has concentration of credit risk with receivable from GTI, its largest customer, representing 79% and 94% of its total receivables as at March 31, 2015 and December 31, 2014, respectively.

The Group adheres to fixed limits and guidelines in its dealings with counterparty banks. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Group closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

Except for cash in bank, the Group's maximum exposure to credit risk as at March 31, 2015 and December 31, 2014 is equal to the carrying values of its financial assets.

Maximum exposure to credit risk for cash in bank is net of credit enhancement amounting to ₱1.50 million. The credit enhancement on cash in bank pertains to the insured deposit covered by Philippine Deposit Insurance Corporation which shall not exceed ₱500,000 to any bona fide depositor for legitimate deposits in an insured bank net of any obligation of the depositor to the insured bank as at the date of closure.

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

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

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

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

The maturity profile of the Group's financial assets and financial liabilities at March 31, 2015 and December 31, 2014 are based on contractual undiscounted payments.

As at March 31, 2015 and December 31, 2014, the Group's financial assets and financial liabilities have a maturity of less than one year.

24. 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
- Mobile enterprise - includes platform development and customization, system integration, mobile platform consultancy services, management of off-the-shelf application and social media related services

The following tables regarding business segment revenue and profit information for the three-month periods ended March 31, 2015 and 2014:

2015 (Unaudited)

	Mobile consumer services	**Mobile enterprise services**	**Other services**	**Intersegment Adjustments**	**Consolidated**
Revenue from services to external customers	**₱108,970,503**	**₱16,431,398**	**₱631,050**	**₱–**	**₱126,032,951**
Revenue from sale of goods	**–**	**–**	**1,378,210**	**–**	**1,378,210**
Operating expenses	**34,444,796**	**8,755,287**	**3,435,459**	**–**	**46,635,542**
Operating profit	**74,525,707**	**7,676,111**	**(1,426,199)**	**–**	**80,775,619**
Interest income	**2,607,099**	**27,808**	**–**	**–**	**2,634,907**
Other income	**2,179,208**	**1,633**	**–**	**–**	**2,180,841**
Provision for income tax	**(23,586,351)**	**(2,795,036)**	**–**	**–**	**(26,381,387)**
Net income	**₱55,725,663**	**₱4,910,516**	**(₱1,426,199)**	**₱–**	**₱59,209,980**
Net income attributable to:					
Equity holders of Xurpas, Inc.					**₱58,190,137**
Noncontrolling interests					**1,019,843**
					₱59,209,980

2014 (Unaudited)

	Mobile consumer services	Mobile enterprise service	Intersegment Adjustments	Consolidated
Revenue from services to external customers	₱75,993,747	₱10,670,343	₱–	₱86,664,090
Operating expenses	28,495,945	6,647,675	–	35,143,620
Operating profit	47,497,802	4,022,668	–	51,520,470
Interest income	72,906	22,671	–	95,577
Provision for income tax	(3,610,316)	(1,211,335)	–	(4,821,651)
Net income	₱43,960,392	₱2,834,004	₱–	₱46,794,396
Net income attributable to:				
Equity holders of Xurpas, Inc.				₱45,802,494
Noncontrolling interests				991,902
				₱46,794,396

The following tables regarding business segment assets and liabilities as at March 31, 2015 and 2014:

As at March 31, 2015 (Unaudited)

	Mobile consumer services	**Mobile enterprise service**	**Other services**	**Intersegment Adjustments**	**Consolidated**
Other information					
Segment assets	**₱1,755,515,799**	**₱75,911,727**	**₱ 35,441,527**	**(₱194,741,124)**	**₱1,672,127,929**
Deferred tax assets	**4,765,863**	**–**	**1,745,240**	**–**	**6,511,103**
Total assets	**1,760,281,662**	**75,911,727**	**37,186,767**	**(194,741,124)**	**1,678,639,032**
Segment liabilities	**242,312,918**	**27,321,032**	**31,052,124**	**(92,243,442)**	**208,442,632**
Deferred tax liabilities	**–**	**11,498,776**	**–**	**–**	**11,498,776**
Total Liabilities	**₱242,312,918**	**₱38,819,808**	**₱31,052,124**	**(₱92,243,442)**	**₱219,941,408**

As at December 31, 2014 (Audited)

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

25. Approval of Financial Statements

The unaudited interim condensed consolidated financial statements of the Group as at March 31, 2015 and December 31, 2014 and for the three-month periods ended March 31, 2015 and 2014 were approved and authorized for issue by the BOD on April 29, 2015.

Item 2 - MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

	For the 3 months ended March 31					
Key Financial data	**2015**		**2014**		**Amount**	
PhP Thousands	Amount	Percentage	Amount	Percentage	**Change**	**% Increase**
Revenue						
Mobile consumer services	108,971	82%	75,971	75%	32,999	43%
Mobile enterprise services	16,431	12%	10,693	25%	5,738	54%
Other services	2,009	2%	0		2,009	n.a
Interest Income	2,635	2%	96	0%	2,539	2657%
Other income	2,181	2%	0	0%	2,181	n.a
	132,227	**100%**	**86,760**	**100%**	**45,467**	**52%**
Cost of Service	28,680	22%	30,871	36%	(2,191)	-7%
Cost of Goods Sold	1,348	1%	0	0%	1,348	n.a
Gross Profit	**102,199**	**77%**	**55,889**	**64%**	**46,311**	83%
General and Administrative Expenses	16,608	13%	4,273	5%	12,335	289%
Income Before Income Tax	**85,591**	**65%**	**51,616**	**59%**	**33,975**	**66%**
Provision for Income Tax	26,381	20%	4,822	6%	21,560	447%
Net Income	**59,210**	**45%**	**46,794**	**54%**	**12,416**	**27%**

	March 31, 2015 (unaudited)	**Dec. 31, 2014 (audited)**	**Amount**	
PhP Thousands	Amount	Amount	**Change**	**% Increase**
Total Assets	1,678,639	1,654,459	24,180	1%
Total Liabilities	219,941	163,901	56,041	34%
Total Equity	1,458,698	1,490,558	(31,860)	-2%

Summary

The consolidated revenues of the Group for three-month period ended March 31, 2015 amounted to ₱132.23 million, 52% higher than previous year’s same period level of ₱86.76 million. The main growth driver was the mobile consumer services segment which accounts for 82% of total revenues or ₱108.97 million for the three-month period ended March 31, 2015; growing 43% vis-à-vis the same period in 2014.

Notwithstanding the increase in revenues during the period, there was a slight decrease in cost of services from ₱30.87 million for the three-month period ended March 31, 2014 to ₱28.68 million during the first quarter of 2015. Cost of services and cost of goods sold, as a percentage of revenues decreased from 36% to 23% over the same period in 2015. This resulted in the improvement of the gross profit margin from 64% to 77%, from ₱55.89 million to ₱102.20 million, an 83% increase. On the other hand, general and administrative expenses increased by 277%, from ₱4.27 million for the three-month period ended March 31, 2014 to ₱16.09 million for the same period of 2015. Its proportion to the revenues increased from 5% to 12%. However, despite this, income before income tax margins increased from 59% in the first quarter of 2014 to 65% in the first quarter of 2015. Expectedly, provision for income tax increased from ₱4.82 million to ₱26.38 million; with the expiration of the income tax holiday of the parent company in July 2014. Overall, total comprehensive income increased from ₱46.79 million for the three-month period ended March 31, 2014 to ₱59.22 million over the same period in 2015; an increase of 27%.

Consolidated total assets as at March 31, 2015 amounted to ₱1,678.64 million, an increase of 1% from ₱1,654.46 million as at December 31, 2014. Consolidated total liabilities increased by 34%, from ₱163.90 million as at December 31, 2014 to ₱219.94 million as at March 31, 2015. Consolidated equity slightly decreased by 2% over the same period, from ₱1,490.56 million to ₱1,458.70 million.

<u>Profitability</u>

<u>For the three-month period ended March 31, 2015 compared with the three-month period ended March 31, 2014</u>

Revenues

For the three-month period ended March 31, 2015, total consolidated revenues of the Group amounted to ₱132.23 million, an increase of ₱45.47 million or 52% higher than previous year's same period level of ₱86.76 million. Majority of the Group's revenues or ₱127.41 million came from service income and sale of goods.

Service income pertains to revenues earned from (i) its mobile consumer services segment (*i.e.*, revenues ultimately derived from providing mobile consumer services via the Telcos), (ii) mobile enterprise services (*i.e.*, revenues derived from the provision of mobile platform solutions to corporate and government clients) and (iii) Other services (*i.e.*, revenues derived from services related to the proprietary platform called "flex benefits system" that allows employees to convert their employee benefits to other benefits; and sale of goods).

Revenue from the mobile consumer services segment for the three-month period ended March 31, 2015 amounted to ₱108.97 million, higher by 43% against the previous year's same period level of ₱75.99 million. Revenue from mobile enterprise services segment increased to ₱16.43 million for the three-month period ended March 31, 2015 from ₱10.67 million for the three-month period ended March 31, 2014; a 54% increase. Revenue from other services for the three-month period ended March 31, 2015 amounted to ₱2.01 million which consists of service revenue and sale of goods amounting to ₱0.63 million and ₱1.38 million, respectively. This refers to the revenue of Storm Flex Systems Inc. subsequent to the acquisition in February 2015.

The increase in service income was driven primarily by the mobile consumer services which accounted for 82% of total revenues; specifically from the mobile games through the Group's innovative games platform (*e.g.* "GlobeGameswithFriends", "Grab-a-Gold", and others).

Interest income for the three-month period ended March 31, 2015, amounted to ₱2.63 million, higher compared to previous year's same period level of ₱0.10 million. Interest income pertains to the interest generated by the Group from its cash deposits in banks and cash equivalents.

Other Income, on the other hand, amounted to ₱2.18 million for the first three-month period of 2015, up from nil over the same period in 2014. The increase was particularly driven from gain on financial assets at FVPL amounting to ₱1.94 million.

Expenses

The Group's consolidated expenses during the three-month period ended March 31, 2015 amounted to ₱46.64 million, higher by ₱11.49 million or 33% compared to previous year's same period level of ₱35.14 million. The escalation in expenses is mainly due to the increase of salaries and wages and professional fees. There was an organizational build-up to support the expansion; aside from compensating the managing directors/founders with regular salary. Also, the various acquisitions and investments required outside legal and audit professional services.

<u>Cost of Service</u>

For the three-month period ended March 31, 2015, cost of services accounted for the bulk of expenses amounting to ₱28.68 million or 61% of the total. For the same period in 2014, cost of services accounted for 88% of the total expenses (₱35.14 million).

Cost of services were mainly driven by expenses relating to (i) salaries, wages and employee benefits and (ii) contractual services, which accounted for 49% and 29%, respectively, for the three-month period ended March 31, 2015. This relates to the rendering by the Group of mobile consumer and enterprise services to its clients during the period. Although contractual services significantly dropped from ₱20.97 million for the 1st quarter 2014 to ₱8.30 million (due to the termination of the agreement with DSI), the salaries and wages increased because of the compensation given to the officers absorbed from DSI and a managing director/founder.

General and Administrative Expenses
General and administrative expenses relating to the Group's day-to-day operations, for the three-month period ended March 31, 2015 amounted to ₱16.09 million, higher by 277%, compared to previous year's same period level of ₱4.27 million. Salaries, wages and employee benefits, professional fees, taxes and licenses, comprise 66% of the total general and administrative expenses. The increase in general and administrative expenses was primarily brought about by the increase in salaries, wages and employee benefits due to organizational build-up and the compensation of two (2) of the managing directors/founders. Likewise, the increase in professional fees relates to the legal and audit services contracted for the acquisitions and investments during the period.

Net Income before Tax
The Group posted a consolidated net income before tax of ₱85.59 million for the three-month period ended March 31, 2015, significantly higher by ₱33.98 million (or 66%) compared to the ₱51.62 million level recorded for the three-month period ended March 31, 2014.

Provision for Income Tax

Provision for income tax during the three-month period ended March 31, 2015 amounted to ₱26.38 million, compared to previous year's same period level amounting to ₱4.82 million. The income before tax for the 1st quarter of 2015 was subject to full taxation of 30%, as opposed to the same period in 2014 which was under an income tax holiday. The Parent Company's tax holiday expired in July 2014.

Net Income

The Group posted a consolidated net income of ₱59.21 million for the three-month period ended March 31, 2015, higher by ₱12.42 million or 27% over the ₱46.79 million level posted for the three-month period ended March 31, 2014. The robust revenues generated by the Group during the period more than enough to offset the increase in total expenses due to organizational buildup, professional fees and the expenses related to the increasing business with its clients.

The share of the mobile consumer products and services segment, net of intersegment adjustments, to the Group's consolidated net income amounted to ₱55.73 million or 94% of the total consolidated net income for the three-month period ended March 31, 2015, ₱11.77 million higher than the ₱43.96 million share in consolidated net income for the three-month period ended March 31, 2014. The share of the mobile enterprise services segment to the consolidated net income for the period, meanwhile, amounted to ₱4.91 million or 8% of the total which is higher by ₱2.08 million compared to the ₱2.83 million in share in net income posted for the three-month period ended March 31, 2014.

Financial Position

As at March 31, 2015 compared to as at December 31, 2014

Assets

Cash and Cash Equivalents
The Group's consolidated cash and cash equivalents amounted to ₱879.56 million as at March 31, 2015, a decrease of 8% or ₱78.36 million from consolidated cash and cash equivalents of ₱957.92 million as at December 31, 2014. The decrease was due mainly to the higher cash flow used for operating and investing activities by the Group during the period.

Accounts receivable

The Group's consolidated accounts receivable amounted to ₱181.69 million and ₱138.69 million as at March 31, 2015 and December 31, 2014, respectively, representing an increase of 31% or ₱43.00 million. Trade receivables mainly accounted for most of the total at ₱171.98 million, which is mainly attributed to the receivables from Globe Telecom and other companies for services rendered by Group's mobile consumer enterprise services segment.

Financial Assets at Fair Value through Profit or Loss

As at March 31, 2015, the total Net Asset Value (NAV) and fair value of the Fund amounted to ₱502.37 million. The change in fair value constituted the increase in financial assets at FVPL amounting to ₱1.94 million.

Other Current Assets

The Group's consolidated other current assets amounted to ₱10.58 million, an increase of ₱5.26 million or 99% from the consolidated other current assets level of ₱5.31 million as at December 31, 2014. The increase was mainly due to the increase in the level of deferred input VAT (₱8.59 million) during the period compared to December 2014 levels.

Deferred input VAT represents deferral of input VAT related to the unpaid balances of the services availed by the Group. These will be recognized as input VAT and applied against output VAT upon payment. Any remaining balance is recoverable in the future periods. Refundable deposits pertain to security deposits that can be refunded within one year upon the termination of the lease contract.

Available for Sale Financial Assets

The Group's available for sale financial assets remained almost flat at ₱3.84 million as at March 31, 2015, from the ₱3.83 million level as at December 31, 2014. This account consisted of convertible bonds invested by the Group in Pico Candy Pte. Ltd. and quoted club shares in Club Punta Fuego.

Investment in an Associate

During 2014, the Group acquired 21.78% stake for 24.69 million ordinary shares in Altitude Games PTE Ltd ("Altitude Games"), a Singaporean IT company engaged in computer game development and publishing, for a total consideration of US$740,800 or US$0.03 per share.

Property and Equipment

The Group's consolidated property and equipment was ₱11.67 million as at March 31, 2015, representing an increase ₱2.75 million or 31% from the ₱8.92 million level as at December 31, 2014. Property and equipment mainly consisted of transportation, office and information technology equipment and furniture and fixtures. The increase during the period was mainly due to the increase in leasehold improvements for the Group's new leased office space. The Group maintains minimal levels of property and equipment as a result of its practice of renting (*i.e.* office space) and leasing (*i.e.*, server capacity) as opposed to owning.

Deferred Tax Assets - net

The Group's consolidated net deferred tax assets level amounted to ₱6.51 million as at March 31, 2015, slightly higher by ₱1.54 million compared to the ₱4.97 million level as at December 31, 2014. The Group's net deferred tax assets consisted primarily of deferred tax assets on accrued expenses.

Other Noncurrent Assets
Other noncurrent assets amounted to ₱38.23 as at March 31, 2015, an increase of ₱37.05 million from the ₱1.18 million level recorded as at December 31, 2014, due to subscriptions deposit paid to PT Sembilan Digital Investama (SDI) and MatchMe Pte. Ltd. (MatchMe).

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables stood at ₱124.12 million as at March 31, 2015, an increase of ₱17.69 million or 17% compared to the ₱106.43 million level as at December 31, 2014. The Group's accounts and other payables consisted mainly of payables to related parties (₱67.68 million), trade payables (₱27.33 million), deferred output VAT (₱13.07 million), taxes payable (₱13.41 million) and accrued expenses (₱1.76 million)

Income tax payable

The Group's consolidated income tax payable as at March 31, 2015 amounted to ₱43.83 million, representing a 94% increase or ₱21.22 million compared to the ₱22.61 million income tax payable level as at December 31, 2014.

Advances from customers- net of current portion

Advances from customers pertain to initial deposits received from certain customers of Storm which are equivalent to the value of fund for customers' employees who are entitled to a specific program. The Group shall have access to this fund to be used exclusively to purchase the benefits chosen by the customers' employees through Flexible Benefit Service. The Company shall return the remaining advances within 30 working days after the end of the service contract.

As at March 31, 2015, advances from customers, net of ₱4.51 million current portion, amounted to ₱7.89 million.

Deferred tax liabilities - net

The Group's consolidated deferred tax liabilities was ₱11.50 million as at March 31, 2015, an increase from the consolidated deferred tax liabilities of ₱9.21 million as at December 31, 2014. The deferred tax liabilities primarily pertained to deferred tax liabilities on the accrued income and unrealized foreign exchange currency gain posted by the Group during the period.

Equity

Total Equity

The Group's total equity declined to ₱1,458.70 million as at March 31, 2015, a decrease of ₱31.86 million or 2% compared to the ₱1,490.56 million recorded as at December 31, 2014. The decrease was basically driven by the effect of business combination with Storm Flex amounting to ₱91.25 million. However, the effect of the said business combination was minimized by the net income earned during the period amounting to ₱59.21 million.

Liquidity and Capital Resources

The Group's liquidity relies mainly on cash flow from operations. 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 does not have any bank debt. 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.

<u>Cash Flows</u>

	For the three-month period ended March 31	
₱'000,000	2015	2014
Net cash provided by (used in) operating activities	(₱34,292,555)	₱46,278,388
Net cash used in investing activities	(39,565,977)	(980,151)
Net cash used in financing activities	(4,500,000)	–
Net increase (decrease) in cash	(78,358,532)	45,298,237
Cash at beginning of period	957,917,228	86,502,675
Cash at end of period	879,558,696	131,800,912

Cash flow provided by operating activities
The Group's consolidated net cash used in operating activities is primarily affected by the payment of other percentage tax on sale of shares of stocks through initial public offerings amounting to ₱54.63 million. The effect of the said transaction was minimized by revenues generated from the Group's operations, predominantly from service income earned from services rendered by the Group's mobile consumer and enterprise services segment and other services (pertinent to Storm) segment to its clients. The Group's consolidated net cash used in operating activities amounted to ₱34.30 million while ₱46.28 million was provided by the Group's operating activities during the same period in 2014.

Cash flows used in investing activities
The Group's consolidated net cash flow used in investing activities for the three-month periods ended March 31, 2015 and 2014 amounted to ₱39.57 million and ₱0.98 million, respectively. The significant escalation in cash outs for investing activities was due to advances paid relating to acquisitions and investments during the period.

Cash flow used in financing activities
The Group's consolidated net cash flow used in financing activities for the three-month periods ended March 31, 2015 and 2014 amounted to ₱4.50 million and nil, respectively. For the three-month period ended March 31, 2015, consolidated net cash flow used in financing activities was attributable mainly to the principal payment of Storm's loans payable amounting to ₱4.50 million.

Capital Expenditure

The Group's capital expenditures for the three-month period ended March 31, 2015 and for the year ended December 31, 2014 amounted to ₱1.94 million and ₱7.46 million, respectively. The table below sets forth the primary capital expenditures of the Group over the same periods. The Group has minimal levels of capital expenditure because of its usual practice of renting (*i.e.*, office space) and leasing (*i.e.,* server capacity) as opposed to owning.

	March 31, 2015 (Unaudited)	**December 31, 2014 (Unaudited)**
In ₱ '000,000		
Office equipment	**₱0.47**	₱1.42
IT equipment	**0.25**	1.19
Furniture and fixtures	**0.41**	0.49
Leasehold improvements	**0.81**	4.36
Total	**₱1.94**	₱7.46

Commitments and Contingent Liabilities

The Group has no contingent liabilities for the three-month period ended March 31, 2015 and for the year ended December 31, 2014.

Key Performance Indicators

The key performance indicators disclosed below present the financial performance of the Group as a whole. These are different with those in supplemental schedule of the consolidated financial statements which were prepared only for the analysis of financial performance attributable to the Parent Company.

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

	For the three-month periods ended March 31,		For the years ended December 31,	
	2015	**2014**	2014	2013
Current ratios				
Current ratio	**944%**	**386%**	1,242%	332%
Quick ratio	**931%**	**380%**	1,238%	328%
Asset-to-equity ratio	**115%**	**144%**	111%	156%
Profitability ratios				
Net income margin	**45%**	**54%**	49%	47%
Gross margin	**77%**	**64%**	71%	65%
Operating margin	**65%**	**59%**	61%	55%
Return on total assets	**4%**	**20%**	12%	65%
Return on equity	**4%**	**29%**	13%	102%

Current Ratios

Both current ratio and quick ratio slightly decreased during the first quarter due to increase in current liabilities of 30% and slight decrease of 1% in current assets (see Management's Discussion and Analysis of Financial Condition).

Asset-to-equity Ratio

The increase in asset-to-equity ratio, from 111% in 2014 to 115% in the first quarter of 2015, resulted from escalation in equity caused by the decline in retained earnings caused by the effect of business combination with Storm Flex.

Profitability Ratios

The escalation in gross margin (77%), and operating margin (65%) arose from the growth surge in the Group's revenue. On the other hand, the decrease in net income margin (45%), return on total assets (4%) and return on equity was primarily caused by the decrease in net income due to escalation in provision for income tax during the three-month period ended March 31, 2015. The income tax holiday of the Parent Company expired in July 2014.

Other Disclosures

i. Liquidity. There are no known trends, events or uncertainties that will result in the Group's liquidity increasing or decreasing in a material way.

ii. Events that will Trigger Direct or Contingent Financial Obligation. There were 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 material 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 cyclicality on the operations of the Group's business are not material.

AGING OF RECEIVABLES

The aging analysis of accounts receivable presented per class follows:

March 31, 2015

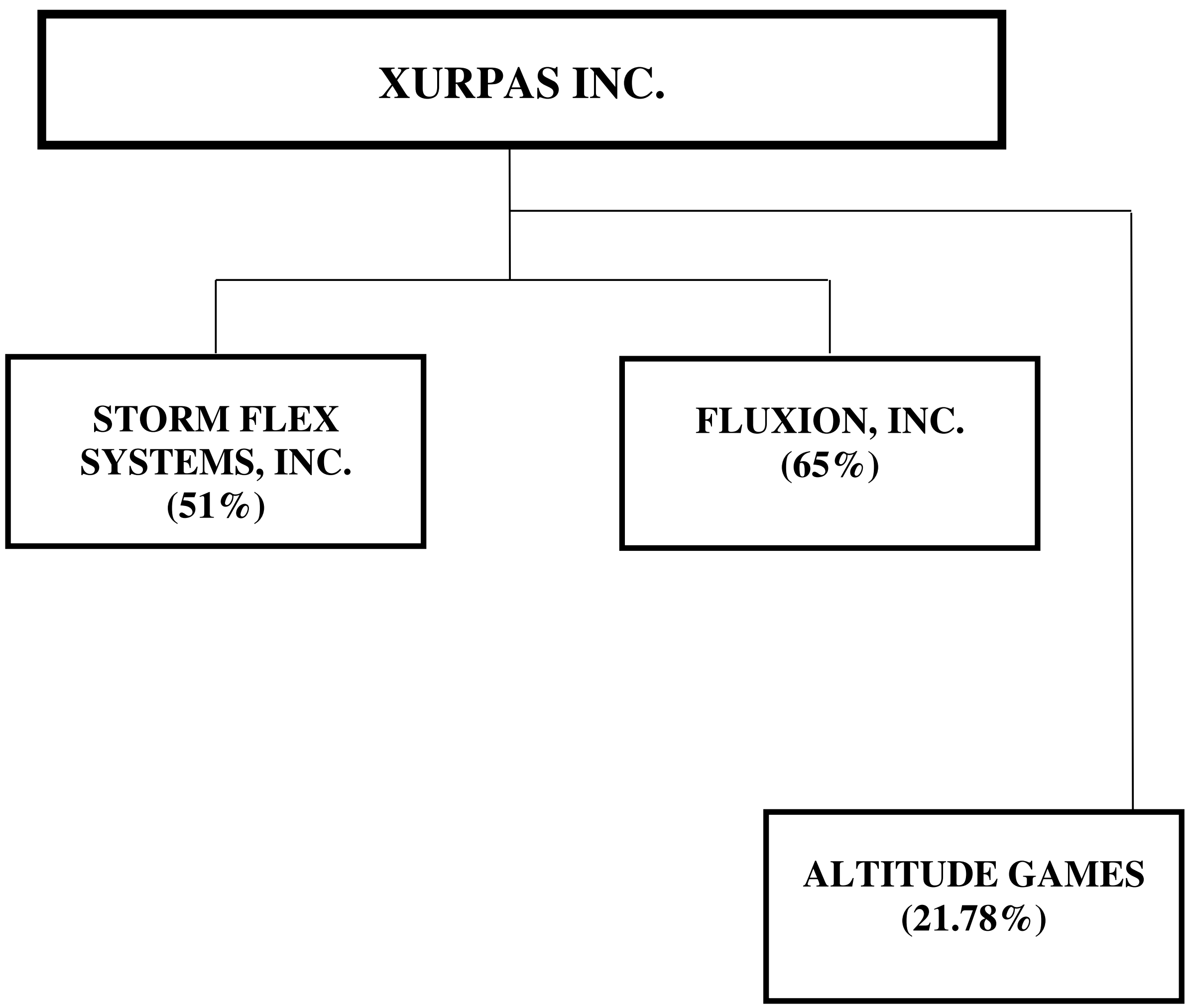
	Neither Past Due nor Impaired	**Past Due but Not Impaired**			**Impaired Financial Assets**	**Total**
		<30 days	**30 to <90 days**	**>90 days**		
Trade receivable	**₱64,524,824**	**₱42,062,531**	**₱3,800,418**	**₱61,495,348**	**₱100,662**	**₱171,983,783**
Receivable from related parties	**–**	**–**	**4,741,831**	**2,318,032**	**–**	**7,059,863**
Advances to employees	**1,758,676**	**100,000**	**–**	**367,208**	**–**	**2,225,884**
Interest receivable	**484,115**	**–**	**–**	**–**	**–**	**484,115**
Others	**36,004**	**–**	**–**	**–**	**–**	**36,004**
	₱66,803,619	**₱42,162,531**	**₱8,542,249**	**₱64,180,588**	**₱100,662**	**₱181,789,649**

December 31, 2014

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

XURPAS, INC. AND SUBSIDIARIES

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



XURPAS INC. AND SUBSIDIARIES

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing costs			✓
	Amendments to PFRS 1: Meaning of 'Effective PFRSs	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities	✓		
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term receivable and payables	✓		
	Amendments to PFRS 13: Portfolio Exception	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
	Other Comprehensive Income			
	Amendments to PAS 1: Clarification of the requirements for comparative information	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of servicing equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits			✓
	Amendments to PAS 19: Actuarial Gains and Losses, Group plans and disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 28	Investment in Associate	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Tax effect of distribution to holders of equity instruments	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim financial reporting and segment information for total assets and liabilities	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Interrelationship between PFRS 3 and PAS 40			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum 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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
IFRIC 18	Transfers of Assets from Customers			✔
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✔
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✔
IFRIC 21	Levies			✔
SIC-7	Introduction of the Euro			✔
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✔
SIC-12	Consolidation - Special Purpose Entities			✔
	Amendment to SIC - 12: Scope of SIC 12			✔
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✔
SIC-15	Operating Leases - Incentives			✔
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✔
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✔
SIC-29	Service Concession Arrangements: Disclosures.			✔
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✔
SIC-32	Intangible Assets - Web Site Costs			✔

XURPAS INC. AND SUBSIDIARIES

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

	March 31, 2015
Unappropriated Retained Earnings, beginning	₱86,025,332
Adjustments:	
(See adjustments in previous year's Reconciliation)	–
Unappropriated Retained Earnings, as adjusted, beginning	86,025,332
Net income during the period closed to retained earnings (Parent Company)	58,190,137
Add (less):	
Equity in net loss of associate	514,299
Deferred tax asset income	1,543,880
Unrealized gain in financial assets at FVPL	1,935,532
	62,183,848
Unappropriated Retained Earnings, end available for dividend distribution	₱148,209,180

XURPAS INC. AND SUBSIDIARIES
FINANCIAL RATIOS

Financial Ratios	March 31, 2015	December 31, 2014
A. Current ratios		
Current ratios	944.13%	1,241.72%
Quick ratios	930.99%	1,237.62%
B. Solvency ratios/ debt-to-equity ratios	15.21%	*This is not applicable as the Group has no short term and long term debt as at December 31, 2014.*
C. Asset-to-equity ratios	116.07%	111.84%
D. Interest rate coverage ratios	226,334.68	*This is not applicable as the Group has no interest expense incurred from short-term and long-term for the year ended December 31, 2014*
E. Profitability ratios		
Net income margin	46.17%	48.13%
Gross margin	77.24%	70.17%
Operating margin	68.75%	63.95%
Return on total assets	3.49%	19.82%
Return on equity	3.98%	22.94%