F-I-R-S-T Carbon Solutions 2015 Sustainability Report

Introducing Organized Disruption where science and technology is used for sustainable development

FIRSTCARBONSOLUTIONS™

AN ADEC INNOVATION

ABOUT THE COVER

Environment and sustainability are at the heart and core business of most companies. We need to introduce "organized disruption", an innovation initiated at a phase where science and technology is utilized by policy makers and civil society for sustainable development. F-I-R-S-T Carbon Solutions provides the platform for better decision-making as we embrace data as the new currency.

The design features boxes arranged in a seemingly haphazard manner but nevertheless held together by a larger background. The background resembles a computer motherboard, representing technology. Some of the boxes contain images that represent advances in renewable energy and other technologies based on sustainable principles. Other boxes are blank and empty, to signify how organized disruption depends as much on existing technologies as it does on exploring uncertainties, providing new answers and uncovering new possibilities.

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CHAIRMAN'S MESSAGE

Dear Fellow Stakeholders:

We are honored to present to you, our fellow like-minded environmental stewards, this second annual sustainability report. F-I-R-S-T Carbon Solutions remains steadfast in pursuing its vision of advancing sustainable practices around the world, as well as helping corporations and organizations grow responsibly in the light of sustainable development. This report evaluates the progress made by the Company on the United Nations Global Impact's Ten Principles centred on human rights, labor, environment and anti-corruption over the past year. In 2015, we added fully-integrated Business Intelligence to the FCS service portfolio to ensure we continue to provide some of the best Environmental, Social and Governance (ESG) solutions to clients worldwide.

At the heart of our business is a technological breakthrough that transforms the surface of the industry, enabling organizations and introducing disruption. We create a nexus of science, policy and social development by delivering goods faster to the market. We foster innovation through the continuous development of products and services that not only respond to the requirements of the clients, but add significant value to the environmental, social and management interface. Our flagship product, the Sustainability WorkBench – a robust software-as-service, serves as a scalable platform that monitors and improves the sustainability as well as the financial and operational performance of our customers. Together with the launched fully integrated Business Intelligence tools, we create a new dimension to technology, propelling the organizations toward the realization of their vision.

As the challenges to data revolution and climate change progress, rest assured that our company shall take the lead in developing innovative measures in the realm of Environmental, Social and Governance. It is through the cohesiveness of our business intelligence formula that cost-effective consulting, data management and software solutions are weaved into a comprehensive tool, optimizing the resources of our clients and aiding them to operate efficiently. We believe that by advancing data transparency, accountability and innovation, we can together drive businesses and organizations toward sustainable development, leaving a lasting impact.

Our company has a vision of participating in societal change by utilizing big data for sustainable development and initiating a revolution of change. Our business is about organized disruption. Data revolution needs to take place within organized disruption by becoming a conduit for organizations, private sectors, policy makers and society to catalyze change and establish an innovative thinking approach as we recognize data being the new currency.

James M. Donovan
Chairman
F-I-R-S-T Carbon Solutions

ABOUT THIS REPORT

Scope and Limitations

This is the second-released sustainability report of F-I-R-S-T Carbon Solutions since 2014, which covers the 2015 fiscal year. The content includes the assessment of the sustainability pillars: economic, environmental, social and governance programs. In continuity with last year's report to the United Nations Global Compact, materiality aspects for each element of the sustainability pillars were used this year to evaluate the progress made on the Ten Principles, covering the aspects of human rights, labor, environment and anti-corruption. A table mapping the Ten Principles of the United Nations Global Compact is annexed to this report, as a reference (Annex A).

The objectives of the F-I-R-S-T Carbon Solutions Sustainability Report for 2015 include:

- The identification and evaluation of the F-I-R-S-T Carbon Solutions business operations, particularly the materiality aspects that have significant impacts to economy, environment and society;
- The progress made in improving and implementing the human rights, labor, environmental and anti-corruption policies and management over the past year; and
- The innovation toward sustainable development employed by F-I-R-S-T Carbon Solutions, responding to data revolution and consequently, promoting transparency and accountability in the market.

In 2015, F-I-R-S-T Carbon Solutions launched fully integrated Business Intelligence tools, governing the integration of cost-effective consulting, data management and software solutions, to address the specific needs of the client. This breakthrough has been considered in the scope of this report development.

The details and information provided in this Sustainability Report are applicable to F-I-R-S-T Carbon Solutions in the Philippines, and do not cover the offices or global network in other countries.

Development

The materiality aspects of the 2015 sustainability report have been mostly based on the 2014 report, with additional elements highlighting the improvements made over a year. The content of the report revolved on the significant materiality aspects for each of the four sustainability pillars, translating to environment, human resources, social value, and market/economic value. The significant topics were based on the company's best practices and the previous year's criteria to determine any progress in F-I-R-S-T Carbon Solutions' operation and management as compared to 2014 efforts. Inputs from stakeholders including leads of organizational entities were also considered in determining the materiality of the report. Regular and weekly consultations were conducted with the finance, purchasing, human resource, legal, internal audit, research and development, compliance office, facilities group and operation team to consolidate the significant elements and aspects that need to be included. The chosen topics address the Ten Principles of the United Nations Global Compact, as mapped in the attached table (Annex A).

The financial stability as a product of the Company's innovative and sustainable approach in 2015 is presented as Annex B.

ABOUT F-I-R-S-T CARBON SOLUTIONS

Company Profile

F-I-R-S-T Carbon Solutions Corporation, incorporated in the Philippines, is a leading global provider of environmental and compliance solutions through integrated information technology, business intelligence and Environmental, Social and Governance consulting services.

Who We Are

F-I-R-S-T Carbon Solutions promotes and enhances sustainable practices around the world and helps organizations improve their business operations, including their financial and environmental performance. F-I-R-S-T Carbon Solutions delivers cost-effective consulting, data management and software solutions to help various clients maximize their time and resources, reduce costs, address environmental impacts and improve operational efficiencies. The Company ensures that the ever-evolving environmental and compliance needs of the business, industry, governments, institutions, and non-profit organizations are met.

What We Do

F-I-R-S-T Carbon Solutions develops comprehensive solutions through consulting, software and processing services in the fields of:

Environmental assessment and planning

Manage and address sensitive environmental concerns and impacts on air, biological and cultural resources, urban planning and noise to help the client comply with regulatory processes.

Energy, air and carbon management

Identify impacts and recommend cost-effective measures related to air, health and climate action; monitor and manage air and energy information to reduce energy consumption and alleviate air emissions; and track utilities, waste, and energy and water consumption to encourage savings and maximize resources.

Sustainability and supply chain management

Improve operational efficiency, enhance brand reputation, and drive significant reductions in resource costs and use. F-I-R-S-T Carbon Solutions helps clients understand and improve environmental performance internally and across the supply chain to directly benefit a client's bottom line. And, as the exclusive CDP scoring and sustainability outsourcing partner for since 2011, F-I-R-S-T Carbon Solutions has advised hundreds of organizations around the world how to improve and better communicate their climate change mitigation strategies. In addition, we have worked with a number of leading companies around the world to gather accurate environmental and social sustainability metrics from their global suppliers in order to provide them with unprecedented information transparency and ensure they are operating sustainably throughout their expansive supply chain.

Entitlement and permitting

Process applications for permitting and documentations for regulatory purposes including:

- Site Investigation Reports
- Entitlement Processing
- License Management
- Project Management

Software and data processing

Automate and monitor utility consumption, sustainability metrics, and other operational factors using F-I-R-S-T Carbon Solutions web-based platform, the Sustainability WorkBench. Data management services range from information collection, standardization, quality assurance to storage.

Consulting and data management are backed up with back office data processing to reduce cost and improve operational efficiency.

Where We Work

F-I-R-S-T Carbon Solutions is registered in the Philippines, with a total of 13 offices and global networks in North America, Europe, Africa, Australia and Asia. This Sustainability Report covers information related to the operation of the F-I-R-S-T Carbon Solutions in the Philippines only.

Philippines (Principal Business)
26th Floor, Philippine AXA Life Centre Sen. Gil Puyat Avenue, Makati City

Vision, Mission and Values

F-I-R-S-T Carbon Solutions is a leader in Environmental, Social and Governance solutions. The Company is guided by its vision of creating impact towards sustainable development, challenging the market by advancing data transparency, accountability and innovation. F-I-R-S-T Carbon Solutions provides impact by introducing efficient and effective technological breakthroughs, processes and solutions.

VISION
Impact is our Business

MISSION
To create value by redefining and delivering innovative Environmental, Social and Governance (ESG) solutions worldwide.

Core Values

F-I-R-S-T Carbon Solutions business is anchored on the CERTIC core values. With a high level of corporate standards, strong multilateral affiliations and business founded on values and quality service, F-I-R-S-T Carbon Solutions develops the most feasible innovations that address the Environmental, Social and Governance requirements of its clients across the globe.

C

Customer Focus
Continuously understanding the unique needs of our clients, enabling us to deliver unparalleled customer solutions through our world-class services.

E

Excellence
Being dynamic, innovative and passionate for learning, fueling our relentless pursuit to achieve the highest levels of standards in everything we do.

R

Respect
Treating stakeholders, clients, employees, suppliers and community with courtesy and compassion.

T

Teamwork
Proactively working together and being accountable to each other to achieve our goals.

I

Integrity
Advocating honesty in our workplace by doing the right thing even when no one is looking.

C

Commitment
Making things happen by creatively maximizing our resources to ensure each other's success.

Ownership

Sixty-percent (60%) of F-I-R-S-T Carbon Solutions is owned by REDECS Green Holdings Corporation, while the remaining 40% is equally shared by JICA BPO Holdings Limited and ADEC Solutions, Ltd. Green Holdings Corporation, the parent company, is registered in the Philippines, with business engaged in property disposal including real estate. F-I-R-S-T Carbon Solutions receives trickle capital from the private organizations, but refuses any financial or material favor from the government.

Ownership Structure
(as of December 31, 2015)

Advocacy, Certifications and Recognitions

Associations, Affiliations & Partnerships

The Chairman of F-I-R-S-T Carbon Solutions, James Donovan, is the appointed head of the Assessment Methodologies, Data and Information Working Group for the Global Environment Outlook 6 of the United Nations Environment Programme. He has also been appointed to become part of the Business Advisory Board of the United Nations Economic Commission for Europe. ADEC Innovations, the parent company of F-I-R-S-T Carbon Solutions, has also entered into an agreement with the United Nations Office for South-South Cooperation since 2015 to facilitate the Global CEO Alliance toward the achievement of the Sustainable Development Goals. Still in 2015, ADEC Innovations partnered with the Asian Institute of Management for the establishment of a Public-Private Partnership Research Laboratory.

F-I-R-S-T Carbon Solutions is associated with advocacies related to business, green building, healthcare, and information technology through affiliations with local and international organizations.

ASSOCIATION OR AFFILIATION	STATUS
CDP (formerly Carbon Disclosure Project)	*One of CDP's scoring partners and go-to solutions provider
British Chamber of Commerce Philippines	Active Partner
Philippines-New Zealand Business Council	Active Partner
Australian-New Zealand Chamber of Commerce	Active Partner
American Chamber of Commerce	Active Partner
European Chamber of Commerce of the Philippines	Active Partner
Philippine Green Building Council	Active Partner
Australia Philippines Business Council	Active Partner
Healthcare Information Management Outsourcing Association of the Philippines	Active Partner
IT & Business Process Association Philippines	Active Partner
Philippine Business for Environment, Inc.	Active Partner
Philippine Software Industry Association	Active Partner

F-I-R-S-T Carbon Solutions is a company within the ADEC Innovations group of companies and has established partnerships with other consultancy and software engineering companies to provide value-added services and cater to the additional requirements of the clients, particularly in environmental and carbon management.

Climate change

Third party audit

Sustainable business

Energy Efficiency

Third party audit

Energy, economic & ecological

Sustainability management

Management Systems

Providing quality service is of utmost importance to F-I-R-S-T Carbon Solutions; hence, the Company continuously seeks consistency and excellence in its process and system, enabling optimum standard and security. F-I-R-S-T Carbon Solutionsis recognized for its best practices by industries and global certifying bodies.

CDP-Accredited Provider

- Exclusive Supply Chain Scoring Partner since 2011
- Primary Investor-Led Scoring Partner since 2013
- Exclusive Sustainability Outsourcing Partner since 2013
- Gold Consulting Partner since 2011
- Silver Software Partner since 2011

Information Security Management Systems ISO/IEC 27001:2005

- Data receipt and downloading
- Data research, evaluation, analysis, and abstracting
- Data conversion and entry, and data uploading

Environmental Management System (ISO 14001:2004)

- Identification and analysis of environmental aspects
- Establishment of objectives, targets, and programs
- Management and reduction of environmental impacts
- Compliance to applicable legal and environmental "laws and regulations"

Quality Management System ISO 9001:2008

- For the provision of global business process sourcing services

Sedex Member Ethical Trade Audit assessed

Awards and Recognitions

F-I-R-S-T Carbon Solutions and its parent and sister companies received awards and recognitions for its responsible and sustainable business operation, environmental initiatives, and innovation efforts.

Year 2014

- ADEC Innovations, the parent company of F-I-R-S-T Carbon Solutions, won in the **Business Responsibility & Ethics** category and received a special citation in the "Energy Management" category at the 1st Sustainable Business Awards Philippines.
- F-I-R-S-T Carbon Solutions' affiliate technology company, the Envirosite Corporation, bagged the **Oracle Technology Company of the Year Award** at the Asia CEO Awards.
- F-I-R-S-T Carbon Solutions' CEO, James M. Donovan, received the **South-South and Triangular Cooperation Visionary Award** from the United Nations Office for South-South Cooperation at the Global South-South Development Expo held in Washington DC.

Year 2013

- F-I-R-S-T Carbon Solutions' CEO, James M. Donovan, along with CFO Carol S. Esguerra, received the **Executive Leadership Team of the Year Award** at the Asia CEO Awards.

Year 2011

- F-I-R-S-T Carbon Solutions won the **Most Innovative Company of the Year** at the 5th Information and Communications Technology (ICT) International Awards Philippines.

Year 2010

- F-I-R-S-T Carbon Solutions won the **Best Eco-Industrial Service** at the 2010 Philippine International Eco-Show Awards.

As part of the parent company's commitment to responsible leadership in the field of sustainability, ADEC Innovations presented **The Asia CEO's Green Company of the Year** award to EMOTORS, Inc. in the prestigious 2015 Asia CEO Awards in November 2015. The award aims to encourage organizations, both corporate and non-corporate, to establish environmental protection initiatives as a response to the issue of climate change.

Products and Services

Globally Accessible Information System and Technology Platform

Sustainability WorkBench is a software-as-a-service technology platform containing a suite of Environmental, Social and Governance applications that measure carbon footprint, provide information on the impacts of business operation, and manage data. Its highly scalable and customizable feature maximizes resource use, reduces operational costs and improves sustainability performance.

Integrated Software and Data Bureau

Supply-LINK™ platform is a data supply system that has consolidated operational and personnel information sourced from retail brands, suppliers and factory managers by the data bureaus. Verified data serve as benchmarks for industries and non-governmental organizations.

Large Scale Business and Knowledge Processing

F-I-R-S-T Carbon Solutions is the Exclusive Supply Chain Scoring Partner since 2011. The Company provides scoring for investors in Canada and Benelux, India, Southeast Asia, South Africa, Australia/New Zealand, Japan, Italy and Nordic regions. Water was also part of the scoring last year. The Company has evaluated more than 15,000 disclosures. Expansion to other countries, regions and programs is ongoing. And in 2016, the Company will also be scoring Germany, Austria, Switzerland, Italy, and there will be a continued expansion of the water services.

Corporate Governance & Compliance

F-I-R-S-T Carbon Solutions Governance Structure & Directors

F-I-R-S-T Carbon Solutions is governed by the Board of Directors, and the operation is managed by four committees and overseen by the Chief Executive Officer with the assistance of the Senior Management.

Board of Directors

The Board of Directors maintains the long-term success of the company and secures the competitive edge of the company, consistent with the corporate vision and values. It conducts an independent check on the Management and ensures that the interest of the Company is at the forefront. Internal control mechanisms are fastened by the board to pursue good governance and best practices while propelling profitable growth. The Board adheres to the established process for the selection of highly qualified leaders and adoption of an effective management plan. The Board and Management hold an annual review of its strategies to align its operation with the vision, mission and values of the company.

JAMES M. DONOVAN
CHAIRMAN OF THE BOARD, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Mr. Donovan was elected as Chairman of the Board in 2013. He is concurrently the CEO of ADEC Innovations and likewise, the President and Co-founder of F-I-R-S-T Carbon Solutions in USA, Australia, and the United Kingdom. He also worked as Vice President of Lehman Brothers Investment Bank Ltd. from 1989-1991 and Vice President of Daiwa Securities from 1993-1996.

CAROLINA S. ESGUERRA
CHIEF FINANCIAL OFFICER AND DIRECTOR

Ms. Esguerra is concurrently the Chief Financial Officer and Director of REDECS Green Holdings Corporation, JICA BPO Holdings Limited and ADEC Innovations. She is also a co-founder of F-I-R-S-T Carbon Solutions in the USA, Australia and the United Kingdom.

VICENTE P. REVENTAR III
DIRECTOR

Mr. Reventar has been a Director of the Company since 2011, and concurrently, the Chairman of the Department of Quantitative Management and Information Technology at John Gokongwei School of Management, Ateneo de Manila University, where he has been a faculty member for almost 40 years. He was the President of SVI Technologies from 1997 to 2003 and served as Senior Vice President for the Home Development Mutual Fund from 1981 to 1996.

JOSE RENATO T. BADELLES
DIRECTOR

Mr. Badelles is a Director of the company and is the President and Director of AMDATEX Las Piñas Services, Inc., and AMDATEX Services Corp.

MARIA CORINA P. BUÑAG
CORPORATE SECRETARY AND DIRECTOR

Atty. Buñag has been a Director and the Corporate Secretary of the company since 2011, and the Corporate Counsel since November 2010. She is also the Director and Corporate Secretary of PharmaKPO Corporation and ADEC Innovations, and a Director of Maria Victoria Realty Development Corporation and Blue Pearl Management and Development Corporation.

DONALD R. FELBAUM
INDEPENDENT DIRECTOR

Mr. Felbaum was elected as an Independent Director of the Company in 2012. He is also an Independent Director of Merlin Philippines, Blue Cross Philippines, SPI Global and Integra Business Processing Solutions Inc, and the Managing Director of OPTEL Ltd. He is also the Vice President of PAMURI and an Ex-Officio of AMCHAM.

SHERWIN JOHN Y. LIM
INDEPENDENT DIRECTOR

Mr. Lim was elected as an Independent Director of the Company in 2012. He is concurrently the President of Asian Bonded Customs Warehouse Corporation. Previously, he was a Director of Taiga Building Products.

Board Committees

Executive Committee

The Board of Directors convenes the executive committee executive committee if needed and establishes the procedures from which the executive committee is created. The executive committee may act upon specific matters by casting a majority vote, as vested by the corporate By-Laws and within the boundaries specified by the Corporation Code of the Philippines.

Nomination, Election and Governance Committee

The primary role of the nomination, election and governance committee is to evaluate the credentials of the persons nominated and appointed by the Board, including the potential conflict of interest. The three members of the nomination. election and governance committee are also responsible for scrutinizing the Board's electoral and appointment processes and procedures. Lastly, this committee establishes the Performance evaluation mechanism of the Board and provides leadership programs and education to the members before assuming office.

Remuneration Committee

The remuneration committee develops a transparent procedure and policy for creating a remuneration package for directors and officers to ensure consistency with the corporate culture, strategy and environment. The remuneration committee is composed of the Chairman of the Board and two directors. As for the Chairman of the Board, this remuneration package shall be reviewed by a committee formed by the Vice-Chairman and two directors.

Audit and Risk Committee

The audit and risk committee assesses the oversight on financial, internal control system, audit, and monitoring of compliance with applicable laws and regulations. The audit and risk committee is composed of members with varying backgrounds on accounting, audit, finance and legal. This committee delineates the independent roles of the internal and external auditors to ensure strict compliance and avoid any conflicts. In addition, the audit and risk committee has the oversight responsibility on risk management including the Company's credit, market, liquidity, operational, legal, environmental and other legal risks, thus managing the risk exposures and activities, as well as the due diligence processes.

MANAGEMENT SYSTEM AND OPERATION

Organizational entities are supervised by the Management, with delineated tasks to oversee: Business and Controls, Risk Management, Compliance, Internal Audit and Issue Management. The business and risk information are evaluated internally by the audit committee and executives, and externally by the stakeholders, auditors, regulators, and rating agencies.

Business & Controls

F-I-R-S-T Carbon Solutions integrates quality into its system and processes, generating high-valued services and products. The quality of the operation is controlled and managed by the senior management from each organizational entity and an innovative information system. The process begins by evaluating the requirements of the client through consultation, transforming their needs and expectations into a comprehensive and tangible platform. Strategic plans are drafted to regulate the process flow. Resources such as manpower, applications, systems and trainings are pooled together to address the requirements.

Process and Management Flow

Products and services of the company goes through a continuous improvement cycle following the Project Lifecycle Management, consisting of five phases to ensure utmost quality for the client. This project delivery framework is designed to highlight the objectives and expectations of the client. The Project Lifecycle Management includes a cohesive platform that weaves the functional efforts of the project team and the interface of departments and entities, thus adding value to the service and product delivered to the client.

ISO 31000:2009 Risk Management Standard Framework

F-I-R-S-T Carbon Solutions regularly improves the existing process and quality of the operation through the Performance Management, Improvement and Monitoring Systems. The company has a standard protocol for process reviews and mapping to identify areas for improvement. Corporate Standards initiates the process flow, going through the phases of inception, planning, execution, communication, approval, reporting and monitoring. There are key performance metrics to determine the conformance of the product to the specified requirements. Feedback and online survey have been established to gauge client satisfaction, whether their expectations have been met or even surpassed.

F-I-R-S-T Carbon Solutions also conducts internal audit on the existing process and organization's conformance to Quality Management System. The performance evaluation mechanism is part of the continual improvement philosophy of F-I-R-S-T Carbon Solutions where opportunities for product and service enhancement are identified and corrective actions are implemented on any identified non-conformance.

Risk Management

Transparency through Relations

Investor Relations

The stockholders and investors are engaged in the decision-making process of the Board as they are recognized as the backbone of the company. Stockholders convene in the Annual General Meeting to ratify the actions and approve the financial statements and established remuneration policies of the Board. The event also serves as an avenue for the stockholders to voice their issues and concerns to the Board.

Media Relations

The corporate maintains a good relationship with the media and monitors its exposure in the media outlets. The company maximizes the potential of media as conduit of information by sending out at least two exposures in a month and conducting media rounds.

Risk Management

Risk assessment is conducted annually using the International Organization for Standardization (ISO) 31000:2009 – Risk Management Standard framework, involving all offices, the Management and the Board.

ISO 31000:2009 Risk Management Standard Framework

Business Risks

The identified risks for the past two years include the following:

- **Foreign currency risk** – Exposure of the company to currency exchange rates and the risk of translating foreign-currency financial assets into Philippine pesos are up as primary transactions are carried out overseas in United States, New Zealand, and Australia.

- **Interest rate risk** – This is considered as not material. There is no existing financial instrument subjected to floating interest rate except cash in banks.

- **Liquidity risk** – Cash outflows monitored on a day-to-day and week-to-week basis, and a 30-day projection, while long-term liquidity needs for six months and one year are identified monthly.

- **Credit risk** – Risk that a counterparty may fail to discharge, caused by granting of advances and recognition of receivables.

- **Business continuity during natural disasters and man-made events** – The vulnerability of the headquarter office in the Philippines to natural disasters poses risks to the operation of the company. A Business Continuity Management Plan has been created to equip the company with business continuity measures should an emergency or disaster occur. This is to aid the resumption of the business activities during calamity or natural unforeseen events.

- **Technology risks** – Arising competition against technological trends in terms of mobility, computing, processing and big data analysis. F-I-R-S-T Carbon Solutions develops innovative solutions, services and more advanced processes to negate the risk to profitable growth.

- **Information security risks** – Data security and breaches may disrupt F-I-R-S-T Carbon Solutions' system. F-I-R-S-T Carbon Solutions is liable for any issues on security and transmission of information from client to the system. Risk of unauthorized disclosure of information may result to negative publicity, law suits, penalties and other business damages. A separate department primarily focused on Data and Information Security has been established to ensure that mitigating measures are in place for these types of risks.

Internal Control Mechanism Against Risks

The company's internal control environment includes the roles of the:

- **Board** that oversees the management and supervision of the company;
- **Management** that directly manages and operates the organizational entities;
- **Management information and risk management reporting systems** that support the organizational and procedural mechanisms; and
- **Independent audit party** that monitors and evaluates the effectiveness and efficiency of the company's operations.

COSO Enterprise Risk Management Framework

The Board performs specific internal control mechanisms as part of its oversight responsibility, which includes the definition of functions and selection of the most credible person for the CEO position, evaluation and approval of the senior management appointments, and review of the company's human resource policies and programs for the employees.

The internal audit organization of the company, led by a Chief Internal Auditor, ensures adherence of the Board, Management and shareholders to the established organizational and operational controls, guided by the Internal Standards on Professional Practice of Internal Auditing and in accordance to the framework of the Committee of Sponsoring Organization of the Treadway Commission (COSO). They report at a level that fulfills their mandate.

There are three lines of defense for risk management and control. The first line consists of the internal controls which are owned and managed by the operational managers, with the identification, assessment, control and mitigation of risk mechanism in place. The risks are managed from the business units up the centralized processes including products and legal entities, and across the organizational hierarchy. At the second line of defense, the risk and compliance oversight is scrutinized by ensuring the effective implementation of the risk management practices by the operational management.

Three-Line Defense Mechanism

There are compliance and controllership functions to monitor various risks including noncompliance with applicable laws and regulations, and regulate financial risks and financial reporting issues, respectively. The third line is composed of an independent body that reports to the audit committee, as well as to the executive management. This last line of defense, the internal audit, deals with the identified significant risks and ensures the quality of the governance, risk management and internal controls based on the highest level of independence and objectivity.

Improvement Management System

F-I-R-S-T Carbon Solutions has an open communication channel, known as the Improvement Management System (IMS), which also serves as a grievance mechanism for the employees to air various types of concerns including, but not limited to, fraud, information and infrastructure security and other auditable matters. Concerns may be communicated online, via telephone, and email or post, which shall be monitored and resolved by an independent body. An Improvement Management System has been created by the company to promote transparency and open communication at all levels of the organization. The matter could be escalated to the higher authority depending on the gravity of the subject and level of position or office of the complainant. In 2015, no grave concerns were forwarded to the Board or Management.

Compliance

F-I-R-S-T Carbon Solutions has access to certifications that recognize the Company's well-maintained and highly-innovative system in addressing environmental impacts, threat to information security, non-conformance and trade concerns. The Company observes the international requirements related to environment, information, quality and trade, as well as national and local standards, laws and regulations.

ISO 14001:2004, Environmental Management System

The Environmental Management System of F-I-R-S-T Carbon Solutions aims to guide its employees toward environmental compliance and encourage best practices on resources and energy conservation, and waste management, in accordance to the ISO 14001 requirement. The identified environmental aspect is monitored and controlled by each department in the process and operation, and cascaded to the employees. Suppliers are involved in the implementation of the Environmental Management System requirement as well. Significant impacts of each process, product and services to air, land, and water, and factors contributing to energy and water consumption, and waste generation across all departments are regularly evaluated, at least once a year. Corresponding mitigation to potential environmental impacts are integrated in the F-I-R-S-T Carbon Solutions system and operation. F-I-R-S-T Carbon Solutions has a Pollution Control Officer to ensure compliance with environmental laws and regulations and observance of the Company's environmental policy. In addition, employees are exposed to environmental initiatives such as tree planting activities to gain awareness and inculcate vigilance.

ISO/IEC 27001:2005, Information Security Management Systems

Information Security Management Systems minimizes the risk to business as the "information assets from all possible threats are secured from any unauthorized access, use, disclosure and other forms of distortion." Having an Information Security Management Systems system eliminates information security incidents and reduces its potential impacts to the business, clients and stakeholders. The Information Security Management Systems scope includes the F-I-R-S-T Carbon Solutions services, research, communication, administration services and application and development services. Integrity and confidentiality of information is at the core of business. F-I-R-S-T Carbon Solutions observes the International Organization for Standardization and the International Electrotechnical Commission 27001:2005 requirements, as well as the regulations and legislations on data storage, security and privacy. Security breaches are reported and investigated, as annual audit of the system is regularly done. Operational risks are reduced through risk management, business continuity management, awareness campaign and refresher courses for employees, and systematized access control to information.

ISO 9001:2008, Quality Management System

Quality service is integral into the business of F-I-R-S-T Carbon Solutions. The company provides the highest quality service, delivered on time, every time. The Quality Management System is anchored on customer satisfaction. F-I-R-S-T Carbon Solutions harmonizes its operation with quality by establishing a quality policy, conducting management reviews, setting strategic action plans, allocating resources and advancing the corporate quality objectives. F-I-R-S-T Carbon Solutions has initiated Quality Programs for Operations for its employees such as the Clash of Channels in 2015 and KAIZEN Programs in 2014.

Sedex Member Ethical Trade Audit

Sedex Member Ethical Trade Audit is not a certification, but an audit procedure highlighting ethical audit and good trade practices. Together with the internal and international audit mechanisms, F-I-R-S-T Carbon Solutions also observes the Sedex Member Ethical Trade Audit for a high-quality output that is acceptable to various retailers and trading organizations, encouraging greater transparency of audit. Sedex Member Ethical Trade Audit combines Ethical Trading Initiative code and local law as a measurement tool and incorporates the fields of healthy and safety, labor standards, environment and business ethics.

The Company conducts competency-building, training and awareness activities including Integrated Management System online quiz challenges and Certification Trainings.

Internal Audit

Internal auditors of F-I-R-S-T Carbon Solutions hold the check and balance of the Company. The auditors conduct activities such as human relations, confidentiality, values, proficiency and supervision requirements to monitor the Company's compliance to policies and regulations. Internal audit procedures are also based on the International Professional Practices Framework that contains the mandatory guidelines from the Institute of Internal Auditors.

F-I-R-S-T Carbon Solutions evaluates the Company's conformance to the established policies, procedure and customer requirements including ISO 14001:2004, ISO 27001:2005 and ISO 9001:2008 according to the operating procedure specified in the Internal Integrated Management Systems Audit. The procedure encompasses planning, audit, recording and reporting of the assessment results. The team of auditors is formed by qualified personnel with Internal Audit Training as minimum requirement. Internal management audits are conducted annually, except for instances concerning quality, delivery, customer satisfaction that needs investigation. Other audit activities include the Physical and Safety Inspection of company premises.

External party auditors are also sought to maintain the check and balance of the system. Independent auditors such as the P&A Grant Thornton run through the financial statements and other compliance requirements of the Company, ensuring that no residual nonconformance is left behind.

Issue Management

F-I-R-S-T Carbon Solutions controls nonconformity through the Issue Management System and Procedure, which involves personnel, processes, equipment and other resources. The Issue Management System is a platform that receives the issues, concerns and complaints from the employees, from which they are stored, monitored, evaluated and resolved. Levels of access to the system and operating procedures are detailed in the Systems Management Procedure. The system is accompanied by an operating procedure to ensure that all observations are well-accounted and effectively managed, taking appropriate action to address the root cause of the problems and prevent their recurrence. The Issue Management Procedure covers both the determined existing and potential problems and issues on processes, services, and products. Concerns are identified and assessed based on the phases of Issue Management, from identification to closure and review.

Problem Identification

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Remedial Action

↓

Root Cause Analysis & Risk Assessment

↓

Corrective & Preventive Action Plan

↓

Closure of Issue

↓

Review of Effectiveness

Sustainable Supply Chain

The supply chain of F-I-R-S-T Carbon Solutions is divided into three stages: (1) procurement; (2) development; and (3) delivery. Suppliers provide expert services, operating supplies and equipment at the procurement phase. The Company reviews the supplier's compliance and monitors its compliance to the sustainability procedures through an accreditation process. Suppliers are accredited based on the metrics of the Supplier Assessment: technical capability, quality of products and services, delivery, cost and environmental compliance. The supplier's contribution and potential risks to the Company's business are also reviewed and considered in the Supplier Accreditation process.

The materials and services are developed according to the requirements of the client. After subjecting the product to quality and assurance check procedures, the most feasible and sustainable solutions are delivered to the customers.

Sustainability Programs

F-I-R-S-T Carbon Solutions has built a sustainability working program on energy, water and waste management, involving infrastructure and policy review, monitoring and operational maintenance.

Energy Management Program

F-I-R-S-T Carbon Solutions promotes the efficient use of energy by conserving electricity and using low-energy consuming equipment. F-I-R-S-T Carbon Solutions utilizes LED bulbs instead of fluorescent lamps and as replacements to busted bulbs. In addition, airconditioning units have been replaced with energy-efficient ones. The company actively disseminates information and raises campaign on energy saving measures such as the maintenance and proper use of office equipment and electricity fixtures. Reminders on electricity-saving techniques are posted near the light switches.

In 2015, office spaces were consolidated to one building which maximized the use of utilities and reduced energy consumption. As a result of this internal movement and other energy management efforts, energy consumption has been reduced by 14% from 2014 to 2015.

Water Management Program

F-I-R-S-T Carbon Solutions monitors the company's water consumption to ensure the effectiveness of the reduction strategy. Techniques to conserve water included the use of recycled water in the sanitation facilities, use of waterless urinals, and regular check-up for any leakage and maintenance of water fixtures. In 2015, only an average of 420 m^3 of water usage was recorded.

Waste Management Program

F-I-R-S-T Carbon Solutions encourages its employees to segregate the biodegradable from non-biodegradable materials as part of the waste management scheme. Campaigns sustain the waste management activities of the company.

F-I-R-S-T Carbon Solutions has secured a permit for the liquid wastes discharged from the company. Effluent quality is measured and compared against international standards. The company's sewage treatment plant is regularly maintained. Prior to treatment, oil are physically removed through the grease traps installed in the kitchens.

Compliance with Environmental Regulations

The Company complies with the conditions specified in the project's Environmental Compliance Certificate which was issued by the Environmental Management Bureau of the Department of Environment and Natural Resources on 3 October 2014. Environmental permits for the operation of the Company have regularly been updated with the respective government issuing body. The discharge permit for the Company's effluent was renewed in April 2016 and has a validity of two years. The permit to operate for the generator sets, which are air pollution sources, is valid until year 2019. F-I-R-S-T Carbon Solutions monitors its operation and compliance to the national water and air pollution standards, and regulations on waste disposal through a self-monitoring report submitted on a quarterly basis, and a semi-annual compliance monitoring report. F-I-R-S-T Carbon Solutions has a Pollution Control Officer to evaluate and maintain the Company's adherence to environmental regulatory requirements.

Advocacies and Partnerships

F-I-R-S-T Carbon Solutions has various collaborations with non-government and multilateral institutions, and advocacy and industry groups. Together, F-I-R-S-T Carbon Solutions and its partners, pursue strategies and awareness on environment, social and governance matters. Sustainability programs are held to advance the welfare of the participating members of United Nations and the like. F-I-R-S-T Carbon Solutions attends the conferences and regular meetings and fora to discuss the sustainability programs.

HUMAN RESOURCES

Workforce

Human resources are one of the significant assets of the company. In 2015, F-I-R-S-T Carbon Solutions has a total of 77 employees, 63 of which are regular, six are probationary and eight are project-based. The distribution of employees in terms of gender is almost equal in 2015 as 51% of the total F-I-R-S-T Carbon Solutions population is female and 49% is male. F-I-R-S-T Carbon Solutions personnel are located in Makati, the business hub of the Philippines.

Conformance to Labor Laws

F-I-R-S-T Carbon Solutions complies with the national laws and regulations on employment including just compensation and benefits. The national labor code on fair wage, working hours, gender equality, and respect for diversity are closely observed in the company. Policies on discipline have been institutionalized to provide rules on the expected decorum of directors, officers and employees, including any corrective measures in case of a violation. The Code of Discipline is stipulated in the Employee Handbook.

F-I-R-S-T Carbon Solutions practices the philosophy of internal equity with regard to salary structure, taking into consideration the competency and skill set, educational attainment and qualifications of the employee; hence, the wage rate is proportional to the position. The remuneration package is competitive compared with what is available in the market, based on the national minimum wage and benefits, and considerate of the cost of living in the area. The salary increase depends on the result of the employee's annual performance evaluation, promotion and periodic job evaluation. Hiring of employees is anchored on the strategic objectives, operational and financial capacity, and foreseen return on investment.

The company conforms to the provisions of the Philippine Republic Act No. 7641, referred to as the Retirement Pay Law. Under this law, the minimum retirement age is 60 years old with at least five years of credit service. The retirement plan covers 100% of the average monthly basic salary during the last 12 credited months of service, for every year of credited service.

Employee Engagement and Development

F-I-R-S-T Carbon Solutions values its employees, as well as their professional development and wellness. F-I-R-S-T Carbon Solutions has employee engagement programs to encourage community-building, pursue advocacies and initiatives, and showcase talents, skills and abilities of employees. The programs create venues for holistic growth, foster opportunity and development, and nourish relationships across all levels. It is through employee engagement activities that exceptional talents are retained.

Learning and Development

F-I-R-S-T Carbon Solutions advances the holistic growth of its employees by providing technical and personal development trainings and workshops to its employees, particularly on leadership and effectiveness. Internal and external trainings are available depending on the knowledge and skill sets that need to be enhanced and acquired. The company has established a Learning and Development guideline for the planning, execution and evaluation of all trainings. In 2015, a total of 880 man-hours were spent for training, equivalent to an average of 11 hours per employee. Fifty-five percent (55%) of which were in-house trainings and 45% were given by third-party facilitators, with the training courses varying from technical, behavioral, core skills, functional, health and safety, and soft skills.

Town hall meetings serve as the communication bridge between the Company and employees, where employees are graced with the opportunity to raise any concerns to the company. In addition to communication avenues, F-I-R-S-T Carbon Solutions has Issue Management System as a platform for employees to convey their issues and concerns to the management. Employees are also encouraged to be part of interest groups and associations to express their freedom right. However, the company prohibits illegal assembly or any unlawful engagement or activity within the company premises and tapping the resources of the company, as stipulated in the Employee Handbook.

Health and Safety

F-I-R-S-T Carbon Solutions gives importance to the wellness, health and security of the employees. Employees of F-I-R-S-T Carbon Solutions, including their families as dependents, are enrolled in healthcare programs. F-I-R-S-T Carbon Solutions also provides and maintains a safe working environment for its employees and conducts health and safety training including fire drills. In 2015, no incident was reported translating to zero lost time record.

Advocacies and Community-Building Initiatives

The business core of F-I-R-S-T Carbon Solutions revolves around sustainability and ESG. Thus, sustainability-related and teambuilding activities geared toward the realization of these two advocacies are supported by the employees of F-I-R-S-T Carbon Solutions. There are various programs that inculcate social and environmental awareness and responsibility among employees. In 2015, F-I-R-S-T Carbon Solutions participated in Earth Hour as part of the global climate change action held during March. Employees also volunteered for the tree planting activity in the mountains of San Cristobal and Banahaw in Rizal, in the province of Laguna, where 1,250 seedlings were generated.

Employee Recognition

F-I-R-S-T Carbon Solutions recognizes the significant contributions and diligence of its employees, both in the micro and macro-scale level of the business. Loyalty awards and incentives for employees celebrating their fifth and tenth year anniversaries are part of the F-I-R-S-T Carbon Solutions Employee Recognition program.

Employee Engagement

F-I-R-S-T Carbon Solutions hosts a Team Bonding program aimed to develop sportsmanship and highlight work-life balance in the organization. The employee engagement program includes series of indoor sports tournament and other activities that foster camaraderie amongst employees.

Annual year-end event of F-I-R-S-T Carbon Solutions includes Pocket Events that showcase the talents of the employees.

Compliance with Data Privacy, Security and Storage

F-I-R-S-T Carbon Solutions ensures compliance with laws and regulations pertaining to privacy, data storage, freedom of expression, intellectual property rights and other legal requirements on information system. A designated compliance officer reviews and monitors the current system, procedures and other material aspects of the services and operation, ensuring their alignment with the statutory requirements of the Philippine Corporation Code and the Securities and Exchange Commission. Documents and generated information are well-monitored and controlled, from creation and authentication, to retrieval and archiving, preventing any unauthorized access, damage and loss.

Customer Satisfaction

Part of F-I-R-S-T Carbon Solutions' commitment is to provide the best quality products and services to its client. Periodic client feedback survey is conducted to determine client satisfaction and gather insights on how to better improve the service of the company, towards delivering excellent client experience. F-I-R-S-T Carbon Solutions caters to a wide array of services for various types of clients which can be categorized by industry, focus area and service.

Industry

- Associations
- Commercial Real Estate
- Consumer Products
- Developers
- Education
- Finance
- Food Products
- Government
- Healthcare
- Hospitality
- Industrial
- Insurance
- Manufacturing
- Municipality
- Packaging
- Retail
- Restaurants
- Telecommunications

Focus Area

- Sustainability
- Energy Management
- Environmental
- Due Diligence and Entitlements
- Supply Chain
- CDP

Service

- Consulting
- Software
- Reprographics
- Data Processing

F-I-R-S-T Carbon Solutions supports and addresses the needs of the clients through a customer services group operating 24 hours a day and 7 days a week. The company provides dedicated technical staff to valued customers, as need arises and availability permits, to immediately respond to queries, issues and concerns. Clients could tap different media forms ranging from online communication, telephone and video conferencing, and face-to-face meetings to seek assistance from FCS' customer services organization. For convenience, online self-help tools are available for customers to directly resolve minimal issues concerning the product.

Community Initiatives

F-I-R-S-T Carbon Solutions continuously implements Corporate Social Responsibility programs involving the local, national and global level. In 2015, activities include earth hour, tree planting, and medical mission.

Vendor/Supplier Accreditation and Evaluation

Vendors and suppliers undergo an accreditation process to ensure that their philosophies are aligned with the Company's. Vendors need to adhere to various national environmental, institutional and regulatory requirements and standards, as well as to the Company procedures. Compliance to these standards is covered in the prequalification and accreditation stages, and is even part of the contract obligations of the vendors and suppliers. F-I-R-S-T Carbon Solutions conducts a periodic evaluation of the performance of vendors and suppliers.

Stable Revenue

In 2015, the Company's revenue reached a total of Php 11.6 million, equivalent to $ 0.255 million. Total Comprehensive Income of Php 3.3 million was generated, equal to $ 0.073 million as reflected in the company Audited Financial Statement (Annex B). The secured and stable financial status of the company could be attributed to its innovative data processing, reliable and secured service delivery, and customizable solutions reflecting or even exceeding the clients' requirements.

Annex A

UNITED NATIONS GLOBAL COMPACT TEN PRINCIPLES and F-I-R-S-T CARBON SOLUTIONS COMMUNICATION ON PROGRESS

Commitment Matrix

The Ten Principles of the United Nations Global Compact and the F-I-R-S-T Carbon Solutions Communication on Progress

UNITED NATIONS GLOBAL COMPACT	Ten Principles	COMMITMENT Cross referenceto the Section	Page
HUMAN RIGHTS			
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights.	**HUMAN RESOURCES** Conformance to Labor Laws	31
Principle 2	Businesses should ensure that they are not complicit in human rights abuses.	**HUMAN RESOURCES** Conformance to Labor Laws	31
LABOR			
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	**HUMAN RESOURCES** Employee Engagement and Development **SOCIAL VALUE** Community Initiatives	32 - 33 36
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labour	**HUMAN RESOURCES** Conformance to Labor Laws	31
Principle 5	Businesses should uphold the effective abolition of child labour	**HUMAN RESOURCES** Conformance to Labor Laws	31
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation	**HUMAN RESOURCES** Workforce Conformance to Labor Laws Employee Engagement and Development	31 - 35
ENVIRONMENT			
Principle 7	Businesses are asked to support a precautionary approach to environmental challenges	**ABOUT FIRST CARBON SOLUTIONS** Company Profile Vision, Mission and Values	6 - 9
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility	**ENVIRONMENT** Sustainability Programs Compliance with Environmental Regulations Advocacies and Partnerships **SOCIAL VALUE** Community Initiatives	29- 30 36
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies	**ABOUT FIRST CARBON SOLUTIONS** Product and Services **ENVIRONMENT** Sustainable Supply Chain	14 28
ANTI-CORRUPTION			
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery	**ABOUT FIRST CARBON SOLUTIONS** Corporate Governance & Compliance **MANAGEMENT SYSTEM AND OPERATION** Internal Control Mechanism Against Risks Compliance Internal Audit Issue Management **SOCIAL VALUE** Compliance with Data Privacy, Security and Storage **MARKET/ECONOMIC VALUE** Vendor/Supplier Accreditation and Evaluation	15 - 18 24 - 27 36 37

Annex B
FINANCIAL STATEMENT

P&A
Grant Thornton
An instinct for growth™

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Report of Independent Auditors

The Board of Directors
F-I-R-S-T Carbon Solutions Corporation
(A Subsidiary of REDECS Green Holdings Corporation)
26th Floor, Philippine AXA Life Centre
Sen. Gil Puyat Avenue, Makati City

Report on the Financial Statements

We have audited the accompanying financial statements of F-I-R-S-T Carbon Solutions Corporation, which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Certified Public Accountants
Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd

Offices in Cebu, Davao, Cavite

BOA/PRC Cert. of Reg. No. 0002
SEC Accreditation No. 0002-FR-4

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of F-I-R-S-T Carbon Solutions Corporation as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2015 required by the Bureau of Internal Revenue as disclosed in Note 20 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Leonardo D. Cuaresma, Jr.
Partner

CPA Reg. No. 0058647
TIN 109-227-862
PTR No. 5321721, January 4, 2016, Makati City
SEC Group A Accreditation
Partner - No. 0007-AR-4 (until Apr. 30, 2018)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-7-2014 (until Aug. 5, 2017)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

March 14, 2016

F-I-R-S-T CARBON SOLUTIONS CORPORATION
(A Subsidiary of REDECS Green Holdings Corporation)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	2015	2014
ASSETS			
CURRENT ASSETS			
Cash	4	**P 1,362,969**	P 1,485,217
Trade and other receivables	5	**43,553,970**	38,743,598
Other current assets	6	**1,757,317**	3,362,074
Total Current Assets		**46,674,256**	43,590,889
NON-CURRENT ASSETS			
Property and equipment - net	7	**234,751**	527,746
Security deposits	6	**1,550,835**	-
Deferred tax assets - net	13	-	486,109
Intangible asset - net	8	-	1,829
Total Non-current Assets		**1,785,586**	1,015,684
TOTAL ASSETS		**P 48,459,842**	P 44,606,573
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	9	**P 5,424,806**	P 5,255,770
Income tax payable		-	760,702
Due to a related party	14	**4,705,450**	4,285,662
Security deposit	16	**923,663**	680,832
Total Current Liabilities		**11,053,919**	10,982,966
NON-CURRENT LIABILITIES			
Post-employment benefit obligation	12	**363,622**	358,445
Deferred tax liability - net	13	**513,892**	-
Total Non-current Liabilities		**877,514**	358,445
Total Liabilities		**11,931,433**	11,341,411
EQUITY			
Capital stock	15	**25,750,001**	25,750,001
Revaluation reserve	12	**205,494**	112,342
Retained earnings		**10,572,914**	7,402,819
Total Equity		**36,528,409**	33,265,162
TOTAL LIABILITIES AND EQUITY		**P 48,459,842**	P 44,606,573

See Notes to Financial Statements.

F-I-R-S-T CARBON SOLUTIONS CORPORATION
(A Subsidiary of REDECS Green Holdings Corporation)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	2015	2014
SALE OF SERVICES	14	**P 11,589,833**	P 28,122,699
COST OF SERVICES	10, 14	**1,887,965**	4,055,907
GROSS PROFIT		**9,701,868**	24,066,792
OTHER OPERATING EXPENSES	10, 14	**(12,256,877)**	(17,047,817)
OTHER OPERATING INCOME	11	**7,060,504**	978,841
PROFIT BEFORE TAX		**4,505,495**	7,997,816
TAX EXPENSE	13	**1,335,400**	2,382,105
NET PROFIT		**3,170,095**	5,615,711
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Actuarial gain on remeasurements of post-employment benefit obligation		**133,074**	-
Tax expense		**(39,922)**	-
	12	**93,152**	-
TOTAL COMPREHENSIVE INCOME		**P 3,263,247**	P 5,615,711

See Notes to Financial Statements.

F-I-R-S-T CARBON SOLUTIONS CORPORATION
(A Subsidiary of REDECS Green Holdings Corporation)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	Capital Stock	Revaluation Reserve	Retained Earnings	Total
Balance at January 1, 2015		P 25,750,001	P 112,342	P 7,402,819	P 33,265,162
Total comprehensive income for the year	12	-	93,152	3,170,095	3,263,247
Balance at December 31, 2015	15	**P 25,750,001**	**P 205,494**	**P 10,572,914**	**P 36,528,409**
Balance at January 1, 2014		P 25,750,001	P 112,342	P 1,787,108	P 27,649,451
Total comprehensive income for the year		-	-	5,615,711	5,615,711
Balance at December 31, 2014	15	P 25,750,001	P 112,342	P 7,402,819	P 33,265,162

See Notes to Financial Statements.

F-I-R-S-T CARBON SOLUTIONS CORPORATION
(A Subsidiary of REDECS Green Holdings Corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 4,505,495	P 7,997,816
Adjustments for:			
Unrealized foreign currency exchange losses (gains) - net		(2,125,911)	846,022
Depreciation and amortization	7, 8	294,824	518,717
Interest income	11	(56,643)	(59,972)
Operating profit before working capital changes		2,617,765	9,302,583
Increase in trade and other receivables		(2,687,575)	(4,421,521)
Decrease (increase) in other current assets		178,605	(36,595)
Increase (decrease) in trade and other payables		169,036	(304,271)
Increase in security deposits		242,831	680,832
Increase in post-employment benefit obligation		138,251	117,820
Cash generated from operations		658,913	5,338,848
Interest received		4,056	4,735
Cash paid for income taxes		(1,208,119)	(2,286,944)
Net Cash From (Used in) Operating Activities		(545,150)	3,056,639
CASH FLOWS FROM AN INVESTING ACTIVITY			
Acquisitions of property and equipment	7	-	(126,060)
CASH FLOWS FROM A FINANCING ACTIVITY			
Additions to (repayments of) due to a related party - net	14	419,788	(1,996,257)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		3,114	898
NET INCREASE (DECREASE) IN CASH		(122,248)	935,220
CASH AT BEGINNING OF YEAR		1,485,217	549,997
CASH AT END OF YEAR		P 1,362,969	P 1,485,217

See Notes to Financial Statements.

F-I-R-S-T CARBON SOLUTIONS CORPORATION
(A Subsidiary of REDECS Green Holdings Corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Corporate Information

F-I-R-S-T Carbon Solutions Corporation (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on February 25, 2009 and started commercial operations in 2011. It is presently engaged in Information Technology (IT) enabled services, primarily to foreign markets and clients, which include related parties of the Company (see Notes 14.1 and 14.2).

The Company is 60% owned by REDECS Green Holdings Corporation (REDECS or the parent company). The remaining 40% interest is held equally by JICA BPO Holdings Limited (JICA) and ADEC Solutions, Ltd. (ADEC). The parent company is also incorporated in the Philippines and is presently engaged in investing, purchasing, developing, leasing, selling, transferring or otherwise disposing of all properties of every kind, nature and description and wherever situated, including, but not limited to, real estate.

The registered office of the Company, which is also its principal place of business, is located at the 26th Floor, Philippine AXA Life Centre, Sen. Gil Puyat Avenue, Makati City. The registered office and principal place of business of the parent company is located at Bldg. 15 Don Mariano Lim Industrial Compound, Alabang-Zapote, Las Piñas City.

1.2 Proposed Change in Corporate Name

In their meeting on January 4, 2016, the Board of Directors (BOD) approved the change in the Company's corporate name from F-I-R-S-T Carbon Solutions Corporation to ADEC Innovations Corporation. The Company is still in the process of preparing the requirements for the change in corporate name to be submitted for approval by the SEC.

1.3 Approval of Financial Statements

The financial statements of the Company as of and for the year ended December 31, 2015 (including the comparative financial statements as of and for the year ended December 31, 2014) were authorized for issue by the Company's BOD on March 14, 2016.

Items included in these financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2015 that are Relevant to the Company

The Company adopted for the first time the following amendment and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after July 1, 2014, for its annual reporting period beginning January 1, 2015:

PAS 19 (Amendment)	:	Employee Benefits – Defined Benefit Plans – Employee Contributions
Annual Improvements	:	Annual Improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle)

Discussed below are the relevant information about these amendment and improvements.

(i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions*. The amendment clarifies that if the amount of the contributions to defined benefit plans from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight line basis) for the gross benefit. The amendment did not have a significant impact on the Company's financial statements since the Company's defined benefit plan does not require employees or third parties to contribute to the benefit plan.

(ii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Company but had no material impact on the Company's financial statements as these amendments merely clarify the existing requirements:

Annual Improvements to PFRS (2010-2012 Cycle)

- PAS 16 (Amendment), *Property, Plant and Equipment,* and PAS 38 (Amendment), *Intangible Assets*. The amendments clarify that when an item of property, plant and equipment and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

- PAS 24 (Amendment), *Related Party Disclosures*. The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the management entity to its employees or directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB), and approved by the Philippine Board of Accountancy.

The Company qualified as a small and medium-sized entity based on the criteria set by the SEC and as defined in the Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs). However, the Company opted to avail of the exemption provided by the SEC for mandatory adoption of PFRS for SMEs on the basis of its ultimate plan to become a subsidiary of a foreign parent company reporting under IFRS. Moreover, the Company prepared its financial statements as of and for the year ended December 31, 2014 using PFRS. In view of the foregoing, the Company's financial statements for the year ended December 31, 2015 (including for the year ended December 31, 2014) have been prepared in accordance with PFRS.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. These financial statements have been prepared on a historical cost basis. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements*. The Company presents all items of income, expenses and other comprehensive income in a single statement of comprehensive income.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Annual Improvement to PFRS (2011-2013 Cycle)

- PFRS 13 (Amendment), *Fair Value Measurement*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of and accounted for in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, or PFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32, *Financial Instruments: Presentation*.

(b) *Effective in 2015 that are not Relevant to the Company*

The following annual improvements to PFRS are mandatory for accounting periods beginning on or after July 1, 2014 but are not relevant to the Company's financial statements.

PFRS (2010-2012 Cycle)		
PFRS 2 (Amendment)	:	Share-based Payment – Definition of Vesting Condition
PFRS 3 (Amendment)	:	Business Combinations - Accounting for Contingent Consideration in a Business Combination
PFRS 8 (Amendments)	:	Operating Segments – Aggregation of Operating Segments, and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets
PFRS (2011-2013 Cycle)		
PFRS 3 (Amendment)	:	Business Combinations – Scope Exceptions for Joint Ventures
PAS 40 (Amendment)	:	Investment Property – Clarifying the Interrelationship between PFRS 30 and PAS 40

(c) *Effective Subsequent to 2015 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2015 which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Company's financial statements:

(i) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that, in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(ii) PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendment to PAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

The Company does not expect to implement and adopt PFRS 9 (2014) until its effective date. In addition, management is currently assessing the impact of PFRS 9 (2014) on the financial statements of the Company and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(iv) Annual Improvements to PFRS (2012-2014 Cycle) (effective from January 1, 2016). Among the improvements, the following amendments are relevant to the Company but management does not expect these to have material impact on the Company's financial statements:

- PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

- PAS 19 (Amendment), *Employee Benefits*. The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

2.3 Financial Assets

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32. All other non-derivative financial instruments are treated as debt instruments.

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and transaction costs related to it are recognized in profit or loss.

The Company's financial assets are currently categorized as loans and receivables and are presented as Cash, Trade and Other Receivables and Security Deposits in the statement of financial position. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets.

Loans and receivables are subsequently remeasured at amortized cost using the effective interest method for maturities extending beyond one year, less impairment losses, if any. Impairment loss is provided when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' 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 or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in the profit or loss.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.4 Other Assets

Other current assets pertain to prepayments and other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), are classified as non-current assets.

2.5 Property and Equipment

Property and equipment are carried at acquisition cost or construction cost less subsequent depreciation, amortization and any impairment losses. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Computer equipment	3 years
Office equipment	3-5 years
Furniture and fixtures	5 years

Leasehold improvements are amortized using the straight-line method over the estimated useful lives of the improvements of five years or the term of the lease, whichever is shorter.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.13).

The residual values, estimated useful lives and method of depreciation of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

Fully depreciated and fully amortized assets are retained in the accounts until these are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

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

2.6 Intangible Asset

Intangible asset includes acquired computer software license which is accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given to acquire an asset at the time of its acquisition.

Capitalized costs are amortized on a straight-line basis over an estimated useful life of three years as the lives of these intangible assets are considered finite. In addition, intangible asset is subject to impairment testing as described in Note 2.13.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software are recognized as expense in profit or loss as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.7 Financial Liabilities

Financial liabilities of the Company, which include trade and other payables (excluding tax-related liabilities), due to a related party and security deposit, are recognized when the Company becomes a party to the contractual terms of the instrument. These are recognized initially at their fair values and subsequently measured at amortized cost, using the effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the reporting period (or in the normal operating cycle of the business, if longer), or the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.8 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.9 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.10 Revenue and Expense Recognition

Revenue comprises revenue from rendering of services measured by reference to the fair value of consideration received or receivable by the Company for services rendered, excluding value-added tax (VAT).

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that future economic benefits will flow to the Company; and, the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Sale of services* – Revenue is recognized when the performance of contractually agreed tasks has been completed.

(b) *Interest* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

Costs and expenses are recognized in the statement of comprehensive income upon receipt or consumption of goods, utilization of goods and/or services, or at the date they are incurred.

2.11 Leases

The Company accounts for its leases as follows:

(a) *Company as Lessee*

Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(b) Company as Lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Company determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.12 Foreign Currency Transactions and Translation

The accounting records of the Company are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income as part of income or loss from operations.

2.13 Impairment of Non-financial Assets

The Company's property and equipment, intangible asset and other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level.

Impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.14 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for, using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.15 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit plan, and certain defined contribution plan and other benefits.

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Company's defined benefit post-employment plan covers all regular full-time employees.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets, if any. The DBO is calculated by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero-coupon government bond as published by Philippine Dealing & Exchange Corporation (PDEx), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Interest is reported as part of Other Operating Expense or Other Operating Income account in the statement of comprehensive income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(b) Post-employment Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity (i.e., Social Security System). The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Termination Benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(d) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the Trade and Other Payables account at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

2.16 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.17 Equity

Capital stock represents the nominal value of shares that have been issued.

Revaluation reserve comprises the accumulated actuarial gains and losses on remeasurements of post-employment benefit obligation, net of applicable tax.

Retained earnings include all current and prior period results of operations as reported in the profit or loss section of the statement of comprehensive income.

2.18 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Company's position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the financial statements and related notes. 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. Actual results may ultimately vary from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Company's accounting policies, management has made judgment on operating and finance leases and provisions and contingencies, which have the most significant effect on the amounts recognized in the financial statements.

(a) Distinction Between Operating and Finance Leases

The Company has entered into various lease agreements. Critical judgment is exercised by management to distinguish each lease agreement as either operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreement. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management's assessment, lease agreements that the Company has entered into are all operating leases.

(b) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish the difference between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.9 and relevant disclosures are presented in Note 16.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Estimation of Useful Lives of Property and Equipment and Intangible Asset

The Company estimates the useful lives of property and equipment and intangible asset based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and intangible asset are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment and intangible asset are analyzed in Notes 7 and 8, respectively. Based on management assessment as at December 31, 2015 and 2014, there is no change in the estimated useful lives of property and equipment and intangible asset during those years. Actual results, however, may vary due to changes in factors mentioned above.

(b) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.13). Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment losses were recognized on the Company's property and equipment, intangible asset and other non-financial assets in 2015 and 2014.

(c) *Impairment of Trade and Other Receivables*

Adequate allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Company's relationship with the customer, the customer's current credit status based on known market forces, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

No impairment loss was recognized on trade and other receivables in 2015 and 2014 because management determined that the receivables are collectible in full based on its evaluation (see Note 5).

(d) *Determination of Realizable Amount of Deferred Tax Assets*

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The carrying values of deferred tax assets (net of deferred tax liability) as at December 31, 2015 and 2014 are disclosed in Note 13.

(e) *Valuation of Post-employment Defined Benefit Obligation*

The determination of the Company's obligation and cost of post-employment benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 12.2 and include, among others, discount rates and salary increase rates. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit obligation are presented in Note 12.2.

4. CASH

Cash includes the following as at December 31:

	2015	2014
Cash on hand	**P 20,000**	P 20,000
Cash in banks	**1,342,969**	1,465,217
	P 1,362,969	P 1,485,217

Cash in banks generally earn interest at rates based on daily bank deposit rates. Interest income earned is shown as part of Other Operating Income account in the statements of comprehensive income (see Note 11).

5. TRADE AND OTHER RECEIVABLES

This account is composed of the following as at December 31:

	Note	2015	2014
Trade receivables from:			
Related parties	14.1(b), 14.2(b)	**P 42,773,474**	P 38,408,257
Third parties		**174,419**	110,580
Other receivables	14.2(d)	**606,077**	224,761
		P 43,553,970	P 38,743,598

All of the Company's trade and other receivables have been reviewed for indications of impairment. Based on management's assessment, none of the trade and other receivables is impaired as at December 31, 2015 and 2014.

6. OTHER ASSETS

The composition of this account is shown below.

	Notes	2015	2014
Current:			
Input VAT	20.1(b)	**P 778,970**	P 1,084,057
Prepaid expenses		**682,901**	839,832
Security deposits	16.1	**153,837**	1,438,185
Creditable withholding tax		**141,609**	-
		P 1,757,317	P 3,362,074
Non-current –			
Security deposits	16.1	**P 1,550,835**	P -

In connection with the four-year non-cancellable lease of the Company's office spaces from a third party (see Note 16.1), the Company made security deposits to the sublessor which will be refunded at the end of the sublease. Security deposits are carried at amortized cost using the effective interest rate at the inception of the lease contract. The fair values of the deposits are determined by calculating the present value anticipated until the end of the lease term using the effective interest rate. As the deposits do not have an active market, the interest rate was determined by reference to market interest rate of comparable instruments (see Note 19.2).

7. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2015 and 2014 are shown below.

	Computer Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Total
December 31, 2015					
Cost	P 4,848,972	P 303,417	P 594,941	P 532,686	P 6,280,016
Accumulated depreciation and amortization	(4,626,231)	(292,331)	(594,017)	(532,686)	(6,045,265)
Net carrying amount	**P 222,741**	**P 11,086**	**P 924**	**P -**	**P 234,751**
December 31, 2014					
Cost	P 4,848,972	P 303,417	P 594,941	P 532,686	P 6,280,016
Accumulated depreciation and amortization	(4,365,512)	(270,587)	(583,485)	(532,686)	(5,752,270)
Net carrying amount	P 483,460	P 32,830	P 11,456	P -	P 527,746
January 1, 2014					
Cost	P 4,480,310	P 547,404	P 593,555	P 532,686	P 6,153,955
Accumulated depreciation and amortization	(3,813,133)	(447,818)	(494,190)	(532,686)	(5,287,827)
Net carrying amount	P 667,177	P 99,586	P 99,365	P -	P 866,128

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2015 and 2014 is shown below.

	Computer Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Balance at January 1, 2015, net of accumulated depreciation and amortization	P 483,460	P 32,830	P 11,456	P -	P 527,746
Depreciation charges for the year	(260,719)	(21,744)	(10,532)	-	(292,995)
Balance at December 31, 2015, net of accumulated depreciation and amortization	**P 222,741**	**P 11,086**	**P 924**	**P -**	**P 234,751**

	Computer Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Balance at January 1, 2014, net of accumulated depreciation and amortization	P 667,177	P 99,586	P 99,365	P -	P 866,128
Additions	110,964	13,710	1,386		126,060
Reclassification	27,536	(27,536)	-	-	-
Depreciation charges for the year	(322,217)	(52,930)	(89,295)	-	(464,442)
Balance at December 31, 2014, net of accumulated depreciation and amortization	P 483,460	P 32,830	P 11,456	P -	P 527,746

The depreciation charges for the years ended December 31, 2015 and 2014 are presented as part of Other Operating Expenses in the statements of comprehensive income (see Note 10).

As of December 31, 2015 and 2014, fully depreciated property and equipment with a total cost of P4.9 million and P3.8 million, respectively, are still used in operations.

8. INTANGIBLE ASSET

Intangible asset pertains to the cost of computer software license used mainly in the Company's financial reporting system. The gross carrying amount and accumulated amortization of the asset are shown below.

	2015	2014
Cost	**P 1,402,450**	P 1,402,450
Accumulated amortization	**(1,402,450)**	(1,400,621)
	P -	P 1,829

A reconciliation of the carrying amount of the intangible asset is shown below.

	2015	2014
Balance at beginning of year, net of accumulated amortization	**P 1,829**	P 56,104
Amortization charges for the year	**(1,829)**	(54,275)
Balance at end of year, net of accumulated amortization	**P -**	P 1,829

The amortization charges for the years ended December 31, 2015 and 2014 are presented as part of Other Operating Expenses in the statements of comprehensive income (see Note 10).

9. TRADE AND OTHER PAYABLES

This account consists of the following:

	Note	2015	2014
Trade payables	14.2(a)	**P 4,370,750**	P 3,878,322
Accrued expenses	14.2(c)	**808,170**	1,141,113
Other current liabilities		**245,886**	236,335
		P 5,424,806	P 5,255,770

Accrued expenses include unpaid professional fees, rentals and utilities. Other current liabilities primarily consist of payroll-related liabilities and withheld taxes.

The carrying amount of trade and other payables, which are expected to be settled within the next 12 months from the end of the reporting period, is a reasonable approximation of their fair value.

10. COSTS AND OPERATING EXPENSES BY NATURE

The details of expenses by nature are shown below.

	Notes	2015	2014
Rentals	16.1	**P 6,303,751**	P 6,235,024
Salaries and employee benefits	12.1	**1,874,877**	2,092,680
Utilities, light and communication		**1,458,257**	1,899,309
Outside services	14.2(a)	**1,421,120**	3,063,094
Membership dues		**1,187,082**	1,204,767
Overhead		**310,364**	554,991
Depreciation and amortization	7, 8	**294,824**	518,717
Taxes and licenses	20.1(f)	**284,800**	376,037
Travel and transportation		**248,001**	233,229
Professional fees		**247,250**	2,306,767
Repairs and maintenance		**208,039**	323,745
Software costs		**156,481**	437,822
Trainings and seminar		**72,000**	68,000
Interest expense	12	**16,238**	10,900
Advertising and promotion		**-**	1,575,712
Miscellaneous		**61,758**	202,930
		P 14,144,842	P 21,103,724

These expenses are classified in the statements of comprehensive income as follows:

	2015	2014
Cost of services	**P 1,887,965**	P 4,055,907
Other operating expenses	**12,256,877**	17,047,817
	P 14,144,842	P 21,103,724

Shown below is the breakdown of cost of services for the years ended December 31:

	Note		2015		2014
Outside services	14.2(a)	**P**	**1,421,120**	P	3,063,094
Overhead			**310,364**		554,991
Software costs			**156,481**		437,822
		P	**1,887,965**	P	4,055,907

11. OTHER OPERATING INCOME

Other operating income includes the following:

	Notes		2015		2014
Rent income	14.2(d), 16.2	**P**	**4,813,840**	P	918,869
Foreign exchange gains			**2,190,021**		-
Interest income from:					
Security deposits	6		**52,587**		55,237
Cash in banks	4		**4,056**		4,735
		P	**7,060,504**	P	978,841

12. EMPLOYEE BENEFITS

12.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

		2015		2014
Short-term employee benefits	**P**	**1,752,864**	P	1,985,760
Post-employment defined benefit		**122,013**		106,920
	P	**1,874,877**	P	2,092,680

The amount of salaries and employee benefits expense is presented as part of Other Operating Expenses in the statements of comprehensive income (see Note 10).

12.2 Post-employment Benefit Obligation

(a) Characteristics of the Defined Benefit

Currently, the Company does not yet have a formal post-employment benefit plan. However, it follows the provisions of Republic Act No. 7641 (R.A. 7641), *Retirement Pay Law*, which is effectively an unfunded, noncontributory post-employment benefit plan covering all regular full-time employees, in recognizing its post-employment benefit obligation.

Under R.A. 7641, the normal retirement age is 60 with a minimum of 5 years of credited service. Normal retirement benefit is an amount equivalent to 100% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) *Explanation of Amounts Presented in the Financial Statements*

In 2014, the Company opted not to obtain the services of an actuary as management believes that the 2013 actuarial valuation report is still relevant considering that there have been no significant changes on the Company's employee profile.

In 2015, the Company obtained an actuarial valuation to determine the amount of its post-employment benefit obligation and the related post-employment benefit expense in accordance with PAS 19 (Revised).

The amount of post-employment benefit obligation recognized in the statements of financial position amounted to P0.4 million, both as of December 31, 2015 and 2014.

The movements in the present value of the post-employment benefit obligation recognized in the books as of December 31, 2015 and 2014 are as follows:

	Note		**2015**		2014
Balance at beginning of year		**P**	**358,445**	P	240,625
Current service cost			**122,013**		106,920
Interest cost	10		**16,238**		10,900
Remeasurements – actuarial losses (gains) due to:					
Experience adjustments		**(**	**154,823)**		-
Changes in financial assumptions			**21,749**		-
		P	**363,622**	P	358,445

The components of amounts recognized in profit or loss and in other comprehensive income for the years ended December 31, 2015 and 2014 in respect of the post-employment defined benefit plan are as follows:

	Notes	2015	2014
Recognized in profit or loss:			
Current service cost		**P 122,013**	P 106,920
Interest expense	10	**16,238**	10,900
		P 138,251	P 117,820
Recognized in other comprehensive income:			
Actuarial losses (gains) due to:			
Experience adjustments		**(P 154,823)**	P -
Changes in financial assumptions		**21,749**	-
Tax expense	13	**39,922**	-
		(P 93,152)	P -

The interest expense is included under Other Operating Expense account in the statements of comprehensive income (see Note 10).

In determining the amount of the post-employment benefit obligation in 2015 and 2014, the following actuarial assumptions were used:

	2015	2014
Discount rate	**3.84%**	4.53%
Expected rate of salary increases	**7.00%**	7.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 9 years for both males and females in 2015, and 14 years for males and 21 years for females in 2014.

(c) Risks Associated with the Retirement Benefit Obligation

(i) Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Sensitivity Analysis

The sensitivity of the 2015 and 2014 post-employment obligation to changes in the principal assumptions is shown below.

	Change in assumption	Impact on post employment obligation	
		Increase in assumption	Decrease in assumption
December 31, 2015			
Discount rate	**100 bp**	**Decrease by 8.5%**	**Increase by 9.8%**
Salary increase rate	**100 bp**	**Increase by 8.3%**	**Decrease by 7.5%**
December 31, 2014			
Discount rate	100 bp	Decrease by 18.0%	Increase by 23.5%
Salary increase rate	100 bp	Increase by 21.5%	Decrease by 17.0%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated using the projected unit credit method at end of the reporting period) has been applied as when calculating the pension liability recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

As at December 31, 2015, the Company is yet to determine how much and when to fund a post-employment benefit plan.

13. TAXES

The components of tax expense as reported in the statements of comprehensive income are as follows:

	2015	2014
Reported in profit or loss:		
Current tax expense		
Regular corporate income tax (RCIT) at 30%	**P 374,577**	P 2,994,214
Final tax at 20% and 7.5%	**743**	752
	375,320	2,994,966
Deferred tax expense (income) relating to origination and reversal of temporary differences	**960,080**	(612,861)
	P 1,335,400	P 2,382,105
Reported in other comprehensive income –		
Deferred tax expense relating to origination of temporary differences (see Note 12.2)	**P 39,922**	P -

A reconciliation of tax on pretax profit computed at the applicable statutory rate to tax expense reported in profit or loss is presented below.

	2015	2014
Tax on pretax profit at 30%	**P 1,351,649**	P 2,399,345
Adjustment for income subjected to lower tax rates	**(472)**	(668)
Tax effect of:		
Non-taxable income	**(15,777)**	(16,572)
Tax expense	**P 1,335,400**	P 2,382,105

The net deferred tax assets (liability) relate to the following as at December 31:

	Statements of Financial Position		Statements of Comprehensive Income			
			Profit or Loss		Other Comprehensive Income	
	2015	2014	2015	2014	2015	2014
Rental payable – PAS 17	**P 13,860**	P 124,769	**P 110,909**	P 10,887	**P -**	P -
Unrealized foreign currency exchange losses (gains) – net	**(636,839)**	253,807	**890,646**	(588,402)	**-**	-
Retirement benefit obligation	**109,087**	107,533	**(41,475)**	(35,346)	**39,922**	-
Deferred tax assets (liability) – net	**(P 513,892)**	P 486,109				
Deferred tax expense (income)			**P 960,080**	(P 612,861)	**P 39,922**	P -

The Company is subject to the minimum corporate income tax (MCIT) which is computed at 2% of gross income net of allowable deductions, as defined under the tax regulations or to RCIT, whichever is higher. No MCIT was reported in 2015 and 2014 as the RCIT was higher than MCIT in both years.

In 2015 and 2014, the Company opted to continue claiming itemized deductions in computing for its income tax due.

14. RELATED PARTY TRANSACTIONS

The Company's related parties include its parent, related parties under common ownership, Company's key management personnel and others as described in Note 2.16. Presented below and in the succeeding page is a summary of the Company's transactions with its related parties.

Related Party Category	Note	Amount of Transactions 2015	Amount of Transactions 2014	Outstanding Balances 2015	Outstanding Balances 2014
Stockholder:					
Rendering of services	14.1(b)	**P 4,653,657**	P 17,327,799	**P 26,114,998**	P 22,072,030
Advances received (paid) - net	14.1(a)	**419,788**	(1,996,257)	**(4,705,450)**	(4,285,662)
Accommodation of expenses	14.1(c)	**270,424**	473,144	**-**	-

Related Party Category	Note	Amount of Transactions 2015	Amount of Transactions 2014	Outstanding Balances 2015	Outstanding Balances 2014
Related Parties Under Common Ownership:					
Rendering of services	14.2(b)	**6,180,000**	7,640,000	**16,658,476**	16,336,227
Purchase of services	14.2(a)	**1,421,120**	3,063,094	**(3,878,322)**	(3,878,322)
Accommodation of expenses	14.2(c)	**196,421**	1,646,620	**(50,000)**	(32,129)
Rental	14.2(d)	**297,410**	278,988	**33,600**	26,012

All of the Company's receivables from related parties have been reviewed for indications of impairment. Based on management's assessment, no impairment losses are required to be recognized on these receivables at the end of each reporting period. Moreover, these receivables from related parties and advances from and payables to related parties are unsecured, noninterest-bearing and usually repaid in cash within 12 months.

The following are the details of such transactions:

14.1 Transaction with a Stockholder

(a) Advances of Funds

The Company obtains advances from ADEC primarily for working capital requirements. The outstanding balance of such advances is presented as Due to a Related Party in the statements of financial position.

The movements in the Due to a Related Party account are presented below.

	2015	2014
Balance at beginning of year	**P 4,285,662**	P 6,281,919
Additions	**419,788**	771,547
Repayments	**-**	(2,767,804)
Balance at end of year	**P 4,705,450**	P 4,285,662

(b) Rendering of Services

Starting February 2011, ADEC engaged the Company to avail of the Company's different services as enumerated in the table in the succeeding page. Services rendered are usually based on monthly service fees, as agreed between the parties, in addition to consulting services rendered. The details of the transactions with ADEC are presented in the succeeding page.

	2015	2014
Web services	**P 2,737,445**	P 2,667,105
Greenhouse gas track	**1,916,212**	1,866,973
Software development	-	8,988,144
Marketing support	-	3,805,577
	P 4,653,657	P 17,327,799

Revenues recognized from the above transactions are included as part of Sale of Services account in the statements of comprehensive income.

The outstanding receivables from services rendered to ADEC as at December 31, 2015 and 2014 are presented as part of Trade Receivables from Related Parties under the Trade and Other Receivables account in the statements of financial position (see Note 5).

(c) Accommodation of Expenses

Transactions with ADEC also include accommodation of expenses such as software subscription and other operating expenses incurred in relation to the services provided by the Company. These expenses are appropriately recognized as part of Cost of Services in the statements of comprehensive income.

There were no outstanding payable from these transactions as at December 31, 2015 and 2014.

14.2 Transactions with Related Parties Under Common Ownership

(a) Purchase of Services

The services provided by the Company to its customers are subcontracted with Amdatex Las Piñas Services, Inc. (ALPSI) which provides support services for software development, web services and other related services necessary to bring the Company's projects into completion. The cost of services recognized from these transactions is presented as Outside services under the Cost of Services account in the statements of comprehensive income (see Note 10).

The outstanding payable as at December 31, 2015 and 2014 is presented as part of Trade payables under the Trade and Other Payables account in the statements of financial position (see Note 9).

(b) Rendering of Services

The Company and ALPSI also entered into a Management Service Agreement (MSA) in which the Company will provide ALPSI sustainability and environmental management program suitable to address the needs of ALPSI. The revenues recognized from these MSA services are shown as part of Sale of Services in the statements of comprehensive income. The outstanding receivable as of December 31, 2015 and 2014 are presented as part of Trade receivables under the Trade and Other Receivables account in the statements of financial position (see Note 5).

Related Party Category	Note	Amount of Transactions 2015	Amount of Transactions 2014	Outstanding Balances 2015	Outstanding Balances 2014
Related Parties Under Common Ownership:					
Rendering of services	14.2(b)	**6,180,000**	7,640,000	**16,658,476**	16,336,227
Purchase of services	14.2(a)	**1,421,120**	3,063,094	**(3,878,322)**	(3,878,322)
Accommodation of expenses	14.2(c)	**196,421**	1,646,620	**(50,000)**	(32,129)
Rental	14.2(d)	**297,410**	278,988	**33,600**	26,012

All of the Company's receivables from related parties have been reviewed for indications of impairment. Based on management's assessment, no impairment losses are required to be recognized on these receivables at the end of each reporting period. Moreover, these receivables from related parties and advances from and payables to related parties are unsecured, noninterest-bearing and usually repaid in cash within 12 months.

The following are the details of such transactions:

14.1 Transaction with a Stockholder

(a) Advances of Funds

The Company obtains advances from ADEC primarily for working capital requirements. The outstanding balance of such advances is presented as Due to a Related Party in the statements of financial position.

The movements in the Due to a Related Party account are presented below.

	2015	2014
Balance at beginning of year	**P 4,285,662**	P 6,281,919
Additions	**419,788**	771,547
Repayments	**-**	(2,767,804)
Balance at end of year	**P 4,705,450**	P 4,285,662

(b) Rendering of Services

Starting February 2011, ADEC engaged the Company to avail of the Company's different services as enumerated in the table in the succeeding page. Services rendered are usually based on monthly service fees, as agreed between the parties, in addition to consulting services rendered. The details of the transactions with ADEC are presented in the succeeding page.

	2015	2014
Web services	**P 2,737,445**	P 2,667,105
Greenhouse gas track	**1,916,212**	1,866,973
Software development	**-**	8,988,144
Marketing support	**-**	3,805,577
	P 4,653,657	P 17,327,799

Revenues recognized from the above transactions are included as part of Sale of Services account in the statements of comprehensive income.

The outstanding receivables from services rendered to ADEC as at December 31, 2015 and 2014 are presented as part of Trade Receivables from Related Parties under the Trade and Other Receivables account in the statements of financial position (see Note 5).

(c) Accommodation of Expenses

Transactions with ADEC also include accommodation of expenses such as software subscription and other operating expenses incurred in relation to the services provided by the Company. These expenses are appropriately recognized as part of Cost of Services in the statements of comprehensive income.

There were no outstanding payable from these transactions as at December 31, 2015 and 2014.

14.2 Transactions with Related Parties Under Common Ownership

(a) Purchase of Services

The services provided by the Company to its customers are subcontracted with Amdatex Las Piñas Services, Inc. (ALPSI) which provides support services for software development, web services and other related services necessary to bring the Company's projects into completion. The cost of services recognized from these transactions is presented as Outside services under the Cost of Services account in the statements of comprehensive income (see Note 10).

The outstanding payable as at December 31, 2015 and 2014 is presented as part of Trade payables under the Trade and Other Payables account in the statements of financial position (see Note 9).

(b) Rendering of Services

The Company and ALPSI also entered into a Management Service Agreement (MSA) in which the Company will provide ALPSI sustainability and environmental management program suitable to address the needs of ALPSI. The revenues recognized from these MSA services are shown as part of Sale of Services in the statements of comprehensive income. The outstanding receivable as of December 31, 2015 and 2014 are presented as part of Trade receivables under the Trade and Other Receivables account in the statements of financial position (see Note 5).

In 2013, the Company and FCS International, Inc. (FCS International) (formerly Michael Brandman Associates) entered into a service agreement whereby the Company shall provide FCS International professional services including, but not limited to: telecommunications; management functions; marketing and design; research, reproduction and publications; information technology support and infrastructure improvements; proposal team support; and other similar or related activities. There were no services rendered to FCS International in 2015 and 2014. The outstanding receivable as of December 31, 2015 and 2014 amounting to P14.8 million is presented as part of Trade receivables under the Trade and Other Receivables account in the statements of financial position (see Note 5).

(c) Accommodation of Expenses

Transactions with ALPSI also include accommodation of expenses such as utilities, supplies, repairs and other operating expenses incurred in relation to the services provided by ALPSI, which are to be reimbursed by the Company to ALPSI. These expenses are appropriately recognized either as part of Cost of Services or Other Operating Expenses in the statements of comprehensive income.

The outstanding payable as at December 31, 2015 and 2014 is presented as part of Accrued expenses under the Trade and Other Payables account in the statements of financial position (see Note 9).

(d) Rental of Office and Parking Space

In 2015, the Company renewed its non-cancellable lease agreement with Pharma KPO Corporation for the lease of an office space. The revenues recognized from the lease are included as part of Rent Income under Other Operating Income account in the statements of comprehensive income (see Note 11). The outstanding balance as at December 31, 2015 and 2014 is presented as part of Other Receivables under the Trade and Other Receivables account in the statement of financial position (see Note 5).

14.3 Key Management Personnel Compensation

The key management personnel received a total compensation amounting to P1.6 million and P1.7 million in 2015 and 2014, respectively.

15. CAPITAL STOCK

The details of the Company's capital stock as of December 31, 2015 and 2014 are shown below.

	Shares	Amount
Authorized – at P1 par value	100,000,000	P 100,000,000
Issued and outstanding	25,750,001	P 25,750,001

As at December 31, 2015 and 2014, the Company has 3 stockholders owning 100 or more shares each of the Company's capital stock.

16. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Company:

16.1 Operating Lease Commitments – Company as Lessee

The Company is a lessee under a non-cancellable operating lease covering certain office space and facilities. In December 2015, the Company renewed its lease contract for its office space which has a term of four years, with renewal options, and includes annual escalation rates of 5%. The Company was required to make security deposits amounting to P1.6 million in connection with the lease, which shall answer for any default and any rental obligations or damages it may cause on the leased premises, but shall be refunded at the end of the lease term in case no defaults or damage is caused upon by the Company. The deposits are recognized as Security Deposits under Non-current Assets as of December 31, 2015 and as part of Other Current Assets as of December 31, 2014 in the statements of financial position (see Note 6). As at December 31, 2015 and 2014, the Company has met all the requirements of the sublease contract.

The future minimum rentals payable under this non-cancellable operating lease are as follows:

	2015	2014
Within one year	**P 7,978,330**	P 6,011,096
After one year but not more than five years	**25,371,055**	-
	P 33,349,385	P 6,011,096

Total rental expense from this operating lease amounting to P6.3 million in 2015 and P6.2 million in 2014 is presented as Rentals under Other Operating Expenses in the statements of comprehensive income (see Note 10).

16.2 Operating Lease Commitments – Company as Lessor

Starting July 2012, the Company became a lessor under a non-cancellable operating sublease covering certain office space and facilities [see Note 14.2(d)]. The sublease contract was renewed in December 2015, for a term of four years, with renewal options, and includes annual escalation rate of 5%.

In November 2014, the Company entered into another sublease agreement covering certain office space and facilities for a period of one year and one month. This was renewed in December 2015 for a term of three years, with an escalation clause of 5% each year. In connection with the sublease, the Company received P0.7 million representing the security deposit which shall be refunded to the sublessee at the end of the contract. The security deposit is presented as part of Security Deposit under the Current Liabilities section in the statements of financial position.

The future minimum rent receivables under these non-cancellable operating leases are as follows:

	2015	2014
Within one year	**P 4,211,402**	P 3,087,671
After one year but not more than five years	**9,077,209**	153,153
	P 13,288,611	P 3,240,824

Total rent income from the operating leases amounting to P4.8 million and P0.9 million for the years ended December 31, 2015 and 2014, respectively, is shown as Rent Income and is presented under Other Operating Income in the statements of comprehensive income (see Note 11).

16.3 Others

There are other commitments and contingent liabilities that arise in the normal course of the Company's operations which are not reflected in the financial statements because the possible outflow of economic resources as a result of present obligations is considered improbable or remote or the amount to be provided cannot be measured reliably.

Management is of the opinion that losses, if any, from these commitments and contingencies will not have a material effect on the Company's financial statements.

17. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to certain financial risks in relation to certain financial instruments. The Company's risk management is coordinated with its parent company in close cooperation with the BOD.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The significant financial risks to which the Company is exposed to are described below and in the succeeding pages.

17.1 Foreign Currency Risk

Most of the Company's transactions are carried out in Philippine peso, its functional currency. Exposures to currency exchange rates arise from the Company's overseas sale of services which are primarily denominated in United States (U.S.) dollars. The Company also holds U.S. dollar-denominated cash in banks.

Foreign currency-denominated financial assets translated into Philippine peso at their respective closing rates amount to P41.0 million and P37.0 million as at December 31, 2015 and 2014, respectively. As of the same period, the Company has no outstanding financial liabilities denominated in foreign currency.

The sensitivity analysis of the Company's profit before tax arising from its financial assets and the U.S. dollar-Philippine peso exchange rate assumes a reasonably possible change in rate of +/-10.42% and +/-11.56% in 2015 and 2014, respectively. These percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months estimated at a 99% confidence level. If the Philippine peso has strengthened against the U.S. dollar, with all the variables held constant, the Company's profit before tax would have decreased by P4.3 million in 2015 and 2014. Conversely, if the Philippine peso has weakened by the same percentages during the same period, profit before tax would have increased by the same amount.

17.2 Interest Rate Risk

The Company has no financial instruments subject to floating interest rate, except cash in banks, which historically has shown small changes in interest rates. As such, the Company's management believes that the interest rate risk is not material.

17.3 Liquidity Risk

The Company manages its liquidity needs by carefully monitoring cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The following are the Company's maximum liquidity risks as at December 31, 2015 and 2014, and are shown under the current liabilities section in the statements of financial position.

	Notes	**2015**	2014
Trade and other payables	9	**P 5,350,327**	P 5,190,841
Due to a related party	14	**4,705,450**	4,285,662
Security deposit	16	**923,663**	680,832
		P 10,979,440	P 10,157,335

17.4 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Company. The Company is exposed to this risk with respect to financial instruments arising from granting of advances to related parties, recognition receivables from customers as a result of services rendered and placing of deposits with banks.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as at December 31, 2015 and 2014 as shown in the detailed analysis provided in the notes to the financial statements, as summarized in the succeeding page.

	Notes	2015	2014
Cash	4	**P 1,362,969**	P 1,485,217
Trade and other receivables	5	**43,553,970**	38,743,598
Security deposits	6	**1,704,672**	1,438,185
		P 46,621,611	P 41,667,000

The Company's management considers that all the above financial assets at the end of each reporting period under review, are of good credit quality. None of the financial assets are secured by collateral or other credit enhancements.

The credit risk for Cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings. On the other hand, 98% and 99% of the Company's Trade and Other Receivables as at December 31, 2015 and 2014, respectively, are due from related parties [see Note 14.1(b) and 14.2(b)]. The Company mitigates the concentration of its credit risk by regularly monitoring the age of its receivables from this customer and ensuring that collections are received within the agreed credit period.

Security deposits were provided by the Company to lessors in relation to lease agreements covering certain office facilities (see Note 16.1). These security deposits are refundable at the end of the lease term and the Company only deals with lessors that are reputable.

Some of the unimpaired trade receivables are past due as at December 31, 2015 and 2014. The trade receivables that are past due but not impaired are as follows:

	2015	2014
Not more than 3 months	**P 2,263,598**	P 4,628,979
More than 3 months but not more than 6 months	**784,746**	3,037,620
More than 6 months but not more than one year	**2,282,098**	9,314,160
More than one year	**34,632,913**	19,740,073
	P 39,963,355	P 36,720,832

No other financial assets are past due at the end of the reporting period.

18. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to stockholders by pricing its services commensurate with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position. Capital for the reporting periods under review is summarized in the succeeding page.

	2015	2014
Total liabilities	**P 11,931,433**	P 11,341,411
Total equity	**36,528,409**	33,265,162
Debt-to-equity ratio	**0.33:1**	0.34:1

The Company sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, or sell assets to reduce debt.

19. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

19.1 Comparison of Carrying Amounts and Fair Values

	Notes	2015 Carrying Values	2015 Fair Values	2014 Carrying Values	2014 Fair Values
Financial Assets					
Loans and receivables:					
Cash	4	**P 1,362,969**	**P 1,362,969**	P 1,485,217	P 1,485,217
Trade and other receivables	5	**43,553,970**	**43,553,970**	38,743,598	38,743,598
Security deposits	6	**1,704,672**	**1,704,672**	1,490,769	1,438,185
		P 46,621,611	**P 46,621,611**	P 41,719,584	P 41,667,000
Financial Liabilities					
At amortized cost:					
Trade and other payables	9	**P 5,350,327**	**P 5,350,327**	P 5,190,841	P 5,190,841
Due to a related party	14	**4,705,450**	**4,705,450**	4,285,662	4,285,662
Security deposit	16	**923,663**	**923,663**	680,832	680,832
		P 10,979,440	**P 10,979,440**	P 10,157,335	P 10,157,335

See Notes 2.3 and 2.7 for a description of the accounting policies for each category of financial instruments. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 17.

19.2 Fair Value Hierarchy and Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

Financial assets and liabilities measured at fair value are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

(c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

Management considers that due to short duration of the Company's financial assets, such as cash and receivables, and financial liabilities, such as due to a related party and trade and other payables, measured at amortized costs, their fair values as of December 31, 2015 and 2014 approximates their carrying amounts; hence, these financial assets and financial liabilities are classified under Level 1.

The fair value of the Company's security deposits which are classified under Level 3 are recognized at amortized cost using effective interest rate at the time of payment of the deposits. Such rate is derived from the interest rate of a zero coupon government bond, as published by PDEX, which has the same term to maturity approximating the term of the related lease contracts (see Note 6).

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

19.3 Offsetting of Financial Assets and Financial Liabilities

The Company has not set-off financial instruments in 2015 and 2014 and does not have relevant offsetting arrangements. Currently, financial assets and liabilities are settled on a gross basis. As such, the Company's outstanding receivables from related parties amounting to P42.8 million and P38.4 million as of December 31, 2015 and 2014, respectively, and the Company's outstanding liabilities to related parties amounting to P8.6 million and P8.2 million as of December 31, 2015 and 2014, respectively, are stated at gross. However, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through the approval of both parties' BOD and stockholders.

20. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented in the succeeding pages is the supplementary information which is required by the Bureau of Internal Revenue (BIR) under its existing revenue regulations (RR) to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

20.1 Requirements Under RR 15-2010

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR 15-2010 are as follows:

(a) Output VAT

In 2015, the Company declared output VAT on rendering of services as follows:

	Tax Base	Output VAT
Zero-rated services	P 5,409,803	P -
Vatable services	10,656,846	1,278,822
	P 16,066,649	**P 1,278,822**

The Company's zero-rated VAT services were determined pursuant to Section 108 (B), *Zero-rated VAT on sale of services and use or lease of properties,* of the 1997 National Internal Revenue Code.

The tax base of the zero-rated services are included as part of Sale of Services while the Vatable sales are included as part of either Sale of Services or Other Operating Income in the 2015 statement of comprehensive income. The tax bases for Sale of Services and Other Operating Income are based on the Company's gross receipts for the year; hence, may not be the same as the amounts reported in the 2015 statement of comprehensive income. An equivalent amount of input VAT is applied against the amount of output VAT; hence, the outstanding balance of VAT payable is nil as at December 31, 2015.

(b) Input VAT

The movements in input VAT in 2015 are summarized below.

Balance at beginning of year	P 1,084,057
Domestic purchase of services	973,670
Domestic purchases of goods other than capital goods	65
Applied against output VAT	(1,278,822)
Balance at end of year	**P 778,970**

The outstanding input VAT amounting to P778,970 as at December 31, 2015 is presented under the Other Current Assets account in the 2015 statement of financial position (see Note 6).

(c) Taxes on Importation

The Company did not have any importations in 2015.

(d) Excise Tax

The Company did not have any transactions in 2015 which are subject to excise tax.

(e) Documentary Stamp Tax

The Company paid P30,851 of documentary stamp tax (DST) in connection with the sublease agreement that the Company entered into in 2015.

(f) Taxes and Licenses

Details of taxes and licenses are as follows:

Business permits	P	237,449
DST		30,851
Community tax certificate		10,500
Others		6,000
	P	**284,800**

The amount of taxes and licenses is presented as part of Other Operating Expenses in the 2015 statement of comprehensive income (see Note 10).

(g) Withholding Taxes

Details of total withholding taxes for the year ended December 31, 2015 are shown below.

Expanded	P	341,783
Compensation and employee benefits		290,917
	P	**632,700**

The Company has no income payments that are subject to final withholding tax.

(h) Deficiency Tax Assessments and Tax Cases

As of December 31, 2015, the Company does not have any final deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.

20.2 Requirements Under RR 19-2011

RR 19-2011 requires schedules of taxable revenues and other non-operating income, costs of sales and services, itemized deductions and other significant tax information, to be disclosed in the notes to financial statements.

The amounts of taxable revenues and income, and deductible costs and expenses presented below are based on relevant tax regulations issued by the BIR; hence, may not be the same as the amounts reflected in the 2015 statement of comprehensive income.

(a) *Taxable Revenues*

The Company's taxable revenues for the year ended December 31, 2015, which are presented as Sale of Services in the 2015 statement of comprehensive income and are subject to the regular tax rate, amounted to P11,589,833.

(b) *Deductible Cost of Services*

Cost of services, which are deductible under the regular tax rate for the year ended December 31, 2015, comprises the following:

Outside services	P	1,421,120
Overhead		310,364
Software costs		156,481
	P	**1,887,965**

(c) *Taxable Non-operating and Other Income*

The Company recognized taxable rent income in 2015 which is subject to regular tax rate amounting to P4,813,840.

(d) *Itemized Deductions*

The amounts of itemized deductions which are deductible under the regular tax rate for the year ended December 31, 2015 are as follows:

Rental	P	6,673,446
Salaries and employee benefits		1,752,864
Utilities, light and communication		1,458,257
Membership dues		1,187,082
Realized foreign exchange losses – net		778,798
Depreciation and amortization		294,824
Taxes and licenses		284,800
Travel and transportation		248,001
Professional fees		247,250
Repairs and maintenance		208,039
Trainings and seminars		72,000
Representation and entertainment		16,543
Office supplies		8,565
Bank charges		7,432
Freight charges		2,595
Miscellaneous		26,623
	P	**13,267,119**

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