PAXYS, INC.

15th Floor 6750 Ayala Office Tower
Ayala Avenue, Makati City, 1226 Philippines
Tel No. (+632) 908-7500 / Fax No. (+632) 908-7501

12 November 2014

THE PHILIPPINE STOCK EXCHANGE, INC.
Disclosure Department
4th Floor, Philippine Stock Exchange Centre
PSE Centre, Exchange Road
Ortigas Center, Pasig City

Attention: **Ms. JANET ENCARNACION**
Head, Disclosure Department

Subject: Definitive Information Statement

Gentlemen:

Enclosed is a copy of the Definitive Information Statement filed with the Securities and Exchange Commission which will be distributed at the Annual Stockholders' Meeting on 5 December 2014.

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

Very truly yours,

PAXYS, INC.

By:

MARK DAVID P. MARTINEZ
Corporate Information Officer

PAXYS, INC.

15/F 6750 Ayala Office Tower, Ayala Avenue, Makati City

SECURITIES AND EXCHANGE COMMISSION
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NOTICE OF ANNUAL STOCKHOLDERS' MEETING

To all Stockholders:

Please be advised that the annual meeting of the stockholders of **PAXYS, INC.**, will be held on **December 5, 2014** at the Manila Golf & Country Club, Harvard Road, Forbes Park, Makati City at 2:00 PM.

The agenda is as follows:

1. Call to Order
2. Proof of Notice and Certificate of Quorum
3. Approval of Minutes of previous Stockholders' Meeting
4. Management Report and Audited Financial Statements for the year ended December 31, 2013
5. Amendment of Article III of the Articles of Incorporation specifying the principal office of the Corporation pursuant to SEC Memorandum No.6 dated 20 February 2014
6. Ratification of Previous Corporate Acts
7. Election of Directors
8. Appointment of External Auditors
9. Other Matters
10. Adjournment

For purposes of the meeting, stockholders of record as of 3 November 2013 are entitled to notice of and to vote at the said meeting. Registration for the said meeting begins at 12:30 PM. For convenience in registering your attendance, please have available some form of identification, such as a driver's license, voter's ID, TIN card, SSS card or passport.

If you will not be able to attend the meeting but would like to be represented thereat, you may submit your proxy form, duly signed and accomplished, to the Corporate Secretary 15/F 6750 Ayala Office Tower, Ayala Avenue, Makati City on or before 25 November 2014. Beneficial owners whose shares are lodged with PDTC or registered under the name of a broker, bank or other fiduciary allowed by law must, in addition to the required ID, present a notarized certification from the owner of record that he is the beneficial owner, indicating thereon the number of shares. Corporate shareholders shall likewise be required to present a notarized secretary's certificate attesting to the authority of its representative to attend and vote at the stockholders' meeting. Validation of proxies will be held not later than 28 November 2014 at the office of the Company's stock transfer agent.

Makati City, Metro Manila, Philippines, 13 October 2014.

MARK DAVID P. MARTINEZ
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [] Preliminary Information Statement

   [X] **Definitive Information Statement**

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

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

4. SEC Identification Number: **6609**

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

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

7. Registrant's telephone number, including area code **(+632) 908-7500**

8. **December 5, 2014 at the Manila Golf and Country Club, Harvard Road, Forbes Park, Makati City at 2:00 PM**
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders **November 14, 2014.**

10. In case of Proxy Solicitations: **Not Applicable**

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

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

a) Authorized Capital Stock

Common shares, ₱1.00 par value	1,800,000,000 shares

b) Issued and Outstanding Shares

Common shares, ₱1.00 par value	1,148,534,866 shares

c) Amount of Debt Outstanding as of December 31, 2013 ₱-

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

    Yes [X] No [ ]

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
    Philippine Stock Exchange - **Common Shares of Stock**

PAXYS, INC.
INFORMATION STATEMENT

PART I: GENERAL INFORMATION

Date, Time and Place of Meeting of Security Holders:

The annual stockholders' meeting of Paxys, Inc. (hereafter the "Registrant" or "Company" or "Paxys") will be held on **December 5, 2014 at the Manila Golf and Country Club, Harvard Road, Makati City at 2:00 PM.**

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

The approximate date when the information statement will be first sent to security holders will be on November 14, 2014.

Dissenters' Right of Appraisal

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

a. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence (Section 81);

b. In case of the sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets (Section 81);

c. In case of merger or consolidation (Section 81);

d. In case of investments in another corporation, business or purpose (Section 42).

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

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

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

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

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

PART II: CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

As of October 31, 2014 and the record date November 3, 2014, there are 1,148,534,866 outstanding common shares entitled to notice and to vote at the meeting.

The record date for the purpose of determining the stockholders entitled to notice of, and to vote at, the Annual Meeting of Stockholders is November 3, 2014.

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

Security Ownership of Certain Record and Beneficial Owners and Management

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

As of October 31, 2014, Paxys has no knowledge of any individual or any party who beneficially owns in excess of 5% of Paxys common stock except as set forth in the table below:

Title of Class	Name and Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of Class
Common	All Asia Customer Services Holdings, Ltd. (AACSHL) Level 54, Hopewell Centre, 183 Queen's Road East Hong Kong	Expac Ltd. is the controlling shareholder of AACSHL. Expac Ltd. has no other relationship with Paxys. Paxys has no information on the ownership of Expac Ltd.	Hong Kong	630,844,038	54.93%
Common	Paxys N.V.	Paxys, Inc. owns 100% equity of Paxys N.V.	Curacao	345,622,477	30.09%
Common	PCD Nominee Corp. G/F MSE Bldg., 6767 Ayala Ave., Makati City	Beneficial owners are the clients of the PCD participants' brokers. There are no beneficial owners owning more than 5% of the Registrant's capital stock.	Philippines	170,085,375	14.81%
			Total	**1,146,551,890**	**99.83%**

The right to vote the shares of AACSHL shall be exercised through its duly appointed proxy. AACSHL has previously appointed Mr. Tarcisio M. Medalla, Chairman and President of Paxys, Inc., as proxy for past stockholders meetings. AACSHL shall appoint him proxy again for this year's meeting.

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

On 18 August 2014, Paxys N.V., a wholly-owned subsidiary of Paxys, announced a tender offer to acquire 517,690,828 common shares of Paxys representing the common shares held by the minority shareholders. The tender offer was in line with the objectives of Paxys to provide its minority shareholders with the opportunity to monetize their investments and divest of their shareholdings in the Company. The tender offer period was from 1 September 2014 through 29 September 2014, wherein a total of 345,622,477 shares were tendered. All of the tendered shares were duly accepted by Paxys N.V. and were crossed at the Philippine Stock Exchange on 8 October 2014. As of 31 October 2014, the public ownership level of Paxys is at 14.97%.

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

(2) Security Ownership of Management (as of October 31, 2014):

Title of Class	Name of Beneficial Owner	Amount of Beneficial Ownership	Citizenship	Percent of Class
Common	**Tarcisio M. Medalla** Chairman & President	1,120	Filipino	0.0001%
Common	**Christopher B. Maldia** Director	1,120	Filipino	0.0001%
Common	**Ghee Keong Lim** Director	82,800	Malaysian	0.0072%
Common	**Roger Leo A. Carino** Director and Treasurer	1,120	Filipino	0.0001%
Common	**Roberto A. Atendido** Director	1,000	Filipino	0.0001%
Common	**George Y. SyCip** Independent Director	1,120	American	0.0001%
Common	**Jose Antonio Lichauco** Independent Director	1,120	Filipino	0.0001%
Common	**Mark David P. Martinez** Corporate Secretary/ CIO	1,000	Filipino	0.0001%
Common	**Sivam Kandavanam** Director	1,000	Malaysian	0.0001%
Common	**Ana Maria A. Katigbak** Assistant Corporate Secretary	0	Filipino	-
	Total	**91,400**		**0.0080%**

(3) Voting Trust Holder of 5% or more

There are no voting trust agreements or any other similar agreement which may result in a change in control of the Company of which the Company has any knowledge.

(4) Changes in control

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

Directors and Executive Officers

NAME	POSITION	AGE	CITIZENSHIP
Tarcisio M. Medalla	Chairman & President	65	Filipino
Roger Leo A. Cariño	Director/ Treasurer	55	Filipino
Christopher B. Maldia	Director	54	Filipino
Ghee Keong Lim	Director	46	Malaysian
Roberto A. Atendido	Director	66	Filipino
Sivam Kandavanam	Director	57	Malaysian
George Y. Sycip	Independent Director	58	American
Jose Antonio Lichauco	Independent Director	55	Filipino
Mark David P. Martinez	Corporate Secretary/ CIO	33	Filipino
Ana Maria A. Katigbak-Lim	Assistant Corporate Secretary/CIO	45	Filipino

Mr. Tarcisio M. Medalla has been a Director and President of the Company since December 30, 2003. He is concurrently a Director of UT Global Services Limited, a privately held company with an RHQ in Manila and affiliated with All Asia Customer Services Holdings Ltd., an investment holding company that owns the controlling equity interest in Paxys. He has been connected with the Group since 1983. He is also a director of Pacific Online Systems Corporation, a company listed with the Philippine Stock Exchange. He graduated with a BSC degree, major in Accounting, from De La Salle University. He attended the Advanced Management Program (AMP) at the Harvard Business School. He is a Certified Public Accountant.

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

Mr. Christopher B. Maldia has been a Director of the Company since December 2003. He graduated with a Bachelor of Laws degree from the Ateneo de Manila University. He also has a Master of Laws in International Legal Studies from New York University School of Law. He is a member of the Philippine Bar and the New York Bar.

Mr. Lim Ghee Keong was appointed Director of the Company on June 3, 2005. He has more than 20 years of experience in treasury and credit management. Prior to joining the Usaha Tegas Sdn Bhd (UTSB) Group in 1995, he was attached to General Electric Capital Corporation in the US and the former Ban Hin Lee Bank in Malaysia. He is currently the Chief Operating Officer of UTSB and serves on the Boards of several other companies in which UTSB Group has interests, such as Maxis Berhad (listed on Bursa Malaysia Securities Berhad), Astro Malaysia Holdings Berhad (listed on Bursa Malaysia Securities Berhad) in which he is an alternate director and Bond Pricing Agency Malaysia Sdn Bhd, a bond pricing agency registered with the Securities Commission Malaysia. He is also a director of Yu Cai Foundation. He holds a Bachelor of Business Administration degree, majoring in Finance, from the University of Hawaii at Manoa, USA.

Mr. Roberto A. Atendido has been a Director of the Corporation since October 1, 2004. He is currently the Executive Vice Chairman of Asian Alliance Investment Corp. and President/Director of Asian Alliance Holdings and Development Corp. He is currently a member of the board of the following companies: Philippine Business Bank, Picop Resources Corporation, Sinag Energy Philippines, Pharmarex Corporation, and Macay Holdings Inc. He holds a Masters Degree in Business Management from the Asian Institute of Management.

Mr. George Y. SyCip has been a Director of the Company since October 1, 2004. He advises a variety of companies in their cross-border endeavors between the US/Europe and Asia and serves on the corporate Boards of Alliance Select Foods International Inc., Asian Alliance Investment Corp., Bank of the Orient in San Francisco, Beneficial Life Insurance Company and MacroAsia Corporation. He is also a Trustee or Director of the International Institute for Rural Reconstruction, Give2Asia, Global Heritage Fund and the California Southeast Asia Business Council. He holds a Masters Degree in Business Administration from Harvard Business School and a Bachelors degree in International Relations/Economics from Stanford University.

Mr. Jose Antonio A. Lichauco is concurrently the President of Asian Alliance Investment Corp., specializing in Investment Banking and Corporate Finance. He is also concurrently a Director of Automated Technology (Philippines), Inc. where he was previously Senior Vice-President and Chief Financial Officer. He also held positions at Insular Investment and Trust Corporation and at SGV & Co. He obtained his Masters Degree in Business Administration from Columbia University in New York, USA in 1989.

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

Mr. Mark David P. Martinez joined the Company in October 2009 and was elected as director in August 2012. He is concurrently the Company's General Counsel, Corporate Secretary and Corporate Information Officer. Prior to joining the Company, he worked as an associate attorney at Angara Abello Concepcion Regala & Cruz (ACCRALAW) for three (3) years. Mark is a member of the Philippine Bar and a Certified Public Accountant. He obtained his Bachelor of Laws degree from the San Beda College of Law, Mendiola, Manila in 2006.

Attendance

The record of attendance of the Company's directors during the board meetings held for the year 2013 meets the SEC's requirements of more than 50% attendance as indicated below:

Name of Directors	Date of Board Meeting						
	Mar.22	May 10	June 3	Aug. 8	Nov.6	Dec. 10	Dec. 20
Tarcisio M. Medalla	✓	✓	✓	✓	✓	✓	✓
Roger Leo A. Cariño	✓	✓	✓	✓	✓	✓	✓
Roberto A. Atendido	✓	✓	✓	✓	✓	✓	✓
Christopher B. Maldia	✓	A	✓	✓	✓	✓	✓
Jose Antonio A. Lichauco	✓	✓	✓	✓	✓	✓	✓
Lim Ghee Keong	✓	✓	✓	✓	✓	✓	✓
Sivam Kandavanam	A	✓	✓	A	✓	✓	✓
George Y. Sycip	✓	A	✓	A	✓	✓	✓
Mark David P. Martinez	✓	✓	✓	✓	✓	✓	✓

Legend:
√ **-** Present
A – Absent

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

Tarcisio M. Medalla

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

Roberto A. Atendido

Name of Corporation	Position	Period
Asian Alliance Investment Corp	Executive Vice Chairman/ Director	1996 to present
Asian Alliance Holdings & Development Corp.	President/ Director	1996 to present
GEM Communications & Holding Corp.	Director	2000 to present
Paper Industries Corp. of the Phils.	Director	2006 to present
Sinag Energy Philippines, Inc.	Vice Chairman/ Director/ Shareholder	2008 to present
Myka Advisory & Consultancy Services, Inc.	President/ Chairman/ Shareholder	2010 to present
Pharmarex, Inc.	Director	2012 to present
Macay Holdings, Inc.	Director	2013 to present
Philippine Business Bank	Director	2006 to present

George Y. Sycip

Name of Corporation	Position	Period
MacroAsia Corporation	Director	1996 to present
Alliance Select Foods International, Inc.	Chairman and Director	2009 to present

Nomination of Regular Directors

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

Independent Directors/Nomination Committee

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

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

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

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

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

Significant Employees

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

Significant employees of Paxys Inc. as of December 31, 2013:

Tarcisio M. Medalla – Chairman and President has been a Director and President of the Company since December 30, 2003. He is concurrently a Director of UT Global Services Limited, a privately held investment company with an RHQ in Manila and affiliated with All Asia Customer Services Holdings Ltd., an investment holding company that owns the controlling equity interest in Paxys. He has been connected with the Group since 1983. He is also a director of Pacific Online Systems Corporation, a company listed with the Philippine Stock Exchange. He graduated with a BSC degree, major in Accounting, from De La Salle University. He attended the Advanced Management Program (AMP) at the Harvard Business School. He is a Certified Public Accountant.

Mark David P. Martinez – General Counsel and Corporate Secretary, joined the Company in October 2009 and was elected as director in August 2012. He is concurrently the Company's Corporate Counsel, Corporate Secretary and Corporate Information Officer. Prior to joining the Company, he worked as an associate attorney at Angara Abello Concepcion Regala & Cruz (ACCRALAW) for three (3) years. Mark is a member of the Philippine Bar and a Certified Public Accountant. He obtained his Bachelor of Laws degree from the San Beda College of Law, Mendiola, Manila in 2006.

Family Relationships

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

Involvement of Directors and Executive Officers in Certain Legal Proceedings

None of the directors and executive officers was involved during the past five years and as of date of this report in any bankruptcy proceeding. Neither have they been convicted by final judgment in any criminal proceeding or been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in action by any court or administrative body to have violated a securities or commodities law.

Certain Relationships and Related Transactions

There has been no transaction during the last two years, nor is any transaction presently proposed, to which the Company was or is to be a party in which any director or executive officer of the Company, or nominee for election as a director, or owner of more than 10% of the Company's voting securities, or voting trust holder of 10% or more of any class of the Company's securities, or any member of the immediate family of any of the foregoing persons had or is to have a direct or indirect material interest. In the ordinary and regular course of business, the Company had or may have transactions with other companies in which some of the foregoing persons may have an interest.

Compensation of Directors and Executive Officers

The aggregate compensation paid or incurred during the last two fiscal years and estimated to be paid in the ensuing fiscal year to the executive officers and directors of the Company are as follows:

Summary Compensation Table

For Executive Officers and Directors of Paxys:

Year	Per Diem
(in Millions)	
2014 (Projected)	₱1.26
2013	1.16
2012	1.44
2011	1.08

For Significant Employees of Paxys and its subsidiaries:

Name and Principal Position of Most Highly Compensated Officers	Year	Compensation and other benefits	Stock Options	Total
(in Millions)				
Tarcisio M. Medalla Chairman and President				
Mark David P. Martinez Corporate Secretary				
Gina B. Santos Chief Audit Executive (Resigned effective 1 Jan 2014)				
Karen G. Magabo Finance Manager				
Most Highly Compensated Executive Officers and All Other Officers as a Group Unnamed	2014 (Projected)	₱13.5	₱-	₱13.5
	2013	19.4	-	19.4
	2012	114.1	-	114.1
	2011	212.3	5.9	218.2

Employment Contracts and Termination of Employment and Change-in-Control Arrangements.

There are no agreements between the registrant and its key management personnel providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the law.

Warrants and Options Outstanding: Repricing

Not applicable. The Company has no outstanding warrants and options.

Independent Public Accountants

a) The external auditor of the Company is Sycip, Gorres, Velayo & Co (SGV & Co.). The audit committee[1] recommends to the Board of Directors the appointment of the external auditor and the fixing of the audit fees. The Board of Directors and stockholders approve the appointment of the external auditor. The same firm is being recommended for re-election at the scheduled annual meeting.

b) Representatives of SGV & Co. for the current year and for the most recently completed fiscal year are expected to be present at the Annual Stockholders' Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

   Pursuant to the general requirements of SRC Rule 68 Par 3(b)(iv) "Compliance with the Five (5) Year Rotation of External Auditor", Ms. Edith V. Estacio will still be eligible as Partner-in-Charge for 2014 audit.

   The consolidated financial statements of the Company for the years 2013 and 2012 were audited by SGV & Co. (member firm of EY Global).

c) There are no disagreements with our independent auditors on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedure.

d) The consolidated fees billed for the audit of the Company's annual financial statements amounted to ₱0.95 million, ₱1.9 million and ₱6.9 million in 2013, 2012, and 2011 respectively.

e) There is no other assurance and related services rendered by the external auditor.

f) There are no professional services rendered by the external auditor for tax accounting, compliance, advice, planning and any other form of tax services for the last two fiscal years.

g) There are no other services provided by the external auditor other than the services reported above.

PART III: FINANCIAL AND OTHER INFORMATION

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

PART IV: OTHER MATTERS

Amendment of Article III of Articles of Incorporation

The amendment refers to the change of principal address from Makati City, Metro Manila to 15th Floor, 6750 Ayala Office Tower Ayala Avenue, Makati City. This is pursuant to SEC Memorandum Circular No. 6 dated 20 February 2014.

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

Action with Respect to Reports:

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

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

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

Other Proposed Actions

A. Approval of the minutes of the 2013 Annual Stockholders' Meeting.

B. Ratification of previous corporate acts

Among the major corporate acts for ratification by the stockholders during the annual stockholders' meeting are the following which were previously disclosed in the following Current Report (SEC Form 17-C) and Tender Offer Report (SEC Form 19-1):

Date Filed	Items Reported
10 May 2013	The Company informed the Exchange that the annual meeting of the stockholders of Paxys Inc. which is scheduled to be held in May 2013 has been postponed to a later date.
31 July 2013	The Company informed the Exchange of Paxys' sale of its equity interests in Stellar Global Solutions Philippines, Inc. and Stellar Philippines, Inc.
31 October 2013	The Company informed the Exchange that the scheduled annual meeting of the stockholders of Paxys Inc. is on 20 December 2013 at the Fairways Dining Room, Manila Golf & Country Club, Harvard Road, Forbes Park, Makati City. The record date will be on 18 November 2013.
27 March 2014	The Company submitted the 2013 Corporate Governance Guidelines for Listed Companies.
14 May 2014	The Company informed the Exchange that the annual meeting of the stockholders of Paxys, Inc. for the year 2014, which is scheduled to be held on any day in May, has been postponed to a later date. The purpose of the postponement is to provide the Board of Directors and management of Paxys with more time to make a decision on the utilization of its funds.
18 August 2014	The Company provided the Exchange with a copy of the "Notice to Stockholders of the Intention to Conduct a Tender Offer for Common Shares of Stock of Paxys, Inc." which was published in The Philippine Daily Inquirer and The Philippine Star on 18 August 2014.
20 August 2014	The Company provided the Exchange with a copy of the tender offer report (SEC Form 19-1) which was filed with the SEC for Paxys N.V.'s tender offer for Paxys shares held by minority shareholders.

Date Filed	Items Reported
3 September 2014	The Company provided the Exchange with a copy of the Notice to Stockholders of Tender Offer for Common Shares of Stock of Paxys, Inc. This Notice formed part as Annex D of the Tender Offer Report (SEC Form 19-1) which was filed with the Securities and Exchange Commission in connection with Paxys N.V.'s tender offer for the shares held by the minority shareholders of Paxys, Inc.
October 8	The Company provided the Exchange with a copy of the revised tender offer report (SEC Form 19-1) which was filed with the SEC regarding the results of Paxys N.V.'s tender offer.
13 October 2014	The Company informed the Exchange that the annual meeting of the stockholders of Paxys, Inc. for the year 2014 is scheduled on 5 December 2014 at 2:00 p.m. at the Manila Golf & Country Club, Harvard Road, Forbes Park, Makati City. The record date will be on 3 November 2014.

C. Election of directors
D. Appointment of External Auditors

Voting Procedure:

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

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

PAXYS, INC.

MANAGEMENT REPORT
Pursuant to RSA Rule 20(B)

For the 2014 Annual Stockholders' Meeting

A. Audited Financial Statements for Fiscal Year Ended December 31, 2013

Please refer to the accompanying audited consolidated financial statements for 2013.

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

Year Ended December 31, 2013 Compared with Year Ended December 31, 2012
The following discussion should be read in conjunction with the accompanying audited consolidated financial statements and notes (presented as Exhibit "C") thereto and is qualified in its entirety by reference thereto.

Consolidated Financial and Operational Highlights
(*In Thousand Pesos unless otherwise stated*)

For the full year ended 31 December	**2013**	**2012 (As restated)**	**Y13 vs Y12**
Profit & Loss Data:			
Continuing Operations			
Service Income	**₱158,295**	₱202,375	(22%)
Gross Profit	**24,581**	(24,958)	198%
EBITDA[2]	**(99,721)**	(67,762)	(47%)
Loss from operations	**(113,480)**	(121,560)	7%
Net Income attributable to equity holders	**(73,868)**	(73,645)	0%
Discontinuing Operations			
Net Income attributable to equity holders	**-**	2,448,135	(100%)

Service income in 2013 includes revenue from data transcription of SWA and call center revenue of PGS. Revenue and net results of joint ventures for both years are excluded and presented as one line item below the operating line.

Service income has decreased by 22% or ₱44 million versus prior year due to decline in revenue of SWA by ₱17 million and the termination of lease revenue of Paxys in 2012, the effect of which is ₱17 million. The sale of URSI resulted in a reduction in revenue amounting to ₱8 million. Revenue from its call center segment (PGSI), however, has improved by ₱8 million due to higher billable hours during the first quarter of 2013. The decrease in gross revenue of SWA by 11% or ₱17million from ₱153 million in 2012 to ₱136 million in 2013 is due to reduction in volume requirement for its data transcription and data conversion business.

Gross profit margin increased to 16% in 2013 from negative 12% in 2012 due to significant decline in direct costs.

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

Cost of Sales
Direct costs declined by ₱93 million or 41% from ₱227 million in 2012 to ₱134 million in 2013. Direct costs margin improved to 84% in 2013 versus 112% in 2012. The main cause of decline in direct costs is personnel costs by ₱13 million; premises costs by ₱27 million; depreciation by ₱39 million; and other expenses by ₱10 million.

Personnel costs declined due to decline in manpower requirement as business volume declined in SWA and PGS. Premises costs and depreciation declined due to the full year-effect of pre-termination of lease in Araneta facilities in April 2012. Other expenses decreased mainly due to lower professional fees, lesser travels and representation and repairs and maintenance.

Operating Expenses
Operating expenses decreased by ₱130 million or 54% from ₱242 million to ₱112 million this period due to the effect of restructuring completed in 2012. Other expenses such as travel and representation, insurance expenses, taxes and licenses and other miscellaneous expenses also decreased significantly versus prior year.

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

Scopeworks Asia, Inc.

The following table shows key performance indicators of Scopeworks:

(*In Php Thousands*)

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

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

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

For comparative management reporting, SWA recognized allocated costs from its affiliate, PGS, representing its share in management and overhead costs in 2012 and overhead costs only in 2013.

Paxys Global Services, Inc. (PGS)

The following table shows key performance indicators of PGS:

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

Increase in outbound voice account of PGS and significant decline in operating expenses by ₱38 million or 90% caused positive results for the year compared prior year.

FINANCIAL CONDITION

The following discussion should be read in conjunction with the accompanying audited consolidated financial statements and notes (presented as Exhibit "C") thereto and is qualified in its entirety by reference thereto.

Consolidated Financial and Operational Highlights
(in Thousand Pesos unless otherwise stated)

As of 31 December	2013	2012 (As restated)	Y12 vs Y11
Balance Sheet Data:			
Continuing:			
Total Current Assets	**₱4,554,276**	₱4,282,608	6%
Total Noncurrent Assets	**24,030**	147,486	(84%)
Total Assets	**4,578,306**	4,430,094	3%
Total Current Liabilities	**57,223**	108,062	(47%)
Total Noncurrent Liabilities	**7,839**	7,738	1%
Total Equity	**4,513,244**	4,314,244	5%

The major changes in the balance sheet items from December 31, 2012 to December 31, 2013 are as follows for continuing operations:

- Cash and cash equivalents increased in 2013 by 5% or ₱207.0 million due to partial realization of escrow fund from sale of Paxys Australia Pty. Ltd. (PAU) amounting to ₱120.0 million, interest earned of ₱43.9 million, proceeds from sale of Stellar Global Solutions Philippines, Inc. and Stellar Philippines (collectively, "Stellar"), net of capital gains tax and other taxes of ₱141.6 million, net foreign exchange and translation gain of ₱112.2 million of and were offset by acquisition of investment in available-for-sale securities of ₱183.3 million, income tax paid of ₱ 6.8 million, and net cash outflows of joint ventures of ₱20.6 million.

- The decrease in trade and other receivables by 32% or ₱119.0 million is mainly due to realization of escrow fund to cash. Restricted funds are recognized in an escrow account as part of the proceeds from the sale of PAU in June 2012.

- Other current assets increased by 22% or ₱0.9 million due to input vat on purchases net of its related provision for non-recoverability.

- Investment in joint ventures was reduced to nil in 2013 due to the sale of Stellar to the joint venture partner and recognition of additional losses of Simpro Solutions Phils., Inc. (Simpro) and Paxys Global Services Dalian Ltd. (PGS Dalian).

- Property and equipment posted a net decrease of 52% or ₱9.1 million due mainly to depreciation and amortization for the year amounting to ₱10.1 million, net of acquisition of to ₱0.6 million.

- Accounts payable and other current liabilities decreased versus 2012 by 49% amounting to ₱47.8 million due mainly of reversal of long-outstanding accruals of ₱24.6 million, settlement of subscription payable to Stellar due to sale of ₱9.4 million, and settlement of various accruals and payables during the year of ₱13.8 million.

LIQUIDITY AND CAPITAL RESOURCES

The following discussion should be read in conjunction with the accompanying audited consolidated financial statements and notes (presented as Exhibit "C") thereto and is qualified in its entirety by reference thereto.

Consolidated Financial and Operational Highlights
(in Thousand Pesos unless otherwise stated)

(In Thousand Pesos unless otherwise stated)

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

The increase in cash and cash equivalents in 2013 due to better cash flows from operations.
Net cash used in investing activities includes the following:

a) Proceeds from divestment of Stellar, net of capital gains tax paid and other taxes, of ₱141.6 million;
b) Investment in unit investment trust fund amounting to ₱183.3 million;
c) Additional investment in joint ventures amounting to ₱13.1 million

The Company's management believes that the current level of cash generated from operations and the borrowing capability are sufficient to meet the Company's immediate future cash needs. The Company does not anticipate any liquidity problems that may arise from its operating activities in the near future.

The following are the major financial ratios of the Company for the year ended December 31, 2013 and year ended December 31, 2012:

As of and for the full year ended 31 December	2013	2012 (As restated)	Y13 vs Y12
Financial Ratios:			
Current Ratio	**79.6:1**	**39.6:1**	101%
Debt to Equity Ratio	**0.01:99.9**	**0.03:99.7**	46%
Return on Equity	**(2%)**	**(4%)**	53%
EBITDA Margin*	**(63%)**	**(33%)**	(88%)
Net Income margin*	**(47%)**	**(37%)**	(28%)

Excludes 2012 income from discontinuing operations.

OTHER MATTERS

a. Subsequent event

None.

b. Contingencies

As of December 31, 2013, the Company has no material contingencies.

c. Commitments

There were no material commitments for expansion as of 2013.

d. There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons during the reporting period.

e. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Conditions and Results of Operations.

f. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

g. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or an unfavorable impact on net sales or revenue or income from continuing operation.

h. The causes for any material change from period to period are stated under Management's discussion and analysis section "financial condition".

i. The effects of seasonality or cyclicality on the operations of the Company's business are not material.

j. There were no material changes in estimates of amounts reported in interim periods of the current year or changes in estimates of amounts reported in prior financial years.

Trends, Events, Uncertainties or Contingent Financial Obligation with Material Impact on Liquidity

The Company does not anticipate having liquidity problem within the next twelve (12) months since it has adequate amount of cash to pay its maturing obligations and to support its working capital requirements.

Year Ended December 31, 2012 Compared with Year Ended December 31, 2011

The following discussion should be read in conjunction with the accompanying audited consolidated financial statements and notes (presented as Exhibit "C") thereto and is qualified in its entirety by reference thereto.

Consolidated Financial and Operational Highlights
(*In Thousand Pesos unless stated*)

For the full year ended 31 December	**2012**	**2011 (As restated)**	**% change Y12 vs Y11**
Profit & Loss Data:			
Continuing Operations			
Service Income	**₱202,375**	₱425,633	(52%)
Gross Profit	**(24,958)**	28,584	(187%)
EBITDA	**(69,984)**	(116,298)	40%
Loss from operations*	**(123,782)**	(173,869)	29%
Net Income attributable to equity holders	**(75,867)**	(170,027)	55%
Discontinuing Operations			
Net Income attributable to equity holders	**2,448,135**	298,505	720%

**The Company's 50% share in net earnings of Stellar, PGS Dalian and Simpro, which are joint ventures, is presented in one line item as Equity in Net Earnings of Joint Ventures and included under Loss from Operations above. The 2011 results of operations is restated to be comparative versus 2012.*

As a result of the change in accounting treatment of Investment in Joint Ventures, the consolidated comparative Service income includes revenue from data transcription of SWA; call center revenue of PGS; rental revenue of Paxys and sales of software/hardware and IT services of UR Solutions, Inc. (URSI). Revenue and net results of joint ventures are excluded and presented as one line item below the operating line.

Service income from continuing operations has decreased by 52% or ₱223 million due mainly to SWA's decline in business of its data transcription business, pre-termination of the Company's sub-lease of office premises to a joint venture and divestment of its software and IT-consulting development business segment in the third quarter of 2011.

Gross revenue from data transcription business decreased by 37% or ₱89 million from ₱242 million in 2011 to ₱153 million in 2012 due to reduction in volume requirement of the client.

The sublease agreement between Paxys and Stellar was pre-terminated in April 2012. This resulted to a reduction in revenue by 81% or ₱97 million from ₱120 million in 2011 to ₱23 million in 2012.

In 2011, consolidated service income includes IT-consulting and software development revenue from Global Idealogy Corporation (GIC) amounting to ₱34 million. GIC was sold in August 2011.

Gross profit margin is down to negative 12% in 2012 from positive 7% in 2011. This is mainly due to decline in revenue net of increase in cost of sales margin from 93% in 2011 to 112% in 2012.

Cost of Sales
Direct costs declined by ₱170 million or 75% from ₱397 million in 2011 to ₱227 million in 2012. However, direct costs margin to total revenue increased to 112% in 2012 versus 93% in 2011. The main cause of decline in direct costs is personnel costs by ₱86 million; premises costs by ₱59 million; licenses by ₱8 million; communication expenses by ₱4 million and other expenses by ₱9 million.

Personnel costs declined due to decline in manpower requirement as volume handled decline in SWA and PGS. Premises costs declined due to pre-termination of lease in Araneta facilities in April 2012. Licenses costs decreased due to sale of GIC in August 2011. Other expenses decreased mainly due to lower professional fees, lesser travels and representation and repairs and maintenance.

Operating Expenses
Operating expenses decreased by ₱30 million or 11% from ₱266 million in 2011 to ₱236 million in 2012. However, Opex percentage to total revenue increased to 116% in 2012 versus 62% in 2011. Opex mainly decreased due to net impairment in GIC and WNS Philippines, Inc. (WNS) amounting to ₱15 million, termination of lease of one office site of SWA causing the decline in premises costs by ₱5 million, and decrease in personnel costs due to restructuring that occurred during mid-year of 2011.

EBITDA margin drops to negative 35% in 2012 from negative 27% in 2011 despite improvement in EBITDA by ₱46 million from negative ₱116 million in 2011 to negative ₱70 million in 2012. Improvements in direct costs and Opex and favorable foreign exchange gains net of share in net loss on joint ventures are lower than the drop in revenue versus prior year.

Net loss is lower in 2012 due to lower direct costs and Opex and the ₱191 million gain on foreign exchange for cash and cash equivalents.

The following are the highlights of the performance of the individual business entities:

<u>ScopeWorks Asia, Inc.</u>

The following table shows key performance indicators of Scopeworks:

(*In Php Thousands*)

For the full year ended 31 December	**2012**	**2011**	**% of Change Y12 vs Y11**
Profit & Loss Data:			
Service Income	**₱153,295**	₱242,174	(37%)
Gross Profit	**3,216**	15,300	(79%)
EBITDA	**(27,324)**	(24,615)	(11%)
Income from operations	**(42,530)**	(41,210)	(3%)
Net Income	**(42,133)**	(47,227)	11%

Decline in revenue resulted from lower billable hours from SWA's main program. Volume requirement by the client was cut almost half versus 2011. Gross profit margin declined by 4 points from 6% in 2011 to 2% in 2012. Direct costs was managed to reduce personnel costs and premises costs versus 2011 by 40% and 23%, respectively. In Q1 2012, SWA did not renew the lease of one floor of its Makati site.

Opex margin to total revenue increased by 9 points from 25% in 2011 to 34% in 2012 though declined in amount by ₱8 million. The main cause of the decline is the decrease in personnel costs as SWA implemented a restructuring during the mid-year of 2011.

For comparative management reporting of 2012 and 2011, SWA recognized allocated costs from its affiliate, PGS, representing its share in management and overhead costs.

Stellar Global Solutions Philippines, Inc and Subsidiary

The following table shows key performance indicators of Stellar at 100%:

(*In Php Thousands*)

For the full year ended 31 December	**2012**	**2011**	**% of Change Y12 vs Y11**
Profit & Loss Data:			
Service Income	**₱664,878**	₱955,003	(30%)
Gross Profit	**168,744**	261,130	(35%)
EBITDA	**8,798**	109,414	(92%)
Income from operations	**(61,429)**	88,316	(170%)
Net Income	**(70,597)**	88,141	(180%)

Stellar's service income from continuing operations decreased by 30% or ₱290 million due to the following:

a. Stellar's revenue from its relay services decreased by about ₱170 million due to decrease in call volume and reduction in billing rate.

b. Stellar lost an account in 2012 which posted ₱130 million revenue in 2011.

c. The directory assistance segment decreased in revenue by about ₱43 million as call volume trend from these types of accounts decline.

Gross profit margin decreased by 2 points from 27% in 2011 to 25% in 2012. Direct costs decreased by ₱198 million mainly due to decrease in personnel costs and facilities costs. With the reduction in call volume, a number of employees have been reduced. In 2012, Stellar offered a retirement program for the relay service account. The average 2011 headcount is 1,597 while 1,282 in 2012. Stellar migrated the operations in its new site in 4th quarter of 2011, which is completed in the first quarter of 2012. Facilities cost on the older site is higher because it includes complete utilities and other general administration costs.

Opex margin increased by 18 points from 18% in 2011 to 36% in 2012 mainly due to increase in depreciation and amortization. Stellar incurred leasehold improvements cost which drive the depreciation expense to be higher in 2012.

As a result of revenue declining and increase in Opex, EBITDA margin and Net income margin dropped to 1% and negative 11% in 2012 from 11% and 9% in 2011, respectively.

Paxys sold its equity interests in Stellar in July 2013.

Paxys Global Services, Inc. (PGS)

The following table shows key performance indicators of PGS:

For the full year ended 31 December	2012	2011	% of Change Y12 vs Y11
Profit & Loss Data:			
Service Income	**₱13,655**	₱15,156	(10%)
Gross Profit	**1,057**	2,718	(61%)
EBITDA	**(37,260)**	(12,162)	(206%)
Income from operations	**(40,044)**	(12,767)	(214%)
Net Income	**(40,382)**	(12,752)	(217%)

Revenue declined due to lower sales volume of SingTel, the outbound voice account of PGS versus 2011. Income from operations and EBITDA are much lower in 2012 versus 2011 due to commission income of PGS from Paxys' associate in 2011 and higher Opex in 2012.

FINANCIAL CONDITION

The following discussion should be read in conjunction with the accompanying audited consolidated financial statements and notes (presented as Exhibit "C") thereto and is qualified in its entirety by reference thereto.

Consolidated Financial and Operational Highlights
(in Thousand Pesos unless stated)

As of 31 December	2012	2011 (As restated)	% of Change Y12 vs Y11
Balance Sheet Data:			
Continuing:			
Total Current Assets	**₱4,288,987**	₱635,276	575%
Total Noncurrent Assets	**141,248**	238,265	(41%)
Total Assets	**4,430,235**	873,541	407%
Total Current Liabilities	**108,203**	100,113	8%
Total Noncurrent Liabilities	**3,867**	4,427	(13%)
Total Equity	**4,318,165**	2,061,417	109%
Discontinuing:			
Assets held for sale	**-**	3,824,468	(100%)
Liabilities held for sale	**-**	2,307,761	(100%)
Reserves held for sale	**-**	224,291	(100%)

**2011 is restated due to change in consolidation process of Investment in joint ventures from proportionate consolidation to equity accounting.*

The major changes in the balance sheet items from December 31, 2012 to December 31, 2011 are as follows for continuing operations:

- Proceeds from sale of PAU causes the significant net increase in Cash and cash equivalents versus 2011 by 834% or ₱3,482.3 million.

- Trade and other receivables decreased by 38% or ₱52.7 million. Trade accounts decreased by ₱30.0 million or 30% due to lower services handled. In 2012, additional ₱10.9 million of advances to affiliates and other receivables are provided with allowance for non-collectability.

- Other current assets increased by 276% or ₱222.7 million. Restricted funds are recognized in an escrow account as part of the proceeds from the sale of PAU and ACS in June 2012 and October 2011, respectively. As of December 31, 2012 and 2011, the balance of escrow fund is ₱298.8 million and ₱50.2 million, respectively. The escrow fund from the sale of ACS was collected in January 2012.

- Investment in joint ventures was reduced by ₱45.8 million in 2012, which is the amount of Paxys' 50% share in net loss of joint ventures.

- Property and equipment posted a net decrease of 72% or ₱46.2 million due mainly to depreciation and amortization for the year amounting to ₱49.6 million.

- Accounts payable and other current liabilities has a minimal increase versus 2011 by 5% amounting to ₱4.9 million

- Assets, liabilities and reserves held for sale is reduced to nil in 2012 as the sale of PAU is completed in June 2012.

- Non-controlling interests of negative ₱5.4 million in 2011 pertains to minority interests in URSI. The balance is reduced to nil in 2012 as URSI was sold in October 2012.

LIQUIDITY AND CAPITAL RESOURCES

The following discussion should be read in conjunction with the accompanying audited consolidated financial statements and notes (presented as Exhibit "C") thereto and is qualified in its entirety by reference thereto.

Consolidated Financial and Operational Highlights
(in Thousand Pesos unless stated)

For the full year ended 31 December	**2012**	**2011 (As restated)**	**% of Change Y12 vs Y11**
Net Cash used in Operating Activities	**(₱258,752)**	(₱1,448,446)	(82%)
Net Cash provided by Investing Activities	**3,734,834**	78,451	4661%
Net Cash used in Financing Activities	**-**	(501,456)	100%
Net increase in cash and cash equivalents	**3,476,082**	(1,871,451)	286%

The significant increase in cash and cash equivalents is due mainly to divestment of PAU. The proceeds from the said divestment amounted to ₱3.739.6 million.

Net cash used in investing activities includes the following:

d) Proceeds from divestment of Paxys Australia amounting to ₱3,739.6 million;
e) Acquisition of property and equipment and intangible assets amounting to ₱121.4 million and ₱626 million, respectively.

Net cash used in financing activities in 2011 includes full repayment of short-term bank loan of Paxys amounting to ₱282.4 million

The Company's management believes that the current level of cash generated from operations and the borrowing capability are sufficient to meet the Company's immediate future cash needs. The Company does not anticipate any liquidity problems that may arise from its operating activities in the near future.

The following are the major financial ratios of the Company for the year ended December 31, 2012 and year ended December 31, 2011:

As of and for the full year ended 31 December	**2012**	**2011 As restated**	**% of Change Y12 vs Y11**
Financial Ratios:			
Current Ratio	**39.64:1**	**1.85:1**	2040%
Debt to Equity Ratio	**3:97**	**51:49**	98%
Return on Equity	**(1%)**	**(2%)**	(70%)
EBITDA Margin*	**(35%)**	**(27%)**	(27%)
Net Income margin*	**(37%)**	**(40%)**	6%

Excludes 2012 and 2011 income from discontinuing operations.

OTHER MATTERS

a. Subsequent event

None.

b. Contingencies

As of December 31, 2012, the Company has no material contingencies.

c. Commitments

There were no material commitments for expansion as of 2012.

d. There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons during the reporting period.

e. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Conditions and Results of Operations.

f. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

g. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or an unfavorable impact on net sales or revenue or income from continuing operation.

h. The causes for any material change from period to period are stated under Management's discussion and analysis section "financial condition".

i. The effects of seasonality or cyclicality on the operations of the Company's business are not material.

j. There were no material changes in estimates of amounts reported in interim periods of the current year or changes in estimates of amounts reported in prior financial years.

Year Ended December 31, 2011 Compared with Year Ended December 31, 2010

The following discussion should be read in conjunction with the previously reported audited consolidated financial statements and notes. Accompanying financial statements (Exhibit C) is restated to reclass net assets and results of operations of Joint Ventures to Investment in Joint Ventures and Equity in Net Earnings/ Losses in Joint Ventures.

Consolidated Financial and Operational Highlights
(*In Thousand Pesos unless stated*)

For the full year ended 31 December	**2011**	**2010**	**% of Change Y11 vs Y10**
Profit & Loss Data*:			
Service Income	**₱854,768**	₱774,707	10%
Gross Profit	**158,432**	233,648	(32%)
EBITDA	**(104,426)**	(10,293)	(915%)
Income (Loss) from operations	**(173,797)**	(52,039)	(234%)
Net Income attributable to equity holders	**(170,028)**	(61,197)	(178%)

**Excludes results of operations of discontinuing operations*

RESULTS OF OPERATIONS

Service income from continuing operations improved due to Stellar's new revenue account that commenced in 2011. Despite new revenue stream from rental revenue of the Company and call centre operations of the newly-established PGS, this offsetted the revenue decline from SWA.

The total Costs of services margin increased by 11 percentage points (ppts) against prior year's 70%. Costs of services increased mainly due to rental of new facilities, ramp-up costs for new accounts and increase in premises costs. Increase in costs decreased the gross profit margin by the same rate against prior year.

Versus 2010, Opex margin increased by 6 ppts from 36% in 2010 to 42% in 2011, mainly due to increase in manpower costs, recruitment costs and employee benefits due to ramp-up of Stellar and set-up of shared service, higher depreciation expense due to new site, parent company's full year rental to main office, capital gains taxes on sale of Advanced Contact Solutions, Inc. (ACS), and increased travel and representation expenses.

EBITDA margin further dropped to negative 12% in 2011 from negative 1% in 2010.

2011 net income margin is down by 12 ppts from previous year's negative 8%. This was largely due to unfavorable variance in Gross Profit and Opex.

The following are the highlights of the performance of the individual business entities:

Paxys Australia Group

PAU posted revenue of AU$47.0 million in 2011 versus last year's AU$37.5 million. The Group's favorable variance versus prior year mainly came from its vehicle leasing, increased salary packages and increased revenue from fleet business. The acquisition of PBI and AVC business contributed to the increase amounting to AU$0.80 million and AU$0.95 million, respectively.

Net income increased by 53% from Php181.3 million to Php298.5 million mainly due to increase in revenue. EBITDA margin increased by 3 ppts this year in line with the increase in revenue.

The following table shows key performance indicators of SmartSalary (at P44.32=AU$1.0):

For the full year ended 31 December	2011	2010	% of Change Y11 vs Y10
Profit & Loss Data:			
Service Income	**₱2,100,483**	₱1,555,266	35%
EBITDA	**741,112**	502,889	47%
Income from operations	**458,248**	271,577	69%
Net Income	**298,505**	181,336	65%

The sale of Paxys Australia was completed in June 2012.

ScopeWorks Asia, Inc.

The following table shows key performance indicators of ScopeWorks:

(*In Php Thousands*)

For the full year ended 31 December	2011	2010	% of Change Y11 vs Y10
Profit & Loss Data:			
Service Income	**₱242,174**	₱298,459	(19%)
Gross Profit	**15,300**	51,277	(70%)
EBITDA	**(24,615)**	26,503	(193%)
Income from operations	**(41,210)**	16,910	(344%)
Net Income	**(47,227)**	8,669	(645%)

Lower billable hours and full-time equivalents (FTEs), together with the unfavorable forex rates posted a decline in 2011 revenue by 19%. The decline in revenue resulted to a 70% decline in gross profit despite of a favorable improvement in the cost of service by 8.2%

Opex went up by 76% due to increase in manpower cost, IT expenses and additional provision for non-recoverability of input tax. For management reporting in 2011, SWA recognized allocated costs from its affiliate, PGS, representing share in management and overhead costs.

Global Idealogy Corporation

The following table shows key performance indicators of GIC:

(*In Php Thousands*)

For the 8 months ended 31 August	2011	2010	% of Change Y11 vs Y10
Profit & Loss Data:			
Service Income	**₱34,113**	₱51,524	(34%)
Gross Profit	**1,333**	4,449	(70%)
EBITDA	**(572)**	(1,798)	68%
Loss from operations	**(7,303)**	(11,867)	38%
Net Loss	**(7,421)**	(10,072)	26%

GIC recognized an improved result versus prior year was due to lower Opex spending as a result of restructuring effected in Q1 2011.

The shares in GIC were sold effective August 31, 2011 in favor of the minority interest.

Stellar Global Solutions Philippines, Inc.

The following is the table showing key performance indicators of Stellar:

(*In Php Thousands*)

For the full year ended 31 December	2011	2010	% of Change Y11 vs Y10
Profit & Loss Data:			
Service Income	**₱955,003**	₱757,087	26%
Gross Profit	**261,130**	263,625	(1%)
EBITDA	**109,414**	203,605	(46%)
Income from operations	**88,316**	193,228	(54%)
Net Income	**88,141**	193,365	(54%)

The Company used proportionate consolidation for its share in the joint venture with Stellar. The Group's share on 2011 revenues was ₱477.5 million representing its 50% share in the venture, posting an improvement of 26% from ₱378.5 million in 2010 revenue. The net increase on the 2011 revenue was due to the deployment of a new account which contributes ₱ 113.5million or 24% and was reduced by the decline in other program's revenue.

Gross Profit went down by 1% due to increase in personnel costs and recruitment costs as a result of ramp-up for new account and increase in premise costs due to new site in Eastwood.

Opex likewise increased by 117% due to increase in manpower costs, recruitment, depreciation, travel and representation expense and additional provision for non-recoverability of input vat. The increase in Opex decreases the Net Income and EBITDA by 54% and 46% versus 2010, respectively. Paxys sold its equity interests in Stellar in July 2013.

FINANCIAL CONDITION

The following discussion should be read in conjunction with the previously reported audited consolidated financial statements and notes. Accompanying financial statements (Exhibit C) is restated to reclass net assets and results of operations of Joint Ventures to Investment in Joint Ventures and Equity in Net Earnings/ Losses in Joint Ventures.

Consolidated Financial and Operational Highlights
(in Thousand Pesos unless stated)

As of 31 December	2011	2010 (As restated)	% of Change Y11 vs Y10
Balance Sheet Data:			
Continuing:			
Total Current Assets	**₱770,892**	**₱784,831**	(2%)
Total Noncurrent Assets	**189,160**	**221,756**	(15%)
Total Assets	**960,052**	**1,006,587**	(5%)
Total Current Liabilities	**186,764**	**401,219**	(53%)
Total Noncurrent Liabilities	**7,115**	**8,713**	(18%)
Total Equity	**2,058,588**	**1,945,873**	6%
Discontinuing:			
Assets held for sale	**3,824,468**	**4,290,208**	(11%)
Liabilities held for sale	**2,307,761**	**2,717,521**	(15%)
Reserves held for sale	**224,291**	**223,468**	0.4%

**Excluded Paxys Australia's assets, liabilities and equity as of December 31, 2010.*

The major changes in the balance sheet items from December 31, 2011 to December 31, 2010 are as follows for continuing operations:

- Cash and cash equivalents decreased by 10% or ₱46.5 million due mainly to the additional capex spending of Stellar in 2011.

- Trade and other receivables decreased by 22% or ₱50.0 million due to the loan collection received from WNS Philippines amounting to ₱30.7 million. Trade receivables likewise decreased by ₱12.0 million due to increased collection efforts.

- Advances to related parties went down by ₱0.20 million

- Input tax and other current assets increased by 404% or ₱78.9 million. The increase was due to the reclassification of the ACS escrow fund amounting to ₱50.2 million to current asset as its maturity falls in Jan 2012. Net input VAT increased by ₱22.6 million in 2011 arising from regular purchases during the year.

- The Investment in Associate was reduced to nil from ₱11.6 million in 2010 due to the divestment of WNS in September 30, 2011.

- Property and equipment posted a net increase of 11% or ₱16.3 million due to additional capex acquisitions and property dividend received from ACS. Fixed assets amounting to ₱107.6 million were acquired in 2011, which was reduced by depreciation and amortization for the year amounting to ₱60.7 million, net disposal of ₱4.8 million and net decrease of fair value from distribution of property dividend from ACS in September 2011 amounting to ₱26.2 million.

- Goodwill and Other intangible assets reported a net decrease of 78% or ₱38.8 million. Acquisition of software packages during the year amounted to ₱8.9 million and was reduced with amortization expense of ₱8.7 million and impairment of Goodwill of SWA, URSI amounting to

₱11.1 million. Divestment of GIC resulted to a decreased of ₱59.7 million in goodwill and software development costs. Other noncurrent assets increased by 37% or ₱4.8 million mainly due to the security deposits incurred by Stellar for the new site.

- The short-term loan of the Company amounting to ₱284.9 million was fully paid in 2011.

- Accounts payable and other current liabilities increased by 224% or ₱69.8 million. Trade payables increased by 45% or ₱6.8 million; while accrued expense payable went up by 59% or ₱53.2 million due to increase in accrual of leave benefits, communication costs, provisions for 2011 taxes and due diligence related-expenses.

LIQUIDITY AND CAPITAL RESOURCES

The following discussion should be read in conjunction with the previously reported audited consolidated financial statements and notes. Accompanying financial statements (Exhibit C) is restated to reclass net assets and results of operations of Joint Ventures to Investment in Joint Ventures and Equity in Net Earnings/ Losses in Joint Ventures.

Consolidated Financial and Operational Highlights
(in Thousand Pesos unless stated)

For the full year ended 31 December	**2011**	**2010**	**% of Change Y11 vs Y10**
Net Cash from Operating Activities	**(₱31,125)**	**(₱35,482)**	(12%)
Net Cash from Investing Activities	**327,369**	**(85,056)**	485%
Net Cash from Financing Activities	**(283,020)**	**(4,287)**	(6501%)

The decrease in net cash provided by operating activities for the period by 12% is attributed to the loss from operating activities registered by the Group.

Net cash used in investing activities includes the following:

a) Proceeds from divestment of ACS amounting to ₱350.7 million;
b) Proceeds from divestment of WNS Philippines amounting to ₱90.9 million;
c) Acquisition of new fixed assets of the Group aggregating to ₱107.6 million;
d) Acquisition of softwares and other intangibles amounting to ₱8.9 million;

Net cash used in financing activities in 2011 includes full repayment of short-term bank loan of the Company amounting to ₱ 282.4 million.

The Company's management believes that the current level of cash generated from operations and the borrowing capability are sufficient to meet the Company's immediate future cash needs. The Company does not anticipate any liquidity problems that may arise from its operating activities in the near future.

The following are the major financial ratios of the Company for the year ended December 31, 2011 and year ended December 31, 2010:

As of and for the full year ended 31 December	2011	2010	% of Change Y11 vs Y10
Financial Ratios:			
Current Ratio	**4.13:1**	**1.23:1**	236%
Debt to Equity Ratio	**9:91**	**54:46**	(96%)
Return on Equity	**(2%)**	**1%**	(298%)
EBITDA Margin*	**(12%)**	**(1%)**	(1,122%)
Net Income margin*	**(20%)**	**(8%)**	(149%)

Restated excluding 2011 and 2010 PAU operating results

OTHER MATTERS

a. Subsequent event

On March 30, 2012, PNV signed a Share Sale Agreement whereby PNV sold 100% of its equity interest in Paxys Australia to SmartGroup Investments Pty Ltd. The sale includes all of the subsidiaries of Paxys Australia consisting of SmartSalary Pty Ltd, Smartfleet Management Pty Ltd, SeQoya Pty Ltd, PBI Benefit Solutions Pty Ltd and Australian Vehicle Consultants Pty Ltd. The sale was completed in June 2012.

b. Contingencies

As of December 31, 2011, the Company has no material contingencies.

c. Commitments

There were no material commitments for expansion as of 2011.

d. There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons during the reporting period.

e. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Conditions and Results of Operations.

f. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

g. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or an unfavorable impact on net sales or revenue or income from continuing operation.

h. The causes for any material change from period to period are stated under Management's discussion and analysis section "financial condition".

i. The effects of seasonality or cyclicality on the operations of the Company's business are not material.

j. There were no material changes in estimates of amounts reported in interim periods of the current year or changes in estimates of amounts reported in prior financial years.

GENERAL NATURE AND BUSINESS OF THE COMPANY

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

Previous investments of Paxys include the following:

- The Company expanded its business and made several acquisitions in Australia through Paxys Australia Pty Ltd ("PAU"). The most significant acquisition was made in April 2006 when PAU acquired SmartSalary Pty Ltd ("SmartSalary"), a salary packaging company based in Australia. In 2009, SmartSalary acquired two major Australian providers of in-house salary packaging software solutions, namely, Melbourne System Group Pty Ltd and Seqoya Pty Ltd. In 2010, PAU incorporated a wholly-owned subsidiary, Smartfleet Management Pty Ltd ("Smartfleet"), for the purpose of engaging in fleet management-related business. Smartfleet further expanded by acquiring the assets of Webfleet Management Services Pty Ltd, a leading provider of software solutions for online fleet management. Smartfleet also acquired Australian Vehicle Consultants Pty Ltd, a full service fleet management company and a leading provider of vehicle maintenance services. Smartsalary also acquired PBI Benefit Solutions Pty Ltd, a company engaged in issuing credit card products to employees of public hospitals and public benevolent institutions in Australia. In June 2012, the Company, through Paxys N.V., sold its 100% interest in PAU and its subsidiaries to SmartGroup Investments Pty Ltd.

- In January 2007, Paxys, together with joint venture partner Stellar Global, Inc., established Stellar Global Solutions Philippines, Inc. ("SGSP"). SGSP was organized to provide cost-effective Philippine offshore outsourcing for the Australian and UK clients of the Stellar Community. In April 2011, SGSP formed a wholly-owned subsidiary – Stellar Philippines, Inc. ("Stellar Philippines") to further expand Stellar's operations in the Philippines. Paxys sold all of its equity interests in SGSP and Stellar Philippines to Stellar Global, Inc. in July 2013.

- In 2008, Paxys partnered with WNS Global Services Netherlands Cooperative U.A. ("WNS Global") to form WNS Philippines, Inc. Based in Mumbai India, WNS Global is a leading provider of business process outsourcing for various services such as banking, travel, telecommunications, logistics, insurance, and healthcare. In October 2011, Paxys transferred all of its equity interests in WNS Philippines, Inc. to its foreign partner.

- To further improve its IT capabilities and expertise, the Company acquired a majority stake in Ubaldo Reidenbach Solutions, Inc. ("URSI") in 2008. URSI is a Philippine company engaged in IT consultancy focusing on Linux, Open Source Software and Red Hat Software. In 2008, Paxys acquired majority ownership in Global Idealogy Corporation ("GIC"), a software solutions provider. In October 2012, Paxys transferred all of its equity interests in URSI in favor of URSI's minority shareholders. In August 2011, Paxys sold all of its equity interests in GIC in favor of GIC's minority shareholders.

Competition

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

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

Principal Suppliers

Paxys and its subsidiaries obtain equipment and other materials from local and foreign suppliers. The Company is not dependent upon one or limited number of suppliers for essential equipment and other materials as it continuously looks for new suppliers that can satisfy the Company's requirements.

Major Customers

For the past year, the Company's major customers include UK courtrooms for the legal transcription services, Asia-Pacific for the data document processing, customers, television contents in Singapore, healthcare services consumers in Canada.

Related Party Transactions

Transactions between related parties in 2013 mainly include cash advances for working capital advances and are accounted for at arms-length prices. In 2013, Paxys granted cash advances in support of working capital requirements of Simpro Philippines and ACS Pacific Limited amounting to ₱17.7 million and ₱8.9 million, respectively.

Licenses

On November 25, 2009, Scopeworks' registration of its expanding business process outsourcing service in the field of data transcription activity was approved by BOI. This certification entitles the Scopeworks to a three year ITH starting December 2009 until November 2012. The ITH shall be limited only to the revenue generated from the registered expansion project. As a registered entity, Scopeworks is required to export at least 70% of its total services, among other requirements. The ITH incentive has expired in November 2012. Thus, starting December 1, 2012, the Company is subjected to 30% regular corporate income tax.

Simpro Philippines is a company registered as an Economic IT Enterprise on October 3, 2012 subject to representations and commitments set forth to entities under Philippine Economic Zone Authority. Under Simpro's registration conditions, the Simpro's operations shall not be entitled to Income Tax Holiday (ITH), but shall be entitled only to the 5% Gross Income Tax (5% GIT) incentive, in lieu of all national and local taxes, including the additional deduction of training expenses, as provided in RA 7916, as amended, and to incentives under Article77, Book VI of EO 226.

Need for any government approval of principal products or services

None.

Effect of existing or probable governmental regulations on the business

The limitation and conditions on Scopeworks imposed by BOI has already ended in November 2012. In 2013, Scopeworks is subject to government regulations same as regular business entity.

Simpro Philippines is subject to the export sales requirements prescribed for Economic IT Enterprises.

Research and Development

The Company has not spent any amount during the last three fiscal years on research and development activities.

Environmental Matters

The Company is not involved in any action or proceeding involving non-compliance in any material respect with relevant environmental laws and regulations of the Philippines.

Employee and Labor Relations

On a consolidated basis, the Group has 522 employees, including regular, project-based and trainees as of December 31, 2013.

Within the ensuing twelve (12) months, on a consolidated basis, the number of employees of the Group is estimated to be 479 (including regular, project-based and trainees). There are no employees subject to Collective Bargaining Agreements or employees on strike in the past three (3) years.

The Group provides its employees with medical insurance and leave benefits. For professional development, the Group provides for team building activities and offers training programs that address the specific needs of employees. To foster work-life balance, the Group sponsors among others, annual summer and year-end activities.

Legal Proceedings

There are no material pending legal proceedings to which the Company or any of its subsidiary or affiliates is a party, or of which any of their property is the subject.

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

(1) Market Information

(i) Principal market where common equity is traded:

Philippine Stock Exchange

(ii) High and low sales prices for each quarter within the last two fiscal years:

The following are the high and low closing sales prices of the Corporation's shares:

	Closing Prices	
	High	**Low**
2014		
3rd quarter	3.16	3.16
2nd quarter	2.37	2.36
1st quarter	2.58	2.51
2013		
4th quarter	2.22	2.19
3rd quarter	2.00	1.99
2nd quarter	2.11	2.06
1st quarter	2.86	2.75
2012		
4th quarter	3.37	2.73
3rd quarter	3.27	2.64
2nd quarter	3.01	2.45
1st quarter	3.21	1.36

As of 0November 7, 2014, Paxys shares traded on the Philippine Stock Exchange at the price of ₱3.00 per share.

(2) Holders

The number of stockholders of record as of November 3, 2014 in the Company's stock and transfer book was 716. The common shares issued as of November 10, 2014 were 1,148,534,866.

The list of the top 20 stockholders of Paxys common shares as of October 31, 2014 is stated hereunder:

Name	No. of Shares Held	% To Total
All Asia Customer Service Holdings Ltd.	630,844,038	54.93%
Paxys, N.V.	345,622,477	30.09%
PCD Nominee Corporation	170,085,375	14.81%
Kho, Jimmy Jao	300,000	0.03%
Chua, Carmen	216,276	0.02%
Granados, Juan P.	158,112	0.01%
Yao Shiong Shio	95,184	0.01%
Kaw Sek & Company	86,088	0.01%
Lim, Ghee Keong	81,800	0.01%
Paredes, Antonio	79,728	0.01%
Urrutia, Kevin	75,000	0.01%
Willis, Hugh Warren	63,111	0.01%
Jalandoni, Rodegelio M.	62,052	0.01%
Celis, Angela	55,776	0.00%
Martinez, Emilio G.	55,236	0.00%
Santiago, Eduardo A.	37,920	0.00%
Tangco, Francisco F.	37,896	0.00%
Co, Victor C.	31,536	0.00%
Asiamerit Securities, Inc	24,000	0.00%
Reyes, Leopoldo T.	19,800	0.00%
Total	**1,148,031,405**	**99.96%**

(3) Dividends

There were no dividends declared to public for the last three (3) years. As of year-end 2013, there are no restrictions imposed on the Company on the declaration of cash or property dividends. There are no recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction.

(4) Recent Sales of Unregistered or Exempt Securities

(a) Securities Sold

Not applicable.

(b) Underwriters and Other Purchasers

Not applicable.

(c) Consideration

Not applicable.

(d) Exemption from Registration Claimed

Not applicable.

D. Compliance with Corporate Governance Practices

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

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

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

CERTIFICATION

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

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

After reasonable inquiry and to the best of my knowledge and belief, we certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on 11 November 2014.

PAXYS, INC.

By: **Tarcisio M. Medalla**
Chairman and President

Mark David P. Martinez
Corporate Secretary

Paxys, Inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2013 and 2012
and Years Ended December 31, 2013, 2012 and 2011

and

Independent Auditors' Report

SGV

Building a better
working world

A member firm of Ernst & Young Global Limited

PAXYS, INC.

15/F 6750 Ayala Office Tower, Ayala Avenue, Makati City
Tel No. 908-7500 / Fax No. 908-7501

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Paxys, Inc.** is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2013 and 2012, including the additional components attached therein, in accordance with **Philippine Financial Reporting Standards**. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Tarcisio M. Medalla
Chairman of the Board and President

Roger Leo A. Carino
Treasurer

Signed in this 11th day of March 2014

SUBSCRIBED AND SWORN TO BE FORE ME THIS APR 14 2014
AT MAKATI CITY ... TO ME HIS/HER
NO. ... AT ...

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M-35
UNTIL DECEMBER 31, 2014
ROLL ... 8
MCLE COMPLIANCE NO. ...-9016333
IBP NO. ... MEMBER
PTR. NO. ... 2014
EXECUTIVE ... CENTER
MAKATI AVE., CORP. JUPITER

Doc. No. 213
Page No. 44
Book No. 317
Series No. 2014

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Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Paxys, Inc.

We have audited the accompanying consolidated financial statements of Paxys, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Paxys, Inc. and its subsidiaries as at December 31, 2013 and 2012, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2013, in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Editha V. Estacio
Partner
CPA Certificate No. 91269
SEC Accreditation No. 1136-A (Group A),
July 6, 2011, valid until July 5, 2014
Tax Identification No. 178-486-845
BIR Accreditation No. 08-001998-94-2014,
January 22, 2014, valid until January 21, 2017
PTR No. 4225169, January 2, 2014, Makati City

March 11, 2014

PAXYS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31, 2013	December 31, 2012 (As restated - Notes 2 and 20)	January 1, 2012 (As restated - Notes 2 and 20)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 6, 23 and 24)	**₱4,107,099**	₱3,900,094	₱417,771
Investments in available-for-sale financial assets (Notes 6, 23 and 24)	**184,074**	–	–
Trade and other receivables - net (Notes 7, 15, 23 and 24)	**257,646**	376,666	187,118
Other current assets - net (Note 8)	**5,457**	4,490	30,387
Derivative assets (Notes 23 and 24)	**–**	1,358	–
Assets of disposal group classified as held for sale (Note 5)	**–**	–	3,824,468
Total Current Assets	**4,554,276**	4,282,608	4,459,744
Noncurrent Assets			
Property and equipment - net (Note 10)	**8,511**	17,616	63,797
Intangible assets - net (Note 11)	**5,117**	8,170	10,941
Other noncurrent assets (Notes 12, 21, 23 and 24)	**10,402**	10,417	12,713
Investments in joint ventures (Note 9)	**–**	111,283	150,814
Total Noncurrent Assets	**24,030**	147,486	238,265
	₱4,578,306	₱4,430,094	₱4,698,009
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and other current liabilities (Notes 13, 15, 23 and 24)	**₱49,834**	₱97,671	₱92,857
Dividends payable (Notes 23 and 24)	**6,554**	6,554	6,554
Income tax payable (Note 22)	**835**	3,837	702
Liabilities of disposal group classified as held for sale (Note 5)	**–**	–	2,307,761
Total Current Liabilities	**57,223**	108,062	2,407,874
Noncurrent Liabilities			
Accrued retirement costs (Note 20)	**7,225**	7,738	8,667
Derivative liability (Notes 23 and 24)	**–**	–	316
Other noncurrent liabilities	**614**	–	–
Total Noncurrent Liabilities	**7,839**	7,738	8,983
Total Liabilities	**65,062**	115,800	2,416,857
Equity			
Capital stock (Note 14)	**1,071,773**	1,071,773	1,071,773
Additional paid-in capital (Note 14)	**451,364**	451,364	451,364
Retained earnings (Note 14)	**2,888,887**	2,959,531	586,834
Cumulative translation adjustments	**100,420**	(168,374)	(47,712)
Unrealized gains from available-for-sale financial assets (Note 6)	**800**	–	–
Reserves of disposal group classified as held for sale (Note 5)	**–**	–	224,291
Total equity attributable to equity holders of the Parent Company	**4,513,244**	4,314,294	2,286,550
Non-controlling interests	**–**	–	(5,398)
Total Equity	**4,513,244**	4,314,294	2,281,152
	₱4,578,306	₱4,430,094	₱4,698,009

See accompanying Notes to Consolidated Financial Statements.

PAXYS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands Except Earnings (Loss) per Share)

	Years Ended December 31		
	2013	2012 (As restated - Notes 2 and 20)	2011
SERVICE INCOME (Note 4)	**₱158,295**	₱202,375	₱425,633
COST OF SERVICES (Notes 4, 16 and 21)	**(133,714)**	(227,333)	(397,049)
GROSS PROFIT (LOSS)	**24,581**	(24,958)	28,584
GENERAL AND ADMINISTRATIVE EXPENSES (Notes 4, 17 and 21)	**(111,921)**	(242,220)	(265,258)
INTEREST INCOME (Note 19)	**43,888**	56,667	8,405
INTEREST EXPENSE (Note 19)	**(454)**	(600)	(3,186)
FOREIGN EXCHANGE GAIN (LOSS)	**(82,163)**	191,185	(677)
EQUITY IN NET EARNINGS (LOSSES) OF JOINT VENTURES (Note 9)	**2,865**	(45,768)	37,545
GAIN (LOSS) ON SALE OF INVESTMENTS (Notes 5 and 9)	**20,557**	(1,670)	1,697
OTHER INCOME - Net (Note 19)	**32,601**	2,446	24,968
LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS	**(70,046)**	(64,918)	(167,922)
PROVISION FOR INCOME TAX (Note 22)	**3,822**	8,983	6,286
LOSS AFTER INCOME TAX FROM CONTINUING OPERATIONS	**(73,868)**	(73,901)	(174,208)
INCOME FROM DISCONTINUED OPERATIONS (Note 5)	–	2,448,135	298,505
NET INCOME (LOSS)	**(₱73,868)**	₱2,374,234	₱124,297
Attributable To			
Equity holders of the Parent Company from:			
Continuing operations	**(₱73,868)**	(₱73,645)	(₱169,766)
Discontinued operations	–	2,448,135	298,505
	(73,868)	2,374,490	128,739
Non-controlling interests	–	(256)	(4,442)
	(₱73,868)	₱2,374,234	₱124,297
EARNINGS (LOSS) PER SHARE (Note 25)			
Basic Earnings (Loss) Per Share			
Loss from continuing operations	**(₱0.06)**	(₱0.06)	(₱0.15)
Income from discontinued operations	–	2.13	0.26
	(₱0.06)	₱2.07	₱0.11
Diluted Earnings (Loss) Per Share			
Loss from continuing operations	**(₱0.06)**	(₱0.06)	(₱0.15)
Income from discontinued operations	–	2.13	0.26
	(₱0.06)	₱2.07	₱0.11

See accompanying Notes to Consolidated Financial Statements.

PAXYS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
NET INCOME (LOSS)	**(₱73,868)**	₱2,374,234	₱124,297
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Translation adjustments during the year	**268,794**	(120,662)	(16,010)
Unrealized gain on available-for-sale securities	**800**	–	–
	269,594	(120,662)	(16,010)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on defined benefit plan	**3,224**	(1,537)	(3,248)
Total other comprehensive income (loss)	**272,818**	(122,199)	(19,258)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱198,950**	₱2,252,035	₱105,039
Attributable To			
Equity holders of the Parent Company from:			
Continuing operations	**₱198,950**	(₱195,844)	(₱189,024)
Discontinued operations	**–**	2,448,135	298,505
	198,950	2,252,291	109,481
Non-controlling interests	**–**	(256)	(4,442)
	₱198,950	₱2,252,035	₱105,039

See accompanying Notes to Consolidated Financial Statements.

PAXYS, INC. AND SUhBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Thousands)

	Total Equity Attributable to Equity Holders of the Parent Company									
				Other Comprehensive Income Reserve						
	Capital Stock	Additional Paid-in Capital	Retained Earnings	Cumulative Translation Adjustments	Remeasurement Gain (Loss) on Defined Benefit Plan (Note 20)	Unrealized gains from Available-for-Sale Financial Assets (Note 6)	Reserves of Disposal Group Classified as Held for Sale (Note 5)	Total	Non-controlling Interests	Total Equity
At January 1, 2013, as previously reported	**₱1,071,773**	**₱451,364**	**₱2,963,402**	**(₱168,374)**	**₱–**	**₱–**	**₱–**	**₱4,318,165**	**₱–**	**₱4,318,165**
Adoption of Revised PAS19 (Notes 2 and 20)	**–**	**–**	**(3,871)**	**–**	**–**	**–**	**–**	**(3,871)**	**–**	**(3,871)**
At January 1, 2013, as restated	**1,071,773**	**451,364**	**2,959,531**	**(168,374)**	**–**	**–**	**–**	**4,314,294**	**–**	**4,314,294**
Net loss	**–**	**–**	**(73,868)**	**–**	**–**	**–**	**–**	**(73,868)**	**–**	**(73,868)**
Other comprehensive income for the year	**–**	**–**	**–**	**268,794**	**3,224**	**800**	**–**	**272,818**	**–**	**272,818**
Remeasurement gain on defined benefit plan transferred to retained earnings (Note 20)	**–**	**–**	**3,224**	**–**	**(3,224)**	**–**	**–**	**–**	**–**	**–**
At December 31, 2013	**₱1,071,773**	**₱451,364**	**₱2,888,887**	**₱100,420**	**₱–**	**₱800**	**₱–**	**₱4,513,244**	**₱–**	**₱4,513,244**
At January 1, 2012, as previously reported	₱1,071,773	₱451,364	₱591,390	(₱47,712)	₱–	₱–	₱224,291	₱2,291,106	(₱5,398)	₱2,285,708
Adoption of Revised PAS19 (Notes 2 and 20)	–	–	(4,556)	–	–	–	–	(4,556)	–	(4,556)
At January 1, 2012, as restated	1,071,773	451,364	586,834	(47,712)	–	–	224,291	2,286,550	(5,398)	2,281,152
Net income	–	–	2,374,490	–	–	–	–	2,374,490	(256)	2,374,234
Other comprehensive loss for the year	–	–	–	(120,662)	(1,537)	–	–	(122,199)	–	(122,199)
Discontinued operations (Note 5)	–	–	–	–	–	–	(224,291)	(224,291)	–	(224,291)
Disposal of a subsidiary (Note 5)	–	–	(256)	–	–	–	–	(256)	5,654	5,398
Remeasurement loss on defined benefit plan transferred to retained earnings (Note 20)	–	–	(1,537)	–	1,537	–	–	–	–	–
At December 31, 2012	₱1,071,773	₱451,364	₱2,959,531	(₱168,374)	₱–	₱–	₱–	₱4,314,294	₱–	₱4,314,294
At January 1, 2011, as previously reported	₱1,071,773	₱492,786	₱462,912	₱143,818	₱–	₱–	₱–	₱2,171,289	(₱1,388)	₱2,169,901
Adoption of Revised PAS19 (Notes 2 and 20)	–	–	(1,569)	–	–	–	–	(1,569)	–	(1,569)
At January 1, 2011, as restated	1,071,773	492,786	461,343	143,818	–	–	–	2,169,720	(1,388)	2,168,332
Net income	–	–	128,739	–	–	–	–	128,739	(4,442)	124,297
Other comprehensive loss for the year	–	–	–	(16,010)	(3,248)	–	–	(19,258)	–	(19,258)
Share-based payment compensation expense	–	7,349	–	–	–	–	–	7,349	–	7,349
Discontinued operations (Note 5)	–	(48,771)	–	(175,520)	–	–	224,291	–	–	–
Disposal of a subsidiary (Note 4)	–	–	–	–	–	–	–	–	432	432
Remeasurement loss on defined benefit plan transferred to retained earnings (Note 20)	–	–	(3,248)	–	3,248	–	–	–	–	–
At December 31, 2011	₱1,071,773	₱451,364	₱586,834	(₱47,712)	₱–	₱–	₱224,291	₱2,286,550	(₱5,398)	₱2,281,152

See accompanying Notes to Consolidated Financial Statements.

PAXYS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2013	2012 (As restated - Notes 2 and 20)	2011 (As restated - Notes 2 and 20)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss from continuing operations before income tax	**(₱70,046)**	(₱64,918)	(₱167,922)
Income from discontinued operations (Note 5)	**–**	2,448,135	298,505
	(70,046)	2,383,217	130,583
Adjustments for:			
Unrealized foreign exchange loss (gain) - net	**78,707**	(126,000)	(5,275)
Interest income (Notes 4 and 19)	**(43,888)**	(56,667)	(8,405)
Gain on sale of a joint venture subsidiaries/associate – net (Notes 5 and 9)	**(20,557)**	(2,272,692)	(1,697)
Depreciation and amortization (Notes 10, 11, 16 and 17)	**13,759**	53,798	340,435
Movement in retirement cost (Note 23)	**2,711**	(2,077)	(327)
Equity in net losses (earnings) of joint ventures (Note 9)	**(2,865)**	45,768	(37,545)
Unrealized mark-to-market gain	**1,358**	(1,674)	(27,895)
Interest expense (Notes 4 and 19)	**–**	25	2,719
Gain on disposal of property and equipment	**(4)**	–	–
Gain on fair value of dividend received (Note 19)	**–**	–	(12,383)
Impairment loss on goodwill	**–**	–	11,080
Equity-based compensation expense	**–**	–	7,349
Working capital adjustments:			
Decrease (increase) in:			
Other current assets	**4,452**	49,258	41,615
Trade and other receivables	**118,630**	(223,667)	(81,626)
Other noncurrent assets	**15**	2,396	5,384
Net asset of disposal group classified as held for sale	**–**	(173,773)	(1,516,707)
Increase (decrease) in:			
Accounts payable and other current liabilities	**(48,748)**	12,542	(145,607)
Other noncurrent liabilities	**614**	–	(133,255)
Dividends payable	**–**	–	(1,657)
Net cash used in operations	**34,138**	(309,546)	(1,433,214)
Interest received	**43,888**	56,667	8,405
Income taxes paid	**(6,824)**	(5,848)	(14,410)
Interest paid	**–**	(25)	(2,719)
Net cash provided by (used in) operating activities	**71,202**	(258,752)	(1,441,938)

(Forward)

	Years Ended December 31		
	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Divestment of a joint venture/subsidiary (Notes 5 and 9)	**₱161,172**	₱3,739,759	₱350,720
Disposal of property and equipment	**38**	–	2,862
Sale of an associate (Note 5)	**–**	–	90,878
Acquisitions of:			
Investment in available-for-sale financial assets	**(183,274)**	–	–
Investments in joint ventures (Note 9)	**(13,128)**	–	–
Property and equipment (Note 10)	**(596)**	(3,474)	(50,086)
Intangible assets (Note 11)	**(573)**	(1,451)	(8,975)
Business, net of cash acquired (Note 5)	–		(306,948)
Increase in Investment in joint ventures	**–**	–	(6,508)
Net cash provided by investing activities	**(36,361)**	3,734,834	71,943
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Long-term loans	–	–	(216,496)
Short-term loans	–	–	(284,960)
Net cash used in financing activities	–	–	(501,456)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**34,841**	3,476,082	(1,871,451)
EFFECTS OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	**172,164**	6,241	4,576
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,900,094**	417,771	2,284,646
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱4,107,099**	₱3,900,094	₱417,771

See accompanying Notes to Consolidated Financial Statements.

PAXYS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Paxys, Inc. (Paxys or the "Parent Company") was incorporated in the Philippines on February 14, 1952. The Parent Company's corporate life was extended for another fifty (50) years from February 14, 2002. The Parent Company and its subsidiaries (collectively referred to as the "Company") are primarily involved in investment holding; business process outsourcing, call center business that offers an integrated mix of call center solutions including inbound (customer-initiated) and outbound teleservicing, as well as email and web-based tools transcription, editing and proofreading services. The Parent Company is a publicly listed company and its shares of stock are publicly traded in the Philippine Stock Exchange.

All Asia Customer Services Holdings Ltd (AACSHL), a company incorporated in Hong Kong, owns 73.23% interest of the Parent Company as at December 31, 2013 and 2012.

The registered office address of the Parent Company is 15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City.

The accompanying consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors (BOD) on March 11, 2014.

2. Summary of Significant Accounting Policies and Financial Reporting Practices

Basis of Preparation

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS, Philippine Accounting Standards (PAS) and Philippine interpretations from the International Financial Reporting Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative instruments which have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency. All values are rounded to the nearest thousands (₱000), except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Company presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at January 1, 2012 is presented in these consolidated financial statements due to retrospective application of certain accounting policies (see Note 20).

Changes in Accounting Policies and Disclosures

The Company applied, for the first time, certain standards and amendments that require restatement of previous financial statements. These include PAS 19, *Employee Benefits* (Revised 2011), PFRS 13, *Fair Value Measurement*, and amendments to PAS 1, *Presentation of Financial Statements*.

PFRS 10, *Consolidated Financial Statements*, PFRS 11, *Joint Arrangements*, PAS 27, *Separate Financial Statements* (as revised in 2011), PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011), and PFRS 12, *Disclosure of Interests in Other Entities*, are effective 2013 but were early adopted by the Company in 2012.

Several other amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Company. The nature and the impact of each new standard and amendment are described below:

- PAS 19, *Employee Benefits* (Revised) — For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  Prior to adoption of the Revised PAS 19, the Company recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the revised PAS 19, the Company changed its accounting policy to recognize all actuarial gains and losses in other comprehensive income and all past service costs in profit or loss in the period they occur.

  The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

  The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

  Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact to the Company's financial position and financial performance.

  The changes in accounting policies have been applied retrospectively. The effects of adoption on the consolidated financial statements are as follows:

Increase (decrease) in:	**December 31, 2013**	December 31, 2012	January 1, 2012
		(In Thousands)	
Consolidated statement of financial position			
Accrued retirement cost	**₱1,125**	₱3,871	₱4,556
Retained earnings	**(1,125)**	(3,871)	(4,556)

	2013	2012	2011
		(In Thousands)	
Consolidated statement of comprehensive income			
General and administrative expenses	**₱94**	(₱2,797)	(₱728)
Interest expense	**206**	575	467
Net income	**(300)**	2,222	261
Remeasurement gain on defined benefit plan	**3,224**	(1,537)	(3,248)
Total comprehensive income	**₱2,924**	₱685	(₱2,987)

The adoption did not have an impact on cash flows and earnings (loss) per share.

Upon adoption of the Revised PAS 19, the presentation of the consolidated statement of income was updated to reflect these changes. Net interest is now shown under the interest income/expense line item (previously under personnel expenses under general and administrative expenses). This presentation better reflects the nature of net interest since it corresponds to the compounding effect of the long-term net defined benefit liability (net defined benefit asset). In the past, the expected return on plan assets reflected the individual performance of the plan assets, which were regarded as part of the operating activities.

- PFRS 7, *Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (Amendments) — These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, certain quantitative information. The amendments have no impact on the Company's financial position or performance.

- PFRS 13, *Fair Value Measurement* — PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

  The Company assessed that the application of PFRS 13 has no material impact on its fair value measurements. Additional disclosures required are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

- PAS 1, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income or OCI* (Amendments) — The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Company's financial position or performance.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* — This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Company.

- PFRS 1, *First-time Adoption of International Financial Reporting Standards – Government Loans* (Amendments) — The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39*, Financial Instruments: Recognition and Measurement*, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. These amendments are not relevant to the Company.

Annual Improvements to PFRSs (2009-2011 cycle.) The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Company adopted these amendments for the current year.

- PFRS 1, *First-time Adoption of PFRS – Borrowing Costs* — The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Company as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements – Clarification of the requirements for comparative information* — These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. As a result, except for accrued retirement costs, the Company not has included comparative information in respect of the opening statement of financial position as at January 1, 2012. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PAS 16, *Property, Plant and Equipment – Classification of servicing equipment* — The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment does not have any significant impact on the Company's financial position or performance.

- PAS 32, *Financial Instruments: Presentation – Tax effect of distribution to holders of equity instruments* — The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, Income Taxes. The amendment does not have any significant impact on the Company's financial position or performance.

- PAS 34, *Interim Financial Reporting – Interim financial reporting and segment information for total assets and liabilitie*s — The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Company's financial position or performance.

Standards and Interpretations Issued but not yet Effective

Standards and interpretations issued but not yet effective up to the date of the issuance of the Company's financial statements are listed below. The Company intends to adopt these standards and interpretations when they become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended standards and interpretations to have significant impact on its financial position and performance.

- PAS 36, *Impairment of Assets –- Recoverable Amount Disclosures for Non-Financial Assets* (Amendments) — These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27) — These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

- PAS Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21) — IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Company does not expect that IFRIC 21 will have material financial impact in future financial statements.

  PAS 32, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting* (Amendments) — These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014.

- PAS 32, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (Amendments) — The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Company's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments) — The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

Annual Improvements to PFRSs (2010-2012 cycle). The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, Share-based Payment – Definition of Vesting Condition — The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014.

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

- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets* — The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively.

- PFRS 13, *Fair Value Measurement – Short-term Receivables and Payables* — The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

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

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

- PAS 24, *Related Party Disclosures – Key Management Personnel* — The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a Company for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively.

- PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Amortization* — The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  - The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  - The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard. The amendments are effective for annual periods beginning on or after July 1, 2014.

  The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

Annual Improvements to PFRSs (2011-2013 cycle). The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Meaning of 'Effective PFRSs* — The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements.

- PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements* — The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment.

- PFRS 13, *Fair Value Measurement – Portfolio Exception* — The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

- PAS 40, *Investment Property* — The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a Company of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

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

  On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Company will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate* — This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries:

Subsidiaries	Place of Incorporation	Principal Activity	**2013**		2012	
			Direct	**Indirect**	Direct	Indirect
Paxys N.V.	Curacao	Investment holding	**100.0%**	–	100.0%	–
Scopeworks Asia, Inc. (SWA)	Philippines	Data transcription	**100.0%**	–	100.0%	–
Paxys Global Services, Inc. (PGS)	Philippines	Headquarters	**100.0%**	–	100.0%	–
Paxys Global Services Pte Ltd (PGSPL) formerly Global Idealogy Pte Ltd)	Singapore	Regional marketing office	**100.0%**	–	100.0%	–
Paxys Global Services ROHQ (PGS ROHQ)	Philippines	Regional headquarters	–	**100.0%**	–	100.0%
Paxys Ltd.	Hongkong	Holding office	**100.0%**	–	100.0%	–

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies.

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

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Company had directly disposed of the related assets or liabilities

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in "General and administrative expenses" account in the consolidated statement of income.

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

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

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

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

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

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in this circumstance is measured based on the relative values of the disposed operation and the portion of the CGU retained.

If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because the fair values to be assigned to the acquiree's identifiable assets and liabilities can be determined only provisionally, the Company accounts for the combination using provisional fair values. Adjustments to those provisional fair values as a result of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date and goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

Non-controlling Interest

Non-controlling interest represents the portion of profit or loss and the net assets not held by the Company and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from total equity attributable to owners of the Parent Company.

Investment in Joint Ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

The Company's investments in its joint ventures are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Company's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of the joint venture, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity.

Unrealized gains and losses resulting from transactions between the Company and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Company's share of profit or loss of a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax of the joint venture. If the Company's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Company discountinues recognizing its share of further losses. After the Company's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the entity has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Company resumes recognizes its share of those profits only after its share of the profits equals the share of losses not recognized.

The financial statements of joint venture are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in joint venture. At each reporting date, the Company determines whether there is objective evidence that the investment in joint venture is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognizes the loss as 'Share of profit of a joint venture' in the consolidated statement of income.

Upon loss of joint control over the joint venture, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Non-current Assets Held for Sale and Discontinued Operations

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for assets or a disposal group held for sale is regarded as met only when the disposal is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale with be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is:

- A component of the Company that is a CGU or a group of CGUs
- Classified as held for sale or already disposed in such a way, or
- A major line of business or major geographical area

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of income.

Additional disclosures are provided in Note 5. All other notes to the financial statements mainly include amounts for continuing operations, unless otherwise mentioned.

Foreign Currencies

The Company's consolidated financial statements are presented in Philippine peso, which is also the parent company's functional currency. For each entity, the Company determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances. Transactions in foreign currencies are initially recorded by the Company's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Company's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Foreign operations. On consolidation, the assets and liabilities of foreign operations are translated into Philippine pesos at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

Current versus Noncurrent Classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when:

- It is expected to be realized or intended to sold or consumed in normal operating cycle
- It is held primarily for the purpose of trading

- It is expected to be realized within twelve months after the reporting period, or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent. A liability is current when:
- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid deposits that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Financial Instruments – Initial Recognition and Subsequent Measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a. Financial assets

Initial recognition and measurement. Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity investments (HTM), available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and cash equivalents, trade and other receivables, escrow fund and rentals and security deposits which are classified as loans and receivables; derivative assets which are classified as financial assets at FVPL; and AFS financial assets.

Subsequent measurement. The subsequent measurement of financial assets depend on their classification as follows:

- Financial assets at FVPL - Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging

instruments as defined by PAS 39. Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of income.

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

The Company's derivative assets are classified under this category.

- Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance income in the consolidated statement of income. The losses arising from impairment are recognized in the consolidated statement of income in interest costs for loans and in cost of sales or general and administrative expenses for receivables.

  As at December 31, 2013 and 2012, loans and receivables include cash and cash equivalents, trade and other receivables escrow fund, and rentals and security deposits.

- AFS Investments - AFS investments are those non-derivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. Subsequent to initial measurement, AFS investments are subsequently measured at fair value. Gains or losses from changes in fair value of AFS investments are recognized in "Other comprehensive income" section in the consolidated statement of comprehensive income until the investment is disposed of or is determined to be impaired at which time the cumulative gain or loss previously recorded in other comprehensive income is transferred to "Other income (expense)" account in profit or loss. AFS investments are classified as current assets if they are expected to be realized within 12 months from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

  The Company's investments in quoted equity securities are classified under this category.

Derecognition. A financial asset (or, where applicable, a part of a financial asset o r part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has

neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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

- Financial assets carried at amortized cost - For financial assets carried at amortized cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

  The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

  The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income (recorded as finance income in the consolidated statement of income) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized

impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in profit or loss.

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

  In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of comprehensive income. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss

b. Financial liabilities

Initial recognition and measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables which are classified as loans and borrowings.

The Company does not have financial liabilities at FVPL as at December 31, 2013 and 2012.

Subsequent measurement. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included as finance costs in the consolidated statement of income.

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the

original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

c. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Fair Value Measurement

The Company measures derivative financial instruments at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 24.

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

The cost of property and equipment consists of its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes the cost of replacing the part of such property and equipment and borrowing costs for long-term construction projects when the recognition criteria are met.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally recognized as expense in the period such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of the property and equipment.

Depreciation commences once the property and equipment are available for use and is calculated on a straight-line basis over the estimated useful life of the asset.

Property and equipment are depreciated using the following estimated useful lives:

Computer equipment	5 years
Communication equipment	3-5 years
Leasehold improvements	5 years or lease term, whichever is shorter
Office furniture, fixtures and equipment	5-14 years
Transportation equipment	5 years
Software pool	2.5 years

Construction in-progress is stated at cost less any impairment in value. Construction in-progress is transferred to the related property and equipment when the construction or installation and related activities necessary to prepare the property and equipment for their intended use have been completed, and the property and equipment are ready for service. Construction in-progress is not depreciated until such time that the relevant assets are completed and available for its intended use.

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

The assets' residual values, useful lives and depreciation method are reviewed and adjusted if appropriate, at each financial year-end to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

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

Intangible Assets
Intangible assets with finite useful lives are composed of the Company's website and software packages.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization expense on intangible assets with finite lives is recognized under "Costs of services" and "General and administrative expenses" accounts in the consolidated statement of income. Intangible assets with finite lives include Website and Software packages and are amortized over 2.5 years.

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

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

Impairment of Nonfinancial Assets
The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the consolidated statement of income in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

Equity

Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and/or fair value of consideration received in excess of par value are recognized as additional paid-in capital (APIC).

APIC on stock options represents the cumulative compensation expense recognized from equity-settled share-based payment plan, net of cumulative compensation expense related to exercised and expired stock options.

Retained earnings represent accumulated earnings net of dividends declared.

Other comprehensive income comprise items of income and expense, including reclassification adjustments, that are not recognized in consolidated statement of income as required or permitted by other PFRS.

Operating Segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of corporate assets (primarily the Company's main office), main office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, and intangible assets other than goodwill.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and value-added tax or duties. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Service Income. Revenue is recognized as services are rendered.

Interest Income. Revenue is recognized as the interest accrues using the effective interest method, that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Equity in Net Earnings (Losses) of Joint Ventures. The Company recognizes its share in the net income (loss) of joint ventures proportionate to its interest in the joint ventures in accordance with the equity method of accounting for investments.

Other Income. Revenue is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Company through an increase in asset or reduction in liability and that can be measured reliably.

Cost and Expense Recognition
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized in the consolidated statement of income in the year these are incurred.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Company as a Lessor. Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income is recognized as income on a straight-line basis over the lease terms.

Company as a Lessee. Operating lease payments are recognized as expense in the consolidated statement of income on a straight-line basis over the lease terms.

Borrowing Costs
Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities necessary to prepare the asset for intended use are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the asset is available for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects, to the extent that they are regarded as an adjustment to interest costs.

All other borrowing costs are expensed as incurred.

Pensions and other Post-Employment Benefits

Defined benefit plan. Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

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

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

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Termination benefit. Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee Leave Entitlement. Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Taxes

Current Income Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax. Deferred income tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carryforward benefits of MCIT and NOLCO can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at of reporting date.

Income tax relating to items recognized directly in equity is recognized in equity and as part of other comprehensive income in the consolidated statement of comprehensive income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Value-added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of "Other current assets" account in the consolidated statement of financial position.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

Events after the Reporting Period
Post year-end events that provide additional information about the Company's financial position at the reporting date (adjusting events), if any, are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements requires management to make judgment and estimates that affect certain reported amounts and disclosures. In preparing the Company's consolidated financial statements, management has made its best judgment and estimates of certain amounts, giving due consideration to materiality. The judgment and estimates used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Accordingly, actual results could differ from those estimates, and such estimates will be adjusted accordingly.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgment which have the most significant effect on the amounts recognized in the consolidated financial statements.

Non-Recognition of Deferred Tax Liability (DTL) on Undistributed Income of Foreign Subsidiary. Since Paxys N.V., a foreign subsidiary is 100% owned by the Parent, management believes that the Parent Company can control the timing of the dividend distribution, thus, no deferred tax liability was recorded on the undistributed income of Paxys N.V. DTL on undistributed income of foreign subsidiary not recognized amounted to ₱896.04 million and ₱744.33 million as at December 31, 2013 and 2012, respectively.

Operating Lease Commitments. The Company has entered into various lease agreements either as lessor or lessee. Management has determined that the significant risks and rewards are retained by the lessor and accounts for the lease as operating lease.

Rent expense from continuing operations amounted to ₱13.55 million and ₱25.27 million for the years ended December 31, 2013 and 2012, respectively (see Notes 16, 17 and 21).

Functional Currency. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Parent Company, SWA, PGS and PGS ROHQ has been determined to be the Philippine Peso while Paxys Ltd. and Paxys N.V. is US Dollar (US$). The functional currency of Paxys A.U., which was disposed in June 2012, is the Australian Dollar (AU$).

Functional currency is the currency of the primary economic environment in which each of the entities operates. It is the currency that mainly influences the revenue and cost of services.

Classification of Disposal Group as Held for Sale. On March 30, 2012, Paxys N.V. and SmartGroup Investments Pty. Ltd. (SmartGroup) completed the negotiations and signed a Share Purchase Agreement (SPA) for the sale of Paxys N.V.'s 100.0% stake in Paxys A.U. and Subsidiaries. The sale was completed on June 7, 2012 following the fulfillment of the closing conditions (see Note 5). As at December 31, 2011, Paxys A.U. and Subsidiaries are classified as a disposal group held for sale after management has assessed that they will recover the carrying amount of these assets through sale rather than continuing use.

Estimates and Assumptions

The key assumptions concerning future and other key sources of estimation at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Determination of Fair Value of Financial Instruments (Including Derivatives). PFRS require that certain financial assets and liabilities be carried at fair value. When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Fair values of financial assets and financial liabilities are presented in Note 24.

Impairment of Other Nonfinancial Assets Including Other Intangible Assets with Finite Lives. PFRS requires that an impairment review be performed when certain impairment indicators are present. Investments in joint ventures, property and equipment and other intanginble assets are subject to annual impairment test whenever there is a strong indication that the asset is impaired.

If there are indicators of impairment, management is required to make estimates and assumptions to determine the future cash flows to be generated from the continued use and ultimate disposition of these assets in order to determine the recoverable value of these assets. While the Company believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. Future adverse events may cause management to conclude that the affected assets are impaired and may have a material impact on the financial condition and performance of the Company. There were no asset impairment in 2013 and 2012.

The carrying values of nonfinancial assets subject to impairment review when impairment indicators are present as at December 31, 2013 and 2012 are as follows:

	December 31	
	2013	2012
	In Thousands	
Investments in joint ventures (see Note 9)	**₱–**	₱111,283
Property and equipment (see Note 10)	**8,511**	17,616
Intangible assets (see Note 11)	**5,117**	8,170

Estimated Useful Lives of Property and Equipment and Other Intangible Assets with Finite Useful Lives. The useful life of each of the Company's items of property and equipment and intangible assets with finite useful lives is estimated based on the period over which the assets are expected to be available for use. Such estimation is based on a collective assessment of similar business, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed at each financial year end and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment and other intangible assets would increase the recorded depreciation and amortization expenses and decrease the carrying value of property and equipment and other intangible assets.

There is no change in the estimated useful lives of property and equipment and other intangible assets with finite useful lives in 2013 and 2012.

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

Deferred tax assets as at December 31, 2013 and 2012, were not recognized because management believes that sufficient future taxable income will not be available against which deductible temporary differences will be utilized. Unrecognized deferred tax assets amounted to ₱75.74 million and ₱50.89 million as at December 31, 2013 and 2012, respectively (see Note 22).

Impairment of Trade and Other Receivables. The Company maintains allowance for doubtful accounts at a level based on the result of the individual and collective assessment. Under the individual assessment, the Company considers the payment history, past due status and term. The collective assessment would require the Company to group its receivables based on the credit risk characteristics (customer type, length of the Company's relationship with the customers, average age of accounts and collection experience) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

Allowance for doubtful accounts for trade and other receivables amounted to ₱43.52 million and ₱25.46 million as at December 31, 2013 and 2012, respectively. The carrying values of trade and other receivables amounted to ₱257.65 million and ₱376.67 million as at December 31, 2013 and 2012, respectively (see Note 7).

Realizability of Input VAT. The carrying amount of input tax is reviewed at each reporting date and reduced to the extent that it will be not be utilized. The carrying amount of the asset is reduced through the use of an allowance account.

The allowance is established by charges to income in the form of provision for potential losses on input tax. The amount and timing of recorded expenses for any period would therefore differ based on the judgment or estimates made. An increase in provision for potential losses on input tax would increase the Company's recorded expenses and decrease current assets.

The carrying value of input tax, net of allowance, amounted to ₱3.37 million and nil as at December 31, 2013 and 2012, respectively. Allowance for nonrecoverability of Input VAT amounted to ₱48.29 million and ₱44.82 million as at December 31, 2013 and 2012, respectively (see Note 8).

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

The accrued retirement cost amounted to ₱7.23 million and ₱7.74 million as at December 31, 2013 and 2012, respectively. Further details are provided in Note 20.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 20.

Legal Contingencies. The Company is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Company's management and legal counsel believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements.

As allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, some information has not been disclosed as the management believes that the disclosure of such shall prejudice seriously its position regarding the case filed against the Company.

4. Segment Information

The Company's operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and serves different markets.

Segment Assets and Liabilities. Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, property and equipment and other intangible assets, net of allowances and provision. Segment liabilities include all operating liabilities and consist principally of accounts payable and other liabilities.

Inter-segment Transactions. Segment revenues, segment expenses and segment performance include transfers among business segments. Such transfers are eliminated in consolidation.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating income or loss and is measured consistently with operating income or loss in the consolidated financial statements.

Business segment information is reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources among operating segments.
For management purposes, the Company is organized into business units based on their products and services and has four reportable operating segments as follows:

- Call Center - The call center segment offers an integrated mix of call center solutions including inbound (customer-initiated) and outbound teleservicing.

- Salary Packaging - The salary packaging segment provides services to company employees to effectively structure their income through a combination of cash and approved employee benefits. The segment's services ensure the implementation of a well-aligned salary packaging policy and the delivery of a comprehensive tax management reporting suite. Following management's decision to divest its investment in Paxys A.U. and Subsidiaries, total assets and liabilities and income and expense of Paxys A.U. and Subsidiaries are presented under the "Disposal Group Classified as Held for Sale" column in the business segment information in 2012. Paxys A.U. and Subsidiaries were sold in June 2012.

- Data Transcription - This segment includes data transcription and scoping services, voice-to-screen message conversion and electronic data encoding and processing.

- Others - This segment includes software development and IT consultancy. It also includes the operations of the Parent Company.

Business Segment Information

The following table present revenues and expenses and certain assets and liabilities information regarding the Company's business segments as at and for the years ended December 31, 2013, 2012, and 2011:

	2013						
	Continuing Operations					Disposal Group Classified as Held for Sale - Salary Packaging	Total
	Call Center	Data Transcription	Others	Eliminations	Consolidated		
	(In Thousands)						
Results of Operations							
Segment revenues from external customers	₱21,778	₱136,517	₱–	₱–	₱158,295	₱–	₱158,295
Segment expenses	(13,256)	(138,582)	(99,268)	5,471	(245,635)	–	(245,635)
Segment result	8,522	(2,065)	(99,268)	5,471	(87,340)	–	(87,340)
Gain on sale of subsidiaries	–	–	112,340	(91,783)	20,557	–	20,557
Interest income (expense) – net	(14)	(62)	43,509	1	43,434	–	43,434
Foreign exchange gain (loss) – net	6	2,590	(70,981)	(13,778)	(82,163)	–	(82,163)
Equity in net losses on joint ventures	(6,588)	–	–	9,453	2,865	–	2,865
Other segment operating income – net	–	5,475	34,039	(6,913)	32,601	–	32,601
Provision for income tax	(4)	(405)	(3,412)	(1)	(3,822)	–	(3,822)
Net income (loss)	₱1,922	₱5,533	₱16,227	(₱97,550)	(₱73,868)	₱–	(₱73,868)
Assets and Liabilities							
Segment assets	₱21,982	₱61,196	₱5,024,929	(₱529,801)	₱4,578,306	₱–	₱4,578,306
Segment liabilities	(99,257)	(87,737)	(189,229)	311,161	(65,062)	–	(65,062)
Other Segment Information							
Capital expenditures:							
Property and equipment	₱12	₱524	₱60	₱–	₱596	₱–	₱596
Intangibles	573	–	–	–	573	–	573
Depreciation and amortization	1,454	5,651	6,654	–	13,759	–	13,759

2012							
	Continuing Operations					Disposal Group Classified as Held for Sale -	
	Call Center	Data Transcription	Others	Eliminations	Consolidated	Salary Packaging	Total
				(In Thousands)			
Results of Operations							
Segment revenues from external customers	₱13,655	₱153,295	₱35,425	₱–	₱202,375	₱1,047,489	₱1,249,864
Segment expenses	(62,587)	(194,856)	(347,077)	134,967	(469,553)	(818,306)	(1,287,859)
Segment result	(48,932)	(41,561)	(311,652)	134,967	(267,178)	229,183	(37,995)
Loss on sale of subsidiaries	–	–	(1,670)	–	(1,670)	2,274,362	2,272,692
Interest income (expense) – net	20	472	55,120	455	56,067	24,152	80,219
Foreign exchange gain (loss) – net	(162)	695	197,565	(6,913)	191,185	–	191,185
Equity in net losses on joint ventures	(45,768)	–	–	–	(45,768)	–	(45,768)
Other segment operating income (expense)	891	6,363	(1,964)	(2,844)	2,446	(773)	1,673
Provision for income tax	(4)	(175)	(8,804)	–	(8,983)	(78,789)	(87,772)
Net income (loss)	(₱93,955)	(₱34,206)	(₱71,405)	₱125,665	(₱73,901)	₱2,448,135	₱2,374,234
Assets and Liabilities							
Segment assets	₱16,875	₱75,301	₱5,061,432	(₱723,514)	₱4,430,094	₱–	₱4,430,094
Segment liabilities	(90,744)	(105,134)	(521,033)	601,111	(115,800)	–	(115,800)
Other Segment Information							
Capital expenditures:							
Property and equipment	₱1,287	₱1,379	₱808	₱–	₱3,474	₱118,748	₱122,222
Intangibles	–	365	1,086	–	1,451	–	1,451
Investment in JV	111,283	–	–	–	111,283	–	111,283
Depreciation and amortization	1,216	16,839	35,743	–	53,798	146,619	200,417

2011							
	Continuing Operations					Disposal Group Classified as Held for Sale	
	Call Center	Data Transcription	Others	Eliminations	Consolidated	Salary Packaging	Total
				(In Thousands)			
Results of Operations							
Segment revenues from external customers	₱15,156	₱242,174	₱173,856	(₱5,553)	₱425,633	₱2,100,483	₱2,526,116
Segment expenses	(46,215)	(287,488)	(433,829)	105,225	(662,307)	(1,661,215)	(2,323,522)
Segment result	(31,059)	(45,314)	(259,973)	99,672	(236,674)	439,268	202,594
Interest income (expense) - net	16	(2,214)	7,617	(200)	5,219	38,084	43,303
Foreign exchange gain (loss) - net	3,143	(2,861)	1,398	(2,357)	(677)	–	(677)
Equity in net gains on joint ventures - net	37,545	–	–	–	37,545	–	37,545
Other segment operating income (expense)	18,578	6,965	(73,774)	74,896	26,665	(36,186)	(9,521)
Provision for income tax	–	(3,803)	(2,483)	–	(6,286)	(142,661)	(148,947)
Net income (loss)	₱28,223	(₱47,227)	(₱327,215)	₱172,011	(₱174,208)	₱298,505	₱124,297
Assets and Liabilities							
Segment assets	₱21,234	₱115,767	₱2,334,874	(₱1,598,334)	₱873,541	₱3,824,468	₱4,698,009
Segment liabilities	(46,953)	(123,738)	(600,908)	662,503	(109,096)	(2,307,761)	(2,416,857)
Other Segment Information							
Capital expenditures:							
Property and equipment	₱2,986	₱8,463	₱3,445	₱–	₱14,894	₱35,191	₱50,085
Intangibles	–	3,680	5,295	–	8,975	–	8,975
Investment in JV	150,814	–	–	–	150,814	–	150,814
Depreciation and amortization	605	16,596	40,371	(1)	57,571	282,863	340,434

Geographical Segment Data

The following tables present the revenues and expenses and certain assets information regarding the Company's geographical segments as at and for the years ended December 31, 2013, 2012 and 2011:

	December 31, 2013		
	Continuing Operations	**Disposal Group Classified as Held for Sale**	
	Philippines	**Australia**	**Total**
Revenue			
External revenue	**₱158,295**	**₱–**	**₱158,295**
Equity in net earnings of joint ventures	**2,865**	–	**2,865**
Other Segment Information			
Segment assets	**₱4,578,306**	**₱–**	**₱4,578,306**
Capital expenditures:			
Property and equipment	**596**	–	**596**
Intangibles	**573**	–	**573**

	December 31, 2012		
	Continuing Operations	Disposal Group Classified as Held for Sale	
	Philippines	Australia	Total
Revenue			
External revenue	₱202,375	₱1,047,489	₱1,249,864
Equity in net losses of joint ventures	(45,768)	–	(45,768)
Other Segment Information			
Segment assets	₱4,430,094	₱–	₱4,430,094
Capital expenditures:			
Property and equipment	3,474	118,748	122,222
Intangibles	1,451	–	1,451

	December 31, 2011		
	Continuing Operations	Disposal Group Classified as Held for Sale	
	Philippines	Australia	Total
Revenue			
External revenue	₱425,633	₱2,100,483	₱2,526,116
Equity in net earnings of joint ventures	37,545	–	37,545
Other Segment Information			
Segment assets	₱873,541	₱3,824,468	₱4,698,009
Capital expenditures:			
Property and equipment	14,894	35,191	50,085
Intangibles	8,975	–	8,975

Inter-segment revenues are eliminated upon consolidation and reflected in the "Eliminations" column.

The Company's revenue from transactions from each of its external customers accounting for 10.0% or more of the consolidated revenues from external customers for the years ended December 31, 2013, 2012 and 2011 are as follows:

	2013	2012	2011
		(In Thousands)	
SpinVox*	**₱109,313**	₱126,190	₱207,198

**Included under service income under continuing operations*

5. Disposal Group and Discontinued Operation

Paxys A.U. and Subsidiaries

On June 7, 2012, the sale of Paxys N.V.'s 100% equity interest in Paxys A.U. to SmartGroup Investments Pty Ltd was completed following the fulfillment of closing conditions stipulated in the Share Sale Agreement dated March 31, 2012. As a result of the completion, Paxys N.V. received the amount of AU$74.2 million representing 87% of the purchase price. The remaining 13% amounting to AU$11.1 million, was deposited in escrow and would be released to Paxys N.V. after a period of 12 to 18 months from completion date or earlier, subject to certain conditions being fulfilled, and claims for breach of the agreement, if any. On August 8, 2012, AU$4.3 million was released to Paxys N.V. (see Note 7). In addition, on February 16, 2013, the Company received additional AU$2.6 million (₱103.80 million). On January 16, 2014, the balance of AU$4.2 million (₱179.21 million) was released to Paxys NV. Gain on sale of Paxys A.U. and subsidiaries in the 2012 consolidated statements of income from discontinued operations amounted to ₱2,274.36 million.

As at December 31, 2012, Paxys A.U. and Subsidiaries was classified as a disposal group held for sale and as a discontinued operation in accordance with PFRS 5.

The results of operations of Paxys A.U. and Subsidiaries are presented below:

	Five Months Ended May 31, 2012	For the Year Ended December 31, 2011
	(In Thousands)	
Service income (see Note 4)	**₱1,047,489**	₱2,100,483
Costs and expenses	**(818,306)**	(1,661,215)
Interest income	**29,652**	76,671
Interest expense	**(5,500)**	(38,587)
Other expense - net	**(773)**	(36,186)
Income before income tax	**252,562**	441,166
Provision for income tax	**(78,789)**	(142,661)
Income after income tax	**₱173,773**	₱298,505

Income from discontinued operations in 2012 as presented in the consolidated statement of income includes the following:

	2012	2011
	(In Thousands)	
Gain on sale of Paxys A.U.	₱2,274,362	₱–
Income from discontinued operations before income tax	252,562	441,466
Income before income tax	2,526,924	441,466
Provision for income tax	(78,789)	(142,661)
Income after income tax	₱2,448,135	₱298,505

The major classes of assets and liabilities of Paxys A.U. and Subsidiaries classified as disposal group held for sale as at January 1, 2012 are as follows:

	Amount
	(In Thousands)
Assets:	
Cash and cash equivalents	₱459,414
Cash held in trust	1,214,191
Trade and other receivables - net	191,645
Derivative assets	339
Other current assets - net	21,487
Property and equipment - net (see Note 10)	68,432
Goodwill and other intangible assets	1,752,141
Deferred tax assets - net	116,819
Assets of disposal group classified as held for sale	3,824,468
Liabilities:	
Accounts payable and other current liabilities	1,658,527
Income tax payable	99,830
Short-term provisions	71,571
Long-term loans	329,698
Long-term provisions	33,251
Deferred tax liabilities	114,884
Liabilities of disposal group classified as held for sale	2,307,761
Reserves:	
Additional paid-in capital - stock options	48,771
Cumulative translation adjustment	175,520
Reserves of disposal group classified as held for sale	224,291
Net assets of disposal group	₱1,292,416

The net cash flows incurred by Paxys A.U. and Subsidiaries are as follows:

	2012	2011
	(In Thousands)	
Operating activities	₱207,537	₱447,820
Investing activities	(117,402)	(289,610)
Financing activities	(314,589)	(321,408)
Effects of exchange rate changes	77,243	11,946
Net cash outflows	(₱147,211)	(₱151,252)

URSI

On October 31, 2012, Paxys signed a Deed of Absolute Sale of Shares for the transfer of 100% of Paxys' equity interests in URSI. Pursuant to the sale, Paxys transferred 43,515 common shares of URSI, representing 63.51% of URSI's total share capital, in favor of the minority. As a result of the sale, URSI ceased from being a subsidiary of Paxys effective October 31, 2012. Loss on disposal of subsidiary included in the 2012 consolidated statement of income from continuing operations amounted to ₱1.67 million.

Included in the consolidated statements of income from continuing operations are the following balances from URSI for the ten-month period ended October 31, 2012:

	Amount
	(In Thousands)
Service income	₱12,839
Costs and expenses	(12,492)
Interest expense - net	(24)
Other income - net	5
Income before income tax	328
Provision for income tax	–
Income after income tax	₱328

6. Cash and Cash Equivalents and Investment in AFS Financial Assets

Cash and Cash Equivalents

	2013	2012
	(In Thousands)	
Cash on hand and in banks	**₱786,048**	₱2,717,999
Short-term deposits	**3,321,051**	1,182,095
	₱4,107,099	₱3,900,094

Cash in banks earn interest at the prevailing bank deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

Investments in AFS Financial Assets

	(In Thousands)
Investment in Unit Investment Trust Fund (UITF)	₱50,090
Fixed Income Investments	133,984
	₱184,074

Investments in UITFs are invested in local banks. As of December 31, 2013, the fair value of the investments in UITFs, which is based on the Net Asset Value per unit (computed by the Net Asset Value of the Fund by the total outstanding units) approximates its acquisition costs.

Fixed income investments consist of investment in an international bank, which invest primarily in funds with absolute return investment strategies.

As of December 31, 2013, the unrealized gain on AFS financial assets amounted to 0.8 million.

7. Trade and Other Receivables

	2013	2012
	(In Thousands)	
Trade	**₱82,517**	₱71,930
Escrow fund (see Note 5)	**179,210**	298,808
Advances to related parties (see Note 15)	**23,458**	21,426
Other receivables	**15,983**	9,964
	301,168	402,128
Less allowance for doubtful accounts	**43,522**	25,462
	₱257,646	₱376,666

Trade receivables are noninterest-bearing and generally have 30-60 day terms.

Other receivables are expected to be settled/liquidated within the year.

The terms and conditions relating to related party receivables are disclosed in Note 15.

The movements in the allowance for doubtful accounts, which have been determined based on specific impairments, follow:

	2013			
	Trade Receivables	**Others**	**Advances to related parties**	**Total**
		(In Thousands)		
Balance at beginning of year	**₱14,435**	**₱1,229**	**₱9,798**	**₱25,462**
Provision for the year (see Note 17)	**129**	**12,448**	**8,994**	**21,571**
Recoveries (see Note 19)	**(3,248)**	**–**	**–**	**(3,248)**
Write-off	**(263)**	**–**	**–**	**(263)**
Balance at end of year	**₱11,053**	**₱13,677**	**₱18,792**	**₱43,522**

	2012			
	Trade Receivables	Others	Advances to related parties	Total
		(In Thousands)		
Balance at beginning of year	₱14,072	₱403	₱–	₱14,475
Provision for the year (see Note 17)	363	826	9,798	10,987
Balance at end of year	₱14,435	₱1,229	₱9,798	₱25,462

8. Other Current Assets

	2013	2012
	(In Thousands)	
Input value-added tax - net of allowance of ₱48.29 million in 2013 and ₱44.82 million in 2012	**₱3,374**	₱–
Advance rentals and other prepayments	**2,083**	4,490
	₱5,457	₱4,490

The movements in the allowance for nonrecoverability of input VAT are as follows:

	2013	2012
	(In Thousands)	
Balance at beginning of year	**₱44,819**	₱13,084
Provisions for nonrecoverability of input VAT (see Note 17)	**3,471**	31,735
Balance at end of year	**₱48,290**	₱44,819

9. Investments in Joint Ventures

The Company has 50% interest in the following entities, where the Company has rights over the net assets of the investees, hence, are classified as joint ventures.

Joint venture	**Place of Incorporation**	**Principal Activity**	**Percentage of Ownership**	
			2013	2012
PGS Dalian	China	Call center	**50.0%**	50.0%
Simpro Solutions Ltd. (Simpro)	Hongkong	Call center	**50.0%**	50.0%
Stellar Global Solutions Philippines (Stellar)	Philippines	Call center	–	50.0%

Details of investments in joint ventures as at December 31, 2013 and 2012, respectively, are as follows:

	2013	2012
	(In Thousands)	
Stellar	**₱–**	₱111,283
PGS Dalian	–	(1,348)
Simpro	–	(4,889)
	–	105,046
Advances to Simpro and PGS Dalian	–	6,237
	₱–	₱111,283

The movement in the investment in joint venture are as follows:

	2013	2012
	(In Thousands)	
Cost:		
Balance at beginning of year	**₱44,877**	₱44,877
Additional investment in PGS Dalian and Simpro	**13,128**	–
Sale of investment in Stellar	**(29,256)**	–
Balance at end of year	**28,749**	44,877
Accumulated earnings in net earnings		
Balance at beginning of year	**60,169**	105,937
Equity in net earnings (losses)	**2,865**	(45,768)
Sale of investment in Stellar	**(91,783)**	–
Balance at end of year	**(28,749)**	60,169
Advances to Simpro and PGS Dalian	**–**	6,237
	₱–	₱111,283

The Group's interest in these joint ventures is accounted for using the equity method in the consolidated financial statements. Summarized financial information of the joint venture, based on its PFRS financial statements, and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

100% Information of Material Joint Venture (Stellar)

	2013	2012
	(In Thousands)	
Current assets	**₱–**	₱187,658
Noncurrent assets	**–**	142,332
Current liabilities	**–**	(107,424)
Investment in Joint Ventures	**–**	222,566
Equity	**–**	50%
Share in Net Assets of Stellar	**₱–**	₱111,283

	2013 (7 months)	2012 (12 months)
	(In Thousands)	
Revenue	**₱360,872**	₱664,878
Cost of sales	**(246,421)**	(496,134)
Administrative expenses	**(104,194)**	(238,511)
Other income (charges)	**10,019**	322
Profit (loss) before tax	**20,276**	(69,445)
Income tax expense	**(765)**	(1,152)
Profit (loss) for the year	**19,511**	(70,597)
Equity	**50%**	50%
Share in equity in net earnings	**₱9,756**	(₱35,299)

On July 31, 2013, Paxys signed a Deed of Absolute Sale of Shares and Deed of Assignment of Stellar Share Subscriptions for the transfer of joint venture share in Stellar for ₱161.17 million. Pursuant to the sale, Paxys transferred 460,000 shares of Stellar, representing 50% of Stellar's total share capital. As a result of the sale, Stellar ceased from being a joint venture of Paxys effective July 31, 2013. Gain on disposal of joint venture included in the 2013 consolidated statement of income amounted to ₱20.56 million.

50% Aggregate Information of Joint Ventures that are not Individually Material (PGS Dalian and Simpro)

	2013	2012
	(In Thousands)	
Current assets	**₱8,038**	₱5,619
Noncurrent assets	**2,583**	1,910
Current liabilities	**(15,534)**	(13,766)
Investment in Joint Ventures	**(₱4,913)**	(₱6,237)

	2013	2012
	(In Thousands)	
Revenue	**₱23,089**	₱8,014
Cost of sales	**(23,604)**	(10,849)
Administrative expenses	**(9,258)**	(7,571)
Other income (charges)	**370**	(63)
Loss before tax	**(9,403)**	(10,469)
Income tax expense	**179**	–
Loss for the year	**(₱9,224)**	(₱10,469)

The Company has no outstanding commitments with the joint ventures as at December 31, 2013 and 2012. The joint ventures have no contingent liabilities or capital investments as at December 31, 2013 and 2012.

The unrecognized share in net losses of PGS Dalian and Simpro amounted to ₱2.33 million and nil as at December 31, 2013 and 2012, respectively.

10. Property and Equipment

	2013							
	Computer Equipment	**Communication Equipment**	**Leasehold Improvements**	**Office Furniture, Fixtures and Equipment**	**Transportation Equipment**	**Software Pool**	**Construction In-Progress**	**Total**
	(In Thousands)							
Cost								
Balance at beginning of year	**₱148,522**	**₱12,052**	**₱166,385**	**₱19,179**	**₱17,709**	**₱–**	**₱–**	**₱363,847**
Additions	**154**	**–**	**412**	**30**	**–**	**–**	**–**	**596**
Disposal	**(3,271)**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,271)**
Translation adjustments	**–**	**–**	**461**	**–**	**49**	**–**	**–**	**510**
Balance at end of year	**145,405**	**₱12,052**	**167,258**	**19,209**	**17,758**	**–**	**–**	**361,682**
Accumulated Depreciation								
Balance at beginning of year	**141,469**	**11,884**	**162,514**	**15,622**	**14,742**	**–**	**–**	**346,231**
Depreciation for the year	**4,979**	**54**	**1,719**	**1,542**	**1,839**	**–**	**–**	**10,133**
Disposal	**(3,237)**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,237)**
Translation adjustments	**–**	**–**	**24**	**–**	**20**	**–**	**–**	**44**
Balance at end of year	**143,211**	**11,938**	**164,257**	**17,164**	**16,601**	**–**	**–**	**353,171**
Net Book Value	**₱2,194**	**₱114**	**₱3,001**	**₱2,045**	**₱1,157**	**₱–**	**₱–**	**₱8,511**

	2012							
	Computer Equipment	Communication Equipment	Leasehold Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Software Pool	Construction In-Progress	Total
	(In Thousands)							
Cost								
Balance at beginning of year	₱149,113	₱12,051	₱163,033	₱19,052	₱17,106	₱31	₱2,279	₱362,665
Additions	1,475	–	3,361	298	620	–	(2,280)	3,474
Disposal of a subsidiary (see Note 5)	(1,824)	–	–	(58)	–	–	–	(1,882)
Translation adjustments	(242)	1	(9)	(113)	(17)	(31)	1	(410)
Balance at end of year	148,522	12,052	166,385	19,179	17,709	–	–	363,847
Accumulated Depreciation								
Balance at beginning of year	117,277	9,127	149,252	13,532	9,649	31	–	298,868
Depreciation for the year	26,204	2,758	13,271	6,153	1,190	–	–	49,576
Disposal of a subsidiary (see Note 5)	(1,759)	–	–	(54)	–	–	–	(1,813)
Translation adjustments	(253)	(1)	(9)	(4,009)	3,903	(31)	–	(400)
Balance at end of year	141,469	11,884	162,514	15,622	14,742	–	–	346,231
Net Book Value	₱7,053	₱168	₱3,871	₱3,557	₱2,967	₱–	₱–	₱17,616

Depreciation expense included in income (loss) from discontinued operations amounted to ₱33.80 million in 2012.

11. Intangible Assets

Intangible assets include acquired website and software packages which are amortized over three to five years.

	2013	2012
	(In Thousands)	
Balance at beginning of year - net of accumulated amortization	**₱8,170**	₱10,941
Amortization (see Notes 16 and 17)	**(3,626)**	(4,222)
Additions	**573**	1,451
Balance at end of year - net of accumulated amortization	**₱5,117**	₱8,170
Cost	**₱12,965**	₱12,392
Accumulated amortization	**(7,848)**	(4,222)
	₱5,117	₱8,170

12. Other Noncurrent Assets

	2013	2012
	(In Thousands)	
Rental and security deposits (see Note 21)	**₱5,302**	₱5,347
Others	**5,100**	5,070
	₱10,402	₱10,417

Rental and security deposits pertain to cash deposits on lease agreements which are refundable at the end of various lease periods.

13. Accounts Payable and Other Current Liabilities

	2013	2012
	(In Thousands)	
Trade payables	**₱22,798**	₱18,925
Accrued expenses		
Salaries and wages	**4,598**	7,468
Taxes and licenses	**2,694**	5,573
Professional fees	**2,292**	3,819
Rentals	**1,293**	1,643
Communications	**909**	1,470
Others	**3,229**	35,664
Statutory payables	**7,883**	8,501
Advances from related parties (see Note 15)	**154**	54
Subscription payable	**–**	9,375
Other current liabilities	**3,984**	5,179
	₱49,834	₱97,671

Trade payables are noninterest-bearing and are normally settled on a 90-day term.

Accrued expenses are noninterest-bearing and are generally settled within two months.

Statutory payables represent withholding tax payable, SSS premiums and other liabilities to the government.

Subscription payable pertains to unpaid subscriptions on investments in joint venture (Stellar).

Other current liabilities mainly represent reimbursable expenses from customers and are noninterest-bearing and have an average term of six months.

14. Equity

Capital Stock

	Number of Shares Authorized ₱1 par value	Number of Shares Issued and Outstanding	Cost
			(In Thousands)
Capital stock	1,800,000,000	1,148,534,866	₱1,148,534
Subscription receivable	–	–	(76,761)
	1,800,000,000	1,148,534,866	₱1,071,773

On September 14, 2009 and August 30, 2008, the Parent Company issued 2,160,000 and 4,360,000 shares, respectively, related to the exercise of the options under the EEP. Uncollected amounts from the exercised options are included as part of "Subscription receivable."

Disclosures under SRC Rule 68, As amended

In 2004, the principal shareholder of ACS, a call center company established in the Philippines on November 27, 2003, acquired a controlling stake in Paxys, Inc. through a reverse takeover by injecting 100% of ACS into the Company, effectively making Paxys, Inc. the first call center firm to be listed in the PSE. On October 14, 2005, Securities and Exchange Commission (SEC) approved the Company's application for increase in authorized capital stock from ₱600 million to ₱1.80 billion from which the 300,000,000 rights offering shares were taken.

Paxys, Inc. has 723, 723 and 727 shareholders owning 100 or more shares as at December 31, 2013, and 2012 and January 1, 2012, respectively.

APIC

	Amount
	(In Thousands)
Issuance of shares of stocks	₱348,213
Stock options	103,151
	₱451,364

APIC from issuance of shares of stocks represents the excess of paid capital over the par value of capital stock.

APIC from stock options represents increase in equity arising from equity-settled share-based payment transactions.

Retained Earnings

Undistributed retained earnings of subsidiaries and joint ventures amounting to ₱2,723.29 million, ₱2,879.00 million, as at December 31, 2013 and 2012, respectively, are not available for dividend declaration until these are distributed to the Parent Company.

The transition adjustments relating to the revised PAS 19 resulted to a reduction in retained earnings amounting to ₱3.87 million and ₱4.56 million for the years 2013 and 2012, respectively. The Company applied the adjustments retrospectively and subsequently recycled to retained earnings. As at December 31, 2013 and 2012, retained earnings amount not available for dividend distribution due to revised PAS 19 amounted to (₱1.56) million and (₱4.78) million, respectively.

15. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

Advances to Related Parties

	Amount/Volume		Outstanding Balance		
Related Party	**2013**	2012	**2013**	2012	**Terms and Conditions**
		(In Thousands)			
Common Stockholder*					
NGL Pacific Limited	**₱362**	₱1,955	**₱2,114**	₱1,955	Unsecured; noninterest-bearing; collectible on demand; no impairment.
ACS Pacific Limited**	**8,937**	2	**10,253**	1,316	Unsecured; noninterest-bearing; collectible on demand; with impairment.
Others**	**56**	5,391	**3,991**	9,635	Unsecured; noninterest-bearing; collectible on demand; with impairment.
Joint Venture					
Stellar	–	45,814	–	279	Unsecured; noninterest-bearing; collectible on demand; no impairment
Simpro Phils	**17,733**	9,930	**2,552**	5,041	Unsecured; noninterest-bearing; collectible on demand; no impairment.
PGS Dalian**	–	3,294	**4,548**	3,200	Unsecured; noninterest-bearing; collectible on demand; with impairment.
Total (see Note 7)	**₱27,088**	₱66,386	**₱23,458**	₱21,426	

**These companies have the same stockholders as the Company.*
***Allowance for doubtful accounts related to these receivables amounted to ₱18,792 and ₱9,798 as at December 31, 2013 and 2012, respectively.*

Advances from related parties

	Amount/Volume		Outstanding Balance		
Related Party	**2013**	2012	**2013**	2012	**Terms and Conditions**
		(In Thousands)			
Common Stockholder*					
Simpro Phils	**₱101**	₱–	**₱101**	₱–	Unsecured; noninterest-bearing; collectible on demand
Others	–	53	**53**	54	Unsecured; noninterest-bearing; collectible on demand
Total (see Note 13)	**₱101**	₱53	**₱154**	₱54	

**These companies have the same stockholders as the Company.*

Transactions with related parties pertain to working capital requirements of these companies.

Compensation of Key Management Personnel of the Company

	2013	2012 (As restated - see Note 2)	2011 (As restated - see Note 2)
		(In Thousands)	
Salaries and wages	**₱10,585**	₱24,748	₱26,860
Termination benefits (see Note 20)	–	6,256	5,827
Other short-term benefits	**3,822**	4,987	3,835
	₱14,407	₱35,991	₱36,522

16. Cost of Services

	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
		(In Thousands)	
Personnel (see Note 18)	**₱96,889**	₱110,318	₱196,172
Rent (see Note 21)	**8,771**	18,562	33,745
Utilities	**8,735**	19,011	48,851
Communication	**5,205**	6,093	10,355
Depreciation and amortization (see Notes 10 and 11)	**4,279**	43,649	46,560
Security and janitorial services	**2,800**	7,685	16,008
Association dues	**2,152**	6,154	11,343
Information technology (IT)	**1,361**	1,911	1,419
Supplies	**1,347**	1,231	2,668
Licenses	–	133	8,603
Others	**2,175**	12,586	21,325
	₱133,714	₱227,333	₱397,049

17. General and Administrative Expenses

	2013	2012 (As restated - see Note 2)	2011 (As restated - see Note 2)
		(In Thousands)	
Personnel (see Note 18)	**₱35,032**	₱72,485	₱83,000
Provision for doubtful accounts (see Note 7)	**21,571**	10,987	7,165
Depreciation and amortization (see Notes 10 and 11)	**9,480**	10,149	11,011
Professional fees	**9,080**	47,917	57,698
Communication	**4,864**	7,611	8,406
Rent (see Note 21)	**4,783**	6,708	11,025
Provision for nonrecoverability of input VAT (see Note 8)	**3,471**	31,735	6,689
Write-off of receivables	**3,264**	1,055	1,381

(Forward)

	2013	2012 (As restated - see Note 2)	2011 (As restated - see Note 2)
		(In Thousands)	
Insurance	**₱3,026**	₱3,065	₱3,022
Transportation and travel	**2,350**	11,745	19,138
Repairs and maintenance	**2,127**	1,391	1,244
Utilities	**1,979**	2,954	3,685
Security and janitorial services	**1,969**	3,693	2,859
Taxes and licenses	**1,806**	8,065	17,626
Entertainment, amusement and recreation	**1,177**	2,420	3,142
IT expenses	**832**	3,470	882
Supplies	**722**	1,405	1,829
Association dues	**355**	778	2,025
Recruitment	**99**	701	1,663
Advertising	–	54	508
Others	**3,934**	13,832	21,260
	₱111,921	₱242,220	₱265,258

18. Personnel Expenses

	2013	2012 (As restated - see Note 2)	2011 (As restated - see Note 2)
		(In Thousands)	
Salaries, wages and allowances	**₱104,694**	₱153,440	₱219,487
Training expenses	**2,724**	1,874	3,423
Retirement cost (income) (see Notes 19 and 20)	**2,257**	(2,652)	6,666
Other employee benefits	**22,246**	30,141	49,596
	₱131,921	₱182,803	₱279,172

Other employee benefits pertain to leave benefits, health care and insurance benefits, and other employee benefits granted to employees.

19. Interest Income, Interest Expense and Other Income

Interest Income

	2013	2012	2011
		(In Thousands)	
Cash and cash equivalents and short-term deposits (Note 6)	**₱38,540**	₱56,370	₱6,820
Accretion of rental and security deposits	–	–	1,416
Others	**5,348**	297	169
	₱43,888	₱56,667	₱8,405

Interest Expense

	2013	2012	2011
		(In Thousands)	
Retirement (see Note 20)	**₱454**	₱575	₱467
Others	–	25	2,719
	₱454	₱600	₱3,186

Other Income - net

	2013	2012	2011
		(In Thousands)	
Reversal of accruals	**₱24,706**	₱–	₱–
Recovery of allowance for doubtful accounts (see Note 7)	**3,248**	–	–
Mark-to-market gain (loss) on derivative instruments (see Note 24)	**(98)**	1,672	5,472
Facilities and services income	**2,126**	–	–
Commission income	**–**	–	18,994
Others	**2,619**	774	502
	₱32,601	₱2,446	₱24,968

20. Accrued Retirement Costs

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Changes in unfunded post-employment benefits in 2013, 2012 and 2011 follow:

	December 31, 2013	December 31, 2012 (As restated – see Note 2)	January 1, 2012 (As restated – see Note 2)
		In thousands	
Balance at beginning of year	**₱7,738**	₱8,667	₱8,672
Retirement cost (income) in statements of comprehensive income:			
Current service cost	**2,257**	3,641	6,666
Interest cost (see Note 19)	**454**	575	467
Curtailment gain	**–**	(6,293)	–
	2,711	(2,077)	7,133
Remeasurement effects recognized in OCI:			
Actuarial changes arising from experience adjustments	**(196)**	1,488	2,142
Actuarial changes arising from changes in financial assumptions	**(3,028)**	49	1,106
	(3,224)	1,537	3,248
Benefits paid	**–**	–	(7,460)
Disposal of a subsidiary	**–**	(389)	(2,926)
Balance at end of year	**₱7,225**	₱7,738	₱8,667

In 2012, the Company's Board of Directors approved the resolution for the separation of various management employees in order to cut down its cost and recover from its operations. Certain employees have been provided with separation pay based on the related years of service of each management employee. The impact of the separation on the Company's accrued retirement cost is a curtailment gain amounting to ₱6.29 million.

The cost of defined benefit pension plans as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension benefit obligations for the defined benefit plans are shown below:

	2013	2012
Discount rates	**6.38%**	6.11%
Future salary increases	**5.00%**	5.00%
Turnover rate:		
Age:		
19-24	**7.50%**	7.50%
25-29	**6.00%**	6.00%
30-34	**4.50%**	4.50%
35-39	**3.00%**	3.00%
40-44	**3.00%**	3.00%
>=45	**0.00%**	0.00%

There were no changes from the previous period in the methods and assumptions used in preparing sensitivity analysis.

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

	Increase (decrease)	Increase (decrease) in defined benefit obligation
Discount rates	+100 basis points	(₱1,711,857)
	-100 basis points	2,238,297
Turnover rate	+/-0%	3,904,532
Future salary increases	+100 basis points	2,147,227
	-100 basis points	(1,681,629)

The Company does not expect to contribute to the defined benefit pension plans in 2014.

Shown below is the maturity analysis of the undiscounted benefit payments:

	December 31, 2013
Less than 1 year	₱–
More than 1 year to 5 years	84,937
More than 5 years	1,453,386

The average duration of the defined benefit obligation at the end of the reporting period is between 24 to 28 years.

21. Lease Commitments

Lease of Office Space

In 2010, the Parent Company, as a lessee, entered into a lease agreement with a third party for the lease of office space at the 15th floor of the 6750 Ayala Office Tower, Ayala Avenue, Makati City commencing on May 1, 2010 and terminating on April 30, 2011. The lease term was renewed for a period of five years from May 1, 2011 to April 30, 2016.

Lease of Workstation

On December 22, 2008, SWA as a lessee, entered into a five year contract commencing on January 1, 2009 to December 31, 2013 with LSL Realty Development Corporation for the lease of a 2,084-square meter warehouse and 1,461.7-square meter open space. The lease is renewable after expiration of the term upon mutual agreement by both parties. On November 20, 2013, the Company renewed the lease contract for another 5 years, commencing on January 1, 2014 and expiring on December 31, 2018. The monthly rent is ₱428,363, subject to 5% annual escalation rate beginning on the third year.

On May 5, 2009, SWA as a lessee, entered into another contract with Property Index Corporation for the lease of an 820-square meter office space on the 18th floor of Citibank Centre Condominium and four parking spaces. The lease commenced on May 5, 2009 and ended on December 1, 2010. SWA renewed the contract upon expiration by extending the lease term for another five years from December 1, 2010 to December 1, 2013. On October 7, 2013, the Company renewed the lease contract from December 1, 2013 to December 31, 2015. The monthly rent is ₱423,230 for the first year and 1 month and ₱444,392 for the remaining term of the lease, exclusive of VAT.

Outstanding rental and security deposits on lease commitments, presented under "Other noncurrent assets" account in the consolidated statements of financial position, amounted to ₱5.30 million and ₱5.35 million as at December 31, 2013 and 2012, respectively (see Note 12). These rental and security deposits are either refundable in cash or will be applied against unpaid rental upon termination of lease agreements.

Total rent expense from continuing operations under "Cost of services" and "General and administrative expenses" accounts in the consolidated statement of income amounted to ₱13.55 million and ₱25.27 million in 2013 and 2012, respectively (see Notes 16 and 17).

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

	2013	2012
	(In Thousands)	
Within one year	**₱4,757**	₱8,477
After one year but not more than five years	**7,031**	14,030
	₱11,788	₱22,507

22. Income Tax

The components of provision for income tax in 2013 and 2012 are as follows:

	2013	2012	2011
		(In Thousands)	
Current income tax:			
Final taxes	**₱2,823**	₱3,305	₱1,361
MCIT	**999**	–	1,518
RCIT	**–**	5,678	69
	₱3,822	₱8,983	₱2,948
Deferred income tax	**–**	–	3,338
	₱3,822	₱8,983	₱6,286

The reconciliation of provision for income tax computed at statutory income tax and provision for income tax as shown in the consolidated statements of income is as follows:

	2013	2012	2011
		(In Thousands)	
Loss from continuing operations before income tax subject to statutory income tax rate	**(₱70,046)**	(₱64,918)	(₱167,922)
Benefit from income tax at statutory income tax rate at 30%	**(₱21,014)**	(₱19,475)	(₱50,377)
Net changes in unrecognized deferred tax assets	**24,857**	50,785	22,319
Income tax effects of:			
Nontaxable income	**(37,647)**	–	–
Nondeductible expenses	**39,273**	8,003	30,922
Interest income subject to final tax	**(4,232)**	(6,162)	(647)
Final tax on interest income	**2,823**	3,305	1,361
Equity in net losses (earnings) of joint ventures	**(860)**	13,731	(11,264)
Expired MCIT	**622**	–	527
Nondeductible expenses under ITH	**–**	(41,204)	(647)
NOLCO written-off	**–**	–	30,185
Nontaxable income under ITH	**–**	–	(16,093)
Effective income tax	**₱3,822**	₱8,983	₱6,286

The following net deferred tax assets as of December 31, 2013 and 2012 were not recognized because management believes that sufficient future taxable income will not be available against which deductible temporary differences will be utilized:

	2013	2012
	(In Thousands)	
NOLCO	**₱53,103**	₱37,292
Allowance for doubtful accounts	**15,834**	3,112
Accrued retirement costs	**3,257**	3,162
MCIT	**4,233**	3,856
Accruals and provision	**360**	2,400
Accrued rent expense	**396**	1,667
Unrealized foreign exchange gain	**(1,440)**	(603)
	₱75,743	₱50,886

As of December 31, 2013, NOLCO and MCIT can be claimed as deduction against future taxable income and tax credits against future RCIT, respectively, as follows:

Year Incurred	Expiry Year	NOLCO	MCIT
		(In Thousands)	
2010	2013	₱–	₱622
2011	2014	42,289	1,246
2012	2015	82,019	1,988
2013	2016	52,702	999
		177,010	4,855
Expired in 2013		–	622
		₱177,010	₱4,233

On November 25, 2009, SWA's registration of its expanding business process outsourcing service in the field of data transcription activity was approved by the BOI. This certification entitles SWA to a three year income tax holiday starting December 2009. As a registered entity SWA among others, is required to export at least 70.0% of its total services. The registration to BOI for the tax holiday expired on December 2012.

No ITH incentives availed in 2013 and 2012.

23. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash and cash equivalents, investment in available-for-sale securities, trade and other receivables and trade payables, which arise directly from its operations. The main risks arising from the Company's financial instruments are foreign currency risk, credit risk and liquidity risk. The BOD reviews and agrees policies for managing each of these risks and they are summarized below.

Foreign Currency Risk

The Company has transactional currency exposure. Such exposure arises from services denominated in US Dollar (US$) and AU$. Service income of SWA is approximately 80% and 19% denominated in US$ and AU$, respectively, as at December 31, 2013, and 81% and 16% denominated in US$ and AU$, respectively, as at December 31, 2012. As a result, the Company's consolidated financial performance and financial position can be affected significantly by movements in the US$/Philippine Peso and AU$/Philippine Peso exchange rates.

The Company's objective is to limit the impact of any appreciation of the Philippine Peso vis-a-vis with its foreign currency denominated revenues and receivables and ultimately on the financial performance. To the extent possible, the Company shall obtain debt financing in the currency in which majority of revenues are denominated in order to match as much as possible foreign currency denominated costs with foreign currency denominated revenues.

It is also the Company's policy to make use of hedging instruments including derivatives (i.e., currency forward contracts) to manage the effects of foreign exchange fluctuations on financial results. These hedging instruments or derivatives are not used for trading or speculative purposes. Counterparties to derivative contracts are carefully selected major financial institutions which are assessed based on their industry standing and historical performance.

The following rates of exchange have been adopted by the Company in translating foreign currency statement of comprehensive income and statement of financial position items as of and for the years ended December 31, 2013 and 2012:

	2013		2012	
	Closing	**Average**	Closing	Average
Philippine Peso to 1 unit of foreign currency:				
United States Dollar (US$)	**44.40**	**42.32**	41.05	42.21
Australian Dollar (AU$)	**39.46**	**41.02**	42.67	43.73

As at December 31, 2013 and 2012, the Company's significant foreign currency-denominated monetary assets and liabilities (translated in Philippine peso) are as follows:

	2013			2012		
	In US$	**In AU$**	**Peso Equivalent**	In US$	In AU$	Peso Equivalent
	(In Thousands)			*(In Thousands)*		
Assets:						
Cash and cash equivalents	**US$63,214**	**AU$10,077**	**₱3,204,010**	US$69,292	AU$8,953	₱3,273,586
Trade and other receivables	**989**	**103**	**47,986**	8,584	–	356,195
Escrow fund	–	**4,542**	**179,210**	30	–	1,233
	64,203	**14,722**	**3,431,206**	77,906	8,953	3,631,014
Liabilities:						
Accounts payable and other current liabilities	–	–	–	59	–	2,421
Net foreign currency-denominated monetary assets	**US$64,203**	**AU$14,722**	**₱3,431,206**	US$77,847	AU$8,953	₱3,628,593

The following table demonstrates the sensitivity to a reasonably possible change in US$ and AU$ exchange rates to Philippine Peso with all other variables held constant, of the Company's consolidated income before income tax (due to changes in the fair value of financial assets and liabilities). Reasonably possible change is based on net average movement of foreign currency closing rates for the last five years.

	2013		2012	
	Increase (Decrease) in Exchange Rates	**Increase (Decrease) on Income Before Tax**	Increase (Decrease) in Exchange Rates	Increase (Decrease) on Income Before Tax
		(In Thousands)		*(In Thousands)*
US$	**₱3.35**	**₱214,759**	₱1.03	₱79,907
	(3.35)	**(214,759)**	(1.03)	(79,907)
AU$	**3.21**	**47,286**	0.82	7,298
	(3.21)	**(47,286)**	(0.82)	(7,298)

The decrease in Philippine Peso to US$ and AU$ means stronger peso against the US$ rates while increase in Philippine Peso to US$ and AU$ rate means stronger foreign rates against peso

Credit Risk

The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

Since the Company trades only with recognized third parties, there is no requirement for collateral. Also, the Company has an existing contract or master agreement with its key customer to protect itself from bad debt losses.

The gross maximum exposure of the Company to credit risk corresponds to the total carrying values of the following financial assets:

	2013	2012
	(In Thousands)	
Loans and receivables:		
Cash and cash equivalents[(a)]	**₱4,106,988**	₱3,899,963
Trade and other receivables - net	**257,646**	376,666
Rental and security deposits - net[(b)]	**5,302**	5,347
Financial assets at FVPL		
Derivative assets	**–**	1,358
Investment in available-for-sale financial assets	**184,074**	–
Total credit risk exposure	**₱4,554,010**	₱4,283,334

[(a)] *Excluding cash on hand amounting to ₱111 and ₱131 as at December 31, 2013 and 2012, respectively.*
[(b)] *Included under "Other noncurrent assets."*

The analysis of the Company's financial assets that were past due but not impaired as at December 31, 2013 and 2012 follows:

	2013								
	Neither Past Due nor Impaired	**Past Due but not Impaired**							
		<30 Days	**30–60 Days**	**60–90 Days**	**90–120 Days**	**>120 Days**	**Total**	**Impaired**	**Total**
					(In Thousands)				
Loans and Receivables									
Cash and cash equivalents[(a)]	**₱4,106,988**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱4,106,988**
Trade and other receivables									
Trade receivables	**68,037**	**1,322**	**1,105**	**–**	**–**	**1,000**	**3,427**	**11,053**	**82,517**
Advances to related parties	**–**	**2,552**	**–**	**–**	**–**	**2,114**	**4,666**	**18,792**	**23,458**
Other receivables	**583**	**87**	**–**	**–**	**–**	**1,636**	**1,723**	**13,677**	**15,983**
Escrow fund	**179,210**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**179,210**
Rental and security deposits[(b)]	**5,302**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,302**
Investment in available-for-sale financial assets	**184,074**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**184,074**
	₱4,544,194	**₱3,961**	**₱1,105**	**₱–**	**₱–**	**₱4,750**	**₱9,816**	**₱43,522**	**₱4,597,532**

[(a)] *Excluding cash on hand amounting to ₱111.*
[(b)] *Included under "Other noncurrent assets."*

	2012								
	Neither Past Due nor Impaired	Past Due but not Impaired							
		<30 Days	30–60 Days	60–90 Days	90–120 Days	>120 Days	Total	Impaired	Total
					(In Thousands)				
Loans and Receivables									
Cash and cash equivalents[(a)]	₱3,899,963	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱3,899,963
Trade and other receivables									
Trade receivables	3,814	–	9,295	232	1,055	43,099	53,681	14,435	71,930
Advances to related parties	11,628	–	–	–	–	–	–	9,798	21,426
Other receivables	8,735	–	–	–	–	–	–	1,229	9,964
Escrow fund	298,808	–	–	–	–	–	–	–	298,808
Rental and security deposits[(b)]	5,347	–	–	–	–	–	–	–	5,347
Financial asset at FVPL									
Derivative asset	1,358	–	–	–	–	–	–	–	1,358
	₱4,229,653	₱–	₱9,295	₱232	₱1,055	₱43,099	₱53,681	₱25,462	₱4,308,796

[(a)] *Excluding cash on hand amounting to ₱131.*
[(b)] *Included under "Other noncurrent assets."*

The table below shows the credit quality of the Company's financial assets classified as neither past due nor impaired as at December 31, 2013 and 2012:

	2013			2012		
	Neither Past Due nor Impaired			Neither Past Due nor Impaired		
	High Quality	**Standard Quality**	**Total**	High Quality	Standard Quality	Total
			(In Thousands)			
Loans and Receivables						
Cash and cash equivalents[(a)]	**₱4,106,988**	**₱–**	**₱4,106,988**	₱3,899,963	₱–	₱3,899,963
Trade and other receivables - net	**247,830**	**–**	**247,830**	321,419	1,566	322,985
Rental and security deposits[(b)]	**5,302**	**–**	**5,302**	5,347	–	5,347
Financial assets at FVPL						
Derivative asset	**–**	**–**	**–**	1,358	–	1,358
Investment in available-for-sale financial assets	**184,074**	**–**	**184,074**	–	–	–
	₱4,544,194	**₱–**	**₱4,544,194**	₱4,228,087	₱1,566	₱4,229,653

[(a)]*Excluding cash on hand amounting to ₱111 and ₱131 as at December 31, 2013 and 2012, respectively*
[(b)]*Included under "Other noncurrent assets".*

Credit Quality of Financial Assets

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

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

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

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatch of the maturities of financial assets and liabilities.

The Company's objective is to maintain continuity of funding. The Company's liquidity risk management policy is to measure and forecast its cash commitments, to match debt maturities with the assets being financed, to maintain a diversity of funding sources with its access to bank financing and the capital markets and to hold a sufficient level of cash reserves.

The Company monitors its risk to shortage of funds by considering the maturity of both its financial assets and liabilities projected cash flows.

The table below summarizes the maturity profile of the Company's financial assets and financial liabilities used to manage liquidity as at December 31, 2013 and 2012 under continuing operations based on contractual undiscounted payments.

	2013					
	Within 30 Days	**31–60 Days**	**61–90 Days**	**91–120 Days**	**More than 120 Days**	**Total**
			(In Thousands)			
Financial Assets						
Cash and cash equivalents*	**₱4,106,988**	**₱–**	**₱–**	**₱–**	**₱–**	**₱4,106,988**
Investment in available-for-sale financial assets	**184,074**	**–**	**–**	**–**	**–**	**184,074**
Trade and other receivables – net	**247,830**	**3,961**	**1,105**	**–**	**4,750**	**257,646**
Rental and security deposits	**–**	**–**	**–**	**–**	**5,302**	**5,302**
Total undiscounted financial assets	**4,538,892**	**3,961**	**1,105**	**–**	**10,052**	**4,554,010**
Financial Liabilities						
Trade payables	**11,412**	**–**	**–**	**–**	**11,386**	**22,798**
Accrued expenses	**5,554**	**567**	**1,314**	**356**	**7,224**	**15,015**
Other current liabilities	**2,931**	**110**	**110**	**110**	**722**	**3,984**
Advances from related parties	**154**	**–**	**–**	**–**	**–**	**154**
Dividends payable	**–**	**–**	**–**	**–**	**6,554**	**6,554**
Total undiscounted financial liabilities	**20,051**	**677**	**1,424**	**466**	**25,886**	**48,505**
Net undiscounted financial assets (liabilities)	**₱4,518,841**	**₱3,284**	**(₱319)**	**(₱466)**	**(₱15,834)**	**₱4,505,505**

**Excluding cash on hand amounting to ₱111.*

	2012					
	Within 30 Days	31–60 Days	61–90 Days	91–120 Days	More than 120 Days	Total
			(In Thousands)			
Financial Assets						
Cash and cash equivalents[(a)]	₱3,899,963	₱–	₱–	₱–	₱–	₱3,899,963
Trade and other receivables – net	322,985	9,295	232	1,055	43,099	376,666
Derivative asset	1,358	–	–	–	–	1,358
Rentals and security deposits	–	–	–	–	5,347	5,347
Total undiscounted financial assets	4,224,306	9,295	232	1,055	48,446	4,283,334
Financial Liabilities						
Trade payables	18,925	–	–	–	–	18,925
Accrued expenses	27,235	674	728	737	26,263	55,637
Subscription payable	9,375	–	–	–	–	9,375
Other current liabilities	5,178	–	–	–	–	5,178
Advances from related parties	54	–	–	–	–	54
Dividends payable	–	–	–	–	6,554	6,554
Total undiscounted financial liabilities	60,767	674	728	737	32,817	95,723
Net undiscounted financial assets (liabilities)	₱4,163,539	₱8,621	(₱496)	₱318	₱15,629	₱4,187,611

**Excluding cash on hand amounting to ₱131.*

Derivatives

The Company uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively.

The Company entered into currency forward derivatives in 2013 and 2012 to manage foreign currency risks arising from its dollar denominated revenues. These derivatives are accounted for as transactions not designated as hedges.

In 2012, the Company entered into buy Peso and sell US Dollar forward contract with an aggregate notional amount of US$4.40 million (of which US$1.2 million is still outstanding as at December 31, 2012) and a weighted average contracted forward rate of ₱42.01 to US$1.00. The forward contracts outstanding as at December 31, 2012 have various maturities in 2013. As at December 31, 2012, the contracts have a positive fair value of ₱1.36 million.

The net movements in fair value changes of all derivative instruments for the year ended December 31, 2013 and 2012 follows:

	2013	2012
	(In Thousands)	
Balance at beginning of period/year	**₱1,358**	(₱316)
Net changes in fair value of derivatives not designated as accounting hedges	**(103)**	6,099
	1,255	5,783
Less fair value of settled instruments	**(1,255)**	(4,425)
Balance at end of period/year	**₱–**	₱1,358
Presented as:		
Derivative assets	**₱–**	₱1,358
Derivative liability	–	–
	₱–	₱1,358

These contracts are carried at fair value in the statements of financial position. The fair value of these contracts is based on valuations technique using observable market inputs (Level 2). The net changes in fair values of the derivative instruments are recognized directly in the Company's statements of comprehensive income under "Mark-to-market gain" account.

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company competes in an industry where opportunities for growth still abound. Projects are selected if their expected returns are higher than cost of capital. Fundings are sourced from a combination of retained earnings, debt and new shares. The Company aims for flexibility in the capital structure to meet changing conditions and adapt with minimum cost and delay. It looks at solvency by keeping its debt capacity within its ability to generate future cash flows.

The Company is not subject to externally imposed capital requirements. The table below summarizes the capital components of the Company.

	2013	2012	2011
		(In Thousands)	
Capital stock	**₱1,071,773**	₱1,071,773	₱1,071,773
Additional paid-in capital	**451,364**	451,364	451,364
Retained earnings	**2,888,887**	2,959,531	586,834
Cumulative translation adjustments	**100,420**	(168,374)	(47,712)
Unrealized gain from available-for-sale securities	**800**	–	–
Reserves of disposal group classified as held for sale	**–**	–	224,291
	₱4,513,244	₱4,314,294	₱2,286,550

24. Fair Value Measurements

[2]The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and Cash Equivalents, Trade and Other Receivables, Short-term Loans, Accounts Payable and Other Current Liabilities, and Dividends Payable. Due to the short-term nature of transactions, the fair value approximates the carrying amounts at initial recognition.

Refundable Deposits. The estimated fair values of refundable deposits are based on the discounted values of future cash flows using as discount rate the prevailing MART1 rates that are specific to the tenor of the instruments' cash flows as of financial reporting date. The discount rates used in determining the fair values of refundable deposits range from 2.83% to 5.17% in 2013 and 2012, respectively.

AFS Financial Assests. Quoted market prices have been used to determine the fair value of AFS investments.

Derivative Assets and Liabilities. The derivative assets and liabilities are carried at FVPL in the statements of financial position. The fair value of these derivative instruments are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The following table provides the fair value measurement hierarchy of the Company's assets for which fair values are disclosed as at December 31, 2013:

		Fair value measurement using		
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Loans and receivables				
Refundable deposits	₱4,938	₱–	₱4,938	₱–
Financial assets at FVPL				
Derivative assets	–	–	–	–
AFS investments	184,075	184,075	–	–
	₱189,013	₱184,075	₱4,938	₱–

For the years ended December 31, 2013 and 2012 there were no transfers between Level 1 and Level 2 fair value measurements.

25. Earnings (Loss) Per Share Computation

Basic earnings (loss) per share (EPS) is determined by dividing net income (loss) by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividends declared.

Diluted earnings (loss) per common share is computed in the same manner, adjusted for the effect of the shares issuable to qualified directors, officers and employees under the Parent Company's stock option plan which is assumed to be exercised at the date of grant.

Where the effect of the exercise of stock options is anti-dilutive, basic and diluted earnings per share are stated at the same amount.

The following table presents information necessary to calculate earnings per share:

	2013	2012 (As Restated)	2011 (As Restated)
	(In Thousands, Except Earnings (Loss) Per Share)		
Net income (loss) attributable to Equity Holders of Parent Company from:			
Continuing operations (a)	**(₱73,868)**	(₱73,645)	(₱169,766)
Discontinued operation (b)	–	2,448,135	298,505

	2013	2012 (As Restated)	2011 (As Restated)
	(In Thousands, Except Earnings (Loss) Per Share)		
Common shares outstanding at beginning and end of year	**1,148,534,866**	1,148,534,866	1,148,534,866
Weighted shares issued during the year	–	–	–
Weighted average shares outstanding (c)	**1,148,534,866**	1,148,534,866	1,148,534,866
Basic loss per share:			
Loss from continuing operations after income tax (a/c)	**(₱0.06)**	(₱0.06)	(₱0.15)
Income from discontinued operation after income tax (b/c)	–	2.13	0.26
Diluted earnings (loss) per share			
Loss from continuing operations after income tax (a/c)	**(₱0.06)**	(₱0.06)	(₱0.15)
Income from discontinued operation after income tax (b/c)	–	2.13	0.26

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

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

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Paxys, Inc.
15th Floor, 6750 Ayala Office Tower
Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Paxys, Inc. and Subsidiaries as at December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013, included in this Form 17-A, and have issued our report thereon dated March 11, 2014. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Editha V. Estacio
Partner
CPA Certificate No. 91269
SEC Accreditation No. 1136-A (Group A),
July 6, 2011, valid until July 5, 2014
Tax Identification No. 178-486-845
BIR Accreditation No. 08-001998-94-2014,
January 22, 2014, valid until January 21, 2017
PTR No. 4225169, January 2, 2014, Makati City

March 11, 2014

PAXYS, INC AND SUBSIDIARIES
LIST OF SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2013

SCHEDULES		**REMARKS**
Schedules Required Under Annex 68-E of the Securities Regulation Code Rule 68		
A.	Financial Assets	See supplementary schedule.
B.	Amounts Receivables from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	See supplementary schedule.
C.	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	See supplementary schedule.
D.	Intangible Assets	See supplementary schedule.
E.	Long-term Debt	None.
F.	Indebted to Related Parties	The total indebtedness to related parties does not exceed 5% of total assets.
G.	Guarantees of Securities of Other Issuers	None.
H.	Capital Stock	See supplementary schedule.
Other Required Information		
I	Schedule of Philippine Financial Reporting Standards Effective as of December 31, 2013	
J	Map showing the Relationship Between the Company and its related Parties	
K	Reconciliation of Retained Earnings Available for Dividend Declaration	
L	Schedule of Financial Ratios	

Paxys Inc. and Subsidiaries
Schedule A: Financial Assets
December 31, 2013
(Amount in Thousands, except on no. of units)

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and rates	Amount shown in the statements of financial position	Income received and accrued
Cash in Banks			
Australia and New Zealand Banking Group	–	₱687,442	₱13,509
J.P. Morgan Chase Bank	–	42,849	843
Others	–	55,646	1,058
	–	**₱785,937**	**₱15,410**
Short-term deposits			
Security Bank Corporation	–	₱1,117,831	₱7,785
J.P. Morgan Chase Bank	–	784,389	5,463
Australia and New Zealand Banking Group	–	781,530	5,443
Rizal Commercial Banking Corporation	–	324,385	2,259
Union Bank of the Philippines	–	220,000	1,532
Banco De Oro	–	92,916	648
	–	**₱3,321,051**	**₱23,130**
AFS Financial Assets			
Investment in Unit Investment Trust Funds			
Banco De Oro	20,715 units	₱30,090	
Union Bank of the Philippines	76,940 units	10,000	
Rizal Commercial Banking Corp.	7,094,840 units	10,000	
		50,090	₱1,455
Fixed income investments			
J.P. Morgan Chase Bank - Bonds	$1,000,000	44,237	
J.P. Morgan Chase Bank - ARFI	$2,000,000	89,747	
	3,000,000	133,984	3,893
	–	**₱184,074**	**₱5,348**
Trade and Other Receivables	–		
Trade	–	₱71,464	₱–
Advances to related parties	–	4,666	–
Escrow fund	–	179,210	–
Other receivables	–	2,306	–
	–	**₱257,646**	**₱–**
Rental and Security deposits	**–**	**₱5,302**	**₱–**
TOTAL		**₱4,554,010**	**₱43,888**

Paxys Inc. and Subsidiaries
Schedule B: Amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties)
December 31, 2013
(Amount in Thousands)

			Deductions				
Account	January 1, 2013	Additions	Amount Collected	Amount Written Off	Current	Non Current	December 31, 2013
Advances to officers and employees	₱6,810	₱–	₱5,467	₱–	₱1,343	₱–	₱1,343

PAXYS, INC.
Schedule C: Amounts Receivable from Related Parties
Eliminated during the Consolidation of Financial Statements
December 31, 2013
(Amount in Thousands)

Due from Related Parties

			Deductions				
Account	January 1, 2013	Additions	Amount Collected	Amount Written Off	Current	Non Current	December 31, 2013
Paxys NV	₱8,702,600	₱4,500,280	₱–	₱–	₱13,202,880	–	₱13,202,880
SWA	73,632,557	–	11,233,266	–	62,399,291	–	62,399,291
PGS	83,457,658	–	964,169	–	82,493,489	–	82,493,489
PGSPL	43,438,629	4,837,042	–	–	48,275,671	–	48,275,671
Paxys Ltd.	–	10,455,297	–	–	10,455,297	–	10,455,297
PGS ROHQ	–	2,333,462	–	–	2,333,462	–	2,333,462
	₱209,231,444	**₱22,126,081**	**₱12,197,435**	**₱–**	**₱219,160,090**	**₱–**	**₱219,160,090**

Due to Related Parties

			Deductions				
Account	January 1, 2013	Additions	Amount Paid	Amount Written Off	Current	Non Current	December 31, 2013
PGS ROHQ	**₱8,832**	**–**	**₱8,832**	**–**	**–**	**–**	**–**

PAXYS, INC.
Schedule D: Intangible Assets
December 31, 2013
(Amount in Thousands)

Description	Net Book Value, beginning	Additions	Amortization	Net Book Value, end
With definite useful life Website and Software Packages	₱8,170	₱573	(₱3,626)	₱5,117

PAXYS, INC.
Schedule H: Capital Stock
December 31, 2013

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Minority Stockholders
Common	1,800,000,000	1,148,534,866	25,758,000[3]	849,420,864	8,295,480	299,114,002

[3] Derived as Maximum shares allocated for stock options (50,000,000 shares) less shares exercised and issued in years 2006-2009 (24,242,000shares).

Schedule I: Schedule of Effective Standards and Interpretations
December 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendment to PFRS 1: Meaning of Effective PFRSs	Not early adopted		
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
	Amendment to PFRS 2: Definition of Vesting Condition	Not early adopted		
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination	Not early adopted		
	Amendment to PFRS 3:Scope Exceptions for Joint Arrange-ments	Not early adopted		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
	Financial Assets			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities*		✓	
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures*		✓	
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	Not early adopted		
PFRS 9*	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 10*	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities	Not early adopted		
PFRS 11*	Joint Arrangements	✓		
PFRS 12*	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10: Investment Entities	Not early adopted		
PFRS 13*	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	Not early adopted		
	Amendment to PFRS 13: Portfolio Exception	Not early adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income*	✓		
PAS 2	Inventories	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation	Not early adopted		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)*	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	Not early adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	✓		
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	Not early adopted		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27	Separate Financial Statements	✓		

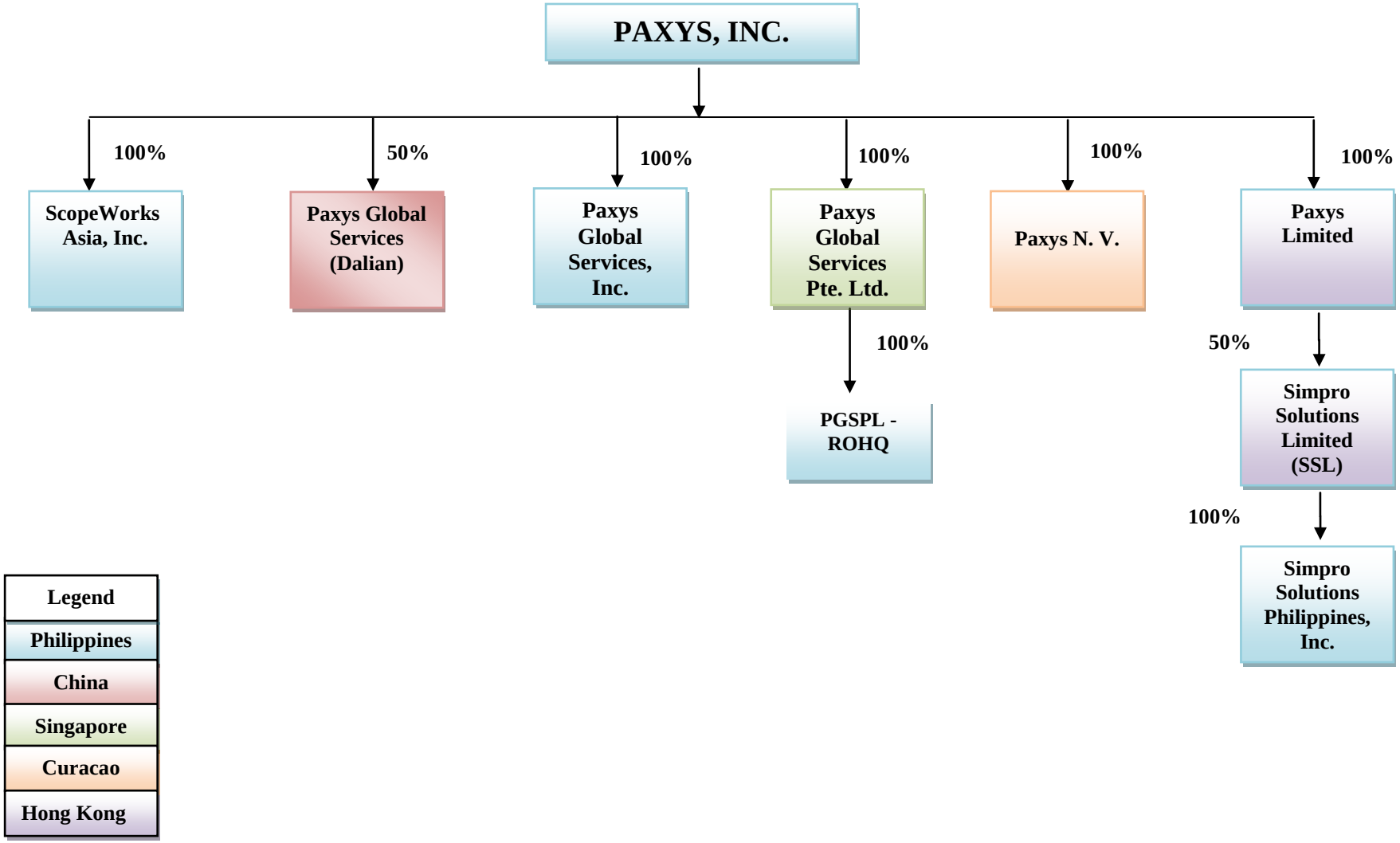
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
(Amended)*				
	Amendments to PFRS 10: Investment Entities	Not early adopted		
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)*	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities*	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	Not early adopted		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Amortization	Not early adopted		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	Not early adopted		
PAS 40	Investment Property			✓
	Amendment to PAS 40: Investment Property	Not early adopted		
PAS 41	Agriculture			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20 *	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	Not early adopted		
SIC-7	Introduction of the Euro			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			☐
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			☐
SIC-29	Service Concession Arrangements: Disclosures.			☐
SIC-31	Revenue - Barter Transactions Involving Advertising Services			☐
SIC-32	Intangible Assets - Web Site Costs			☐

PAXYS, INC.
Schedule J: Group's Organizational Structure
December 31, 2013



PAXYS, INC.
Schedule K: Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2013

Unappropriated Retained Earnings, beginning per books		**(₱86,278,184)**
Accumulated non-actual/ unrealized income and expenses in prior years		**16,200,948**
Unappropriated Retained Earnings, as adjusted, beginning		**(70,077,236)**
Add: Net income actually earned realized during the period		
Net income (loss) during the period closed to Retained earnings	**₱95,354,355**	
Unealized foreign exchange loss in 2012, realized in 2013	**(16,200,948)**	
Unrealized foreign exchange gain – net	**(19,402,203)**	
Remeasurement gain on defined benefit obligation	**(442,655)**	
Net income (loss) actually earned during the period		**59,308,549**
Total Retained Earnings (Deficit), End – Available for Dividend Declaration		**(₱10,768,687)**

PAXYS, INC.
Schedule L: Schedule of Financial Ratios
December 31, 2013

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

The following are the major financial ratios of the Company for the year ended December 31, 2012 and year ended December 31, 2011:

As of and for the full year ended 31 December	**2013**	**2012 As restated**	**Y13 vs Y12**
Financial Ratios:			
Current Ratio	**79.6:1**	**39.6:1**	101%
Debt to Equity Ratio	**0.01:99.9**	**0.03:99.7**	46%
Return on Equity	**(2%)**	**(4%)**	53%
EBITDA Margin*	**(63%)**	**(33%)**	(88%)
Net Income margin*	**(47%)**	**(37%)**	(28%)

Excludes 2012 income from discontinuing operations.