PAXYS, INC.

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

14 August 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: Second Quarter Report for 2014
(SEC Form 17-Q)

Gentlemen:

Enclosed is our Quarterly Report for the three (3) months ended 30 June 2014 (SEC Form 17-Q).

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

Very truly yours,

PAXYS, INC.

By:

MARK DAVID P. MARTINEZ
Corporate Information Officer

COVER SHEET

6 6 0 9

SEC Registration Number

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

(Company's Full Name)

1 5 F ,   6 7 5 0   A Y A L A   O F F I C E   T O W E R ,

A Y A L A   A V E N U E ,   M A K A T I   C I T Y

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

Mark David P. Martinez

(Contact Person)

(+632) 908-7500

(Company Telephone Number)

0 6 | 3 0

Month *Day*

(Calendar Year)

1 7 - Q

(Form Type)

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

724

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended: June 30, 2014

2. SEC Identification Number: 6609 3. BIR Tax Identification No. 000-233-218

4. Exact Name of the registrant as specified in its charter: PAXYS, INC.

5. Province, country or other jurisdiction of Incorporation or organization: Manila, Philippines

6. Industry Classification Code: ________ (SEC Use Only)

7. Address of registrant's principal office: Postal Code: 1226

   15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City

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

9. Former name, former address, and former fiscal year, if changed since last report

   Not Applicable

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

    a) Authorized Capital Stock

    Common shares, P1.00 par value 1,800,000,000 shares

    b) Issued and Outstanding Shares

    Common shares, P1.00 par value 1,148,534,866 shares

    c) Amount of Debt Outstanding as of June 30, 2014

    Short-term and Long-term loans None

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

    Yes [x] No [ ]

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the Revised Securities Act (RSA) Rule 11(a) – 1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

    Yes [x]   No [ ]

    (b) Has been subject to such filing requirements for the past 90 days.

    Yes [x]   No [ ]

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements
The interim condensed consolidated financial statements include the accounts of Paxys, Inc. ("Paxys" or the "Parent Company") and the following subsidiaries and joint ventures (collectively referred to as "the Group"):

			Percentage of Ownership			
			June 30, 2014		December 31, 2013	
Subsidiaries	Place of Incorporation	Principal Activity	**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	Contact Center	**100.0%**	–	100.0%	–
Paxys Global Services Pte Ltd (PGSPL)	Singapore	Regional Office	**100.0%**	–	100.0%	–
Paxys Global Services ROHQ (PGS ROHQ)	Philippines	Regional Headquarters	–	**100.0%**	–	100.0%
Paxys Ltd.	Hong Kong	Investment Holding	**100.0%**	–	100.0%	–

The unaudited consolidated financial statements for the six months ended June 30, 2014 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited consolidated financial statements do not include all of the information and footnotes required by Philippine Financial Reporting Standards (PFRS) and are filed as Annex A of this report.

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations ("MD&A")

The MD&A is a discussion and analysis of the Group's financial performance for the six months ended June 30, 2014. The primary objective of this MD&A is to help the readers understand the dynamics of the Group's business and the key factors underlying the Group's financial results.

The MD&A for the six months ended June 30, 2014 should be read in conjunction with the unaudited consolidated financial statements and the accompanying notes, and are filed as Annex B of this report.

Item 3. Aging of Accounts Receivables

Please see Annex C.

Item 4. Unrestricted Retained Earnings

Please see Annex D.

Item 5. Schedule of All Effective Standards and Interpretations

Please see Annex E.

PART II. SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has caused this to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: PAXYS, INC.

Tarcisio M. Medalla
Chairman of the Board and President
August 14, 2014

Mark David P. Martinez
Corporate Secretary
August 14, 2014

Annex A

PAXYS, INC.
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
June 30, 2014 and December 31, 2013
and for the Six Months Ended June 30, 2014 and 2013

PAXYS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Unaudited) (Amounts in Thousands)

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 3 and 19)	**₱4,232,721**	₱4,107,099
Investment in available-for-sale financial assets (Note 3)	**183,954**	184,074
Trade and other receivables - net (Notes 4 and 19)	**76,112**	257,646
Other current assets - net (Note 5)	**9,002**	5,457
Total Current Assets	**4,501,789**	4,554,276
Noncurrent Assets		
Property and equipment - net (Note 6)	**7,307**	8,511
Intangible assets – net (Note 7)	**3,945**	5,117
Other noncurrent assets (Note 8)	**10,589**	10,402
Investment in joint ventures (Note 9)	**–**	–
Total Noncurrent Assets	**21,841**	24,030
	₱4,523,630	₱4,578,306
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 10)	**₱50,943**	₱56,388
Income tax payable	**–**	835
Total Current Liabilities	**50,943**	57,223
Noncurrent Liabilities		
Accrued retirement costs (Note 16)	**7,225**	7,225
Other noncurrent liabilities (Note 17)	**1,062**	614
Total Noncurrent Liabilities	**8,287**	7,839
Total Liabilities	**59,230**	65,062
Equity		
Capital stock (Note 11)	**1,071,773**	1,071,773
Additional paid-in capital (Note 11)	**451,364**	451,364
Retained earnings (Note 11)	**2,895,073**	2,888,887
Unrealized gains from available-for-sale financial assets (Note 3)	**2,915**	800
Cumulative translation adjustments	**43,275**	100,420
Total Equity	**4,464,400**	4,513,244
	₱4,523,630	₱4,578,306

See accompanying Management Discussion and Analysis and Selected Notes to Consolidated Financial Statements.

PAXYS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
For the Six Months Ended June 30, 2014 and 2013
(Amounts in Thousands except Earnings per share)

	For the Six Months Ended June 30		**For the Three Months Ended June 30**	
	2014	2013	**2014**	2013
SERVICE INCOME	**₱77,531**	₱77,365	**₱37,972**	₱41,605
COSTS OF SERVICES (Note 13)	**(61,810)**	(71,948)	**(30,841)**	(40,423)
GROSS PROFIT	**15,721**	5,417	**7,131**	1,182
GENERAL AND ADMINISTRATIVE EXPENSES (Note 14)	**(38,180)**	(46,488)	**(18,087)**	(26,451)
INTEREST INCOME (Note 15)	**18,425**	20,740	**7,071**	8,042
FOREIGN EXCHANGE GAIN (LOSS) – net (Note 15)	**9,009**	(31,856)	**5,112**	(29,219)
MARK-TO-MARKET GAIN ON DERIVATIVE INSTRUMENTS (Note 19)	**–**	6,558	**–**	6,558
EQUITY IN NET EARNINGS OF JOINT VENTURES (Note 9)	**–**	2,863	**–**	2,360
OTHER INCOME - net (Note 15)	**1,211**	(664)	**1,014**	(739)
INCOME (LOSS) BEFORE INCOME TAX	**6,186**	(43,430)	**2,241**	(38,267)
PROVISION FOR INCOME TAX	**–**	–	**–**	–
NET INCOME (LOSS)	**₱6,186**	(₱43,430)	**₱2,241**	(₱38,267)
EARNINGS (LOSS) PER SHARE				
Basic/ Diluted Earnings (Loss) Per Share	**₱0.01**	(₱0.04)	**₱0.002**	(₱0.03)

See accompanying Management Discussion and Analysis and Selected Notes to Consolidated Financial Statements.

PAXYS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited) For the Six Months Ended June 30, 2014 and 2013
(Amounts in Thousands)

	For the Six Months Ended June 30		For the Three Months Ended June 30	
	2014	2013	**2014**	2013
NET INCOME (LOSS)	**₱6,186**	(₱43,430)	**₱2,241**	(₱38,267)
OTHER COMPREHENSIVE INCOME (LOSS)				
Other comprehensive income (loss) to be classified to profit or loss in subsequent periods:				
Translation adjustments during the period	**(57,145)**	170,791	**(88,928)**	191,829
Unrealized gains on AFS securities	**2,115**	–	**948**	–
	(55,030)	170,791	**(87,980)**	191,829
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱48,844)**	₱127,361	**(₱85,739)**	₱153,562
Attributable To				
Equity holders of the Parent Company from:				
Continuing operations	**(₱48,844)**	₱127,361	**(₱85,739)**	₱153,562
Discontinued operations	–	–	–	–
	(48,844)	127,361	**(85,739)**	153,562
Non-controlling interests	–	–	–	–
	(₱48,844)	₱127,361	**(₱85,739)**	₱153,562

See accompanying Management Discussion and Analysis and Selected Notes to Consolidated Financial Statements.

PAXYS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)
For The Six Months Ended June 30, 2014 and 2013

	Total Equity Attributable to Equity Holders of the Parent Company					
				Other Comprehensive Income Reserve		
	Capital Stock ₱1 Par Value (Note 11)	Additional Paid-in Capital (Notes 11)	Retained Earnings (Note 11)	Cumulative Translation Adjustments	Unrealized gains on AFS	Total
At January 1, 2014	**₱1,071,773**	**₱451,364**	**₱2,888,887**	**₱100,420**	**₱800**	**₱4,513,244**
Total comprehensive loss for the year	**–**	**–**	**6,186**	**(57,145)**	**2,115**	**(48,844)**
At June 30, 2014	**₱1,071,773**	**₱451,364**	**₱2,895,073**	**₱43,275**	**₱2,915**	**₱4,464,400**

	Total Equity Attributable to Equity Holders of the Parent Company					
				Other Comprehensive Income Reserve		
	Capital Stock ₱1 Par Value (Note 11)	Additional Paid-in Capital (Note 11)	Retained Earnings (Note 11)	Cumulative Translation Adjustments	Unrealized gains on AFS	Total
At January 1, 2013, As restated	₱1,071,773	₱451,364	₱2,959,531	(₱168,374)	₱–	₱4,314,294
Total comprehensive loss for the year	–	–	(43,430)	170,791	–	127,361
At June 30, 2013	₱1,071,773	₱451,364	₱2,916,101	₱2,417	₱–	₱4,441,655

See accompanying Management Discussion and Analysis and Selected Notes to Consolidated Financial Statements.

PAXYS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(Amounts in Thousands)

	For the Six Months Ended June 30	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	**₱6,186**	(₱43,430)
Interest income (Note 15)	**(18,425)**	(20,740)
Unrealized foreign exchange loss (gain) (Note 15)	**(8,732)**	32,594
Depreciation and amortization (Note 6 and 7)	**4,522**	7,857
Mark-to-market gain on derivative instruments (Note 19)	–	(6,558)
Equity in net earnings on joint ventures (Note 9)	–	(2,863)
Operating loss before working capital changes	**(16,449)**	(33,140)
Decrease (increase) in:		
Trade and other receivables	**181,383**	(1,812)
Investment in available-for-sale assets	**2,234**	–
Other current assets	**(3,545)**	85,367
Other noncurrent assets	**(187)**	(382)
Increase (decrease) in:		
Accounts payable and other current liabilities	**(5,445)**	(14,371)
Income tax payable	**(835)**	(3,837)
Accrued retirement	**9**	–
Other noncurrent liabilities	**439**	–
Cash generated from operations	**157,604**	31,825
Interest received (Note 15)	**18,425**	20,740
Net cash provided by operating activities	**176,029**	52,565
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment and intangibles (Notes 6 and 7)	**(2,182)**	(605)
Additional investment in joint ventures (Note 9)	**–**	(13,128)
Net cash provided used in operating activities	**(2,182)**	(13,733)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**173,847**	38,832
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(48,225)**	149,786
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**4,107,099**	3,900,094
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱4,232,721**	₱4,088,712

See accompanying Management Discussion and Analysis and Selected Notes to Consolidated Financial Statements.

PAXYS, INC. AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except Par Value, Number of Shares and Earnings Per Share)

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 (ACSH), a company incorporated in Hong Kong, owns 73.23% interest of the Parent Company as at June 30, 2014 and December 31, 2013.

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 August 8, 2014.

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance
The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The unaudited consolidated financial statements for the six months ended June 30, 2014 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited consolidated financial statements do not include all of the information and footnotes required by Philippine Financial Reporting Standards (PFRS) and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2013.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative instruments in 2013 and Investments in AFS Financial Assets 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.

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the audited annual consolidated financial statements as of and for the year ended December 31, 2013. In addition, the following standards effective January 1, 2014 onwards were assessed to either be applicable or not applicable to the Group. The standards below do not have any material impact on the financial statements.

- 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. The amendments have no impact on the Company's financial position or performance. 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. The amendments have no impact on the Company's financial position or performance.

- 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.

Standards Issued but not yet Effective

- 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.

- 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.

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.

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	**2014** Direct	Indirect	2013 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.	Hong Kong	Holding office	**100.0%**	–	100.0%	–

For the six-month period ended June 30, 2014, there were no changes in the parent company's ownership interests in the subsidiaries.

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 the 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 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 the 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

Foreign Currency-Denominated Transactions and Translations

The Company's consolidated financial statements are presented in Philippine peso, which is also the Parent Company's functional and presentation currency. The Philippine peso is the currency of the primary economic environment in which the Company operates. This is also the currency that mainly influences the revenue from and cost of rendering products and services. All the subsidiaries, associates and joint ventures evaluate their primary economic and operating environment and determine their functional currency. Items included in the financial statements of each entity are initially measured using that functional currency.

The functional currency of the Parent Company, SWA, Simpro Philippines, PGS and PGS ROHQ is the Philippine Peso. The functional currency of PGSPL is Singapore Dollar (SG$). The functional currency of Paxys Ltd., Simpro Solutions Limited and Paxys N.V. is U.S. Dollar (US$).

Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional closing rate of exchange prevailing at the end of the reporting period. All differences are recognized in the consolidated statement of income except for foreign exchange differences that qualify as capitalizable borrowing costs for qualifying assets. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. 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 closing rate.

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 date of 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 and 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.

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
Date of Recognition. The Company recognizes a financial asset and liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on settlement date. Derivative instruments are recognized on a trade date basis.

Initial Recognition and of Financial Instruments. All financial assets and financial liabilities are recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instruments includes transaction costs.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale.

This category pertains to the Company's cash and cash equivalents, trade and other receivables (excluding statutory receivables and advances to suppliers and contractors), escrow fund and rental and security deposits.

Other financial liabilities. Issued financial instruments or their component where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

This accounting policy applies primarily to the Company's accounts payable and other current liabilities (except for statutory payables and unearned income) and dividends payable.

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. 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.

Other Intangible Assets
Other 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. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

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. 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.

Interests in Joint Arrangements

The Company has interests in joint arrangements which are classified as joint ventures, whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The agreement requires unanimous agreement for financial and operating decisions among the venturers.

The Company recognizes its interest in joint ventures as an investment and accounts for the investments using the equity method. Adjustments are made where necessary to bring the accounting policies in line with those of the Company.

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

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.

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.

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.

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

Cash and Cash Equivalents

	June 30, 2014	December 31, 2013
	In Thousands	
Cash on hand and in banks	**₱1,111,222**	₱786,048
Short-term deposits	**3,121,499**	3,321,051
	₱4,232,721	₱4,107,099

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

	June 30, 2014	December 31, 2013
Investment in Unit Investment Trust Fund (UITF)	**₱50,377**	₱50,090
Fixed Income Investments	**133,577**	133,984
	₱183,954	₱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, such as fixed income investments.

As at June 30, 2014, the unrealized gain on AFS financial assets amounted to ₱2.92 million.

4. Trade and Other Receivables – net

	June 30, 2014	December 31, 2013
	(In Thousands)	
Trade	**₱75,582**	₱82,517
Advances to related parties (see Note 12)	**27,978**	23,458
Escrow fund	**–**	179,210
Other receivables	**16,805**	15,983
	120,365	301,168
Less allowance for doubtful accounts (see Note 14)	**44,253**	43,522
	₱76,112	₱257,646

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

Other receivables consist of advances to directors and employees and advances to SSS for maternity and sickness benefits, and are expected to be settled/liquidated within the year.

The escrow fund amounting to AU$4.2 million (₱179.21 million) as at December 31, 2013 was subsequently collected in January 2014.

5. Other Current Assets

	June 30, 2014	December 31, 2013
	In Thousands	
Input value-added tax	**₱5,090**	₱3,374
Advance rentals and other prepayments	**3,912**	2,083
	₱9,002	₱5,457

Prepayments include advance rentals of ₱2.6 million and ₱0.10 million as of June 30, 2014 and December 31, 2013, respectively, and prepaid insurance amounting to ₱0.7 million and ₱1.4 million as of June 30, 2014 and December 31, 2013, respectively.

6. **Property and Equipment**

	June 30, 2014					
	Computer Equipment	**Communication Equipment**	**Leasehold Improvements**	**Office Furniture, Fixtures and Equipment**	**Transportation Equipment**	**Total**
			(In Thousands)			
Cost						
Balance at beginning of year	**₱145,405**	**₱12,052**	**₱167,258**	**₱19,209**	**₱17,758**	**₱361,682**
Additions	**335**	–	**327**	**321**	**1,001**	**1,984**
Disposal	**(67)**	–	–	–	**(1,358)**	**(1,425)**
Translation adjustments	–	–	–	–	**(11)**	**(11)**
Balance at end of period	**145,673**	**12,052**	**167,585**	**19,530**	**17,390**	**362,230**
Accumulated Depreciation						
Balance at beginning of year	**143,211**	**11,938**	**164,257**	**17,164**	**16,601**	**353,171**
Depreciation for the period	**1,144**	**22**	**814**	**664**	**433**	**3,077**
Disposal	**(43)**	**–**	–	–	**(1,276)**	**(1,319)**
Translation adjustments	–	–	–	–	**(6)**	**(6)**
Balance at end of period	**144,312**	**11,960**	**165,071**	**17,828**	**15,752**	**354,923**
Net Book Value	**₱1,361**	**₱92**	**₱2,514**	**₱1,702**	**₱1,638**	**₱7,307**

Property and equipment are depreciated using the economic lives as follows:

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

	December 31, 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

7. Intangible Assets

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

	June 30, 2014	December 31, 2013
	(In Thousands)	
Balance at beginning of year - net of accumulated amortization	**₱5,117**	₱8,170
Amortization	**(1,371)**	(3,626)
Additions	**199**	573
Balance at end of year - net of accumulated amortization	**₱3,945**	₱5,117
Cost	**₱13,164**	₱12,965
Accumulated amortization	**(9,219)**	(7,848)
	₱3,945	₱5,117

8. Other Noncurrent Assets

	June 30, 2014	December 31, 2013
	(In Thousands)	
Rental and security deposits	**₱5,295**	₱5,302
Creditable withholding taxes	**5,294**	5,100
	₱10,589	₱10,402

Rental and security deposits pertain to cash deposits on lease agreements which are refundable at the end of various lease periods. Creditable withholding taxes represent amounts withheld by the Company's clients that can be deducted against the Company's income tax payable.

9. Interests 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.

	Place of	**Principal**	Percentage of Ownership	
Joint venture	**Incorporation**	**Activity**	**2014**	2013
PGS Dalian	China	Call center	**50.0%**	50.0%
Simpro Solutions Ltd. (Simpro)	Hong Kong	Call center	**50.0%**	50.0%

Investments in joint ventures as at June 30, 2014 and December 31, 2013 are nil.

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

	2014	December 31, 2013
	(In Thousands)	
Cost:		
Balance at beginning	**₱–**	₱44,877
Additional investment in PGS Dalian and Simpro	–	13,128

(Forward)

	2014	December 31, 2013
Sale of investment in Stellar	**₱–**	(₱38,500)
Reversal of impairment in losses	–	9,244
Balance at end	–	28,749
Accumulated earnings in net earnings		
Balance at beginning	–	60,169
Equity in net earnings (losses)	–	2,865
Sale of investment in Stellar	–	(91,783)
Balance at end	–	(28,749)
Advances to Simpro and PGS Dalian	–	–
	₱–	₱–

The Company has no outstanding commitments with the joint ventures as at June 30, 2014 and December 31, 2013. The joint ventures have no contingent liabilities or capital investments as atJune 30, 2014.

Due to share of accumulated losses, Investment in PGS Dalian and Simpro Solutions Limited already depleted and Paxys did not recognize further losses in 2014.

10. Accounts Payable and Other Current Liabilities

	June 30, 2014	December 31, 2013
	(In Thousands)	
Trade payables	**₱20,851**	₱24,461
Accrued expenses		
Salaries and wages	**4,629**	4,598
Taxes and licenses	**1,753**	2,694
Professional fees	**1,976**	2,292
General services	**1,551**	1,174
Insurance	**1,047**	699
Rentals	**1,293**	1,293
Communications and internet	**876**	1,159
Utilities	**831**	888
Repairs and maintenance	**215**	21
Others	**797**	197
Statutory payables	**7,815**	7,883
Dividends payable	**6,554**	6,554
Advances from related parties	**52**	154
Other current liabilities	**703**	2,321
	₱50,943	₱56,388

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

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

Other accrued expenses mainly represent accruals for janitorial, messengerial, employee retention, and supplies.

11. **Stockholders' Equity**

Capital Stock

	Number of Shares Authorized	Number of Shares Issued and Outstanding	Cost
			(In Thousands)
At January 1, 2014	1,800,000,000	1,148,534,866	₱1,148,534
Subscription receivable	–	–	(76,761)
At June 30, 2014	**1,800,000,000**	**1,148,534,866**	**₱1,071,773**

Disclosure under SRC Rule 68
In 2004, the principal shareholder of Advanced Contact Solutions, Inc. (ACS), a call center company established in the Philippines on November 27, 2003, acquired a controlling stake in Paxys through a reverse takeover by injecting 100% of ACS into the Company, effectively making Paxys 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 ₱1.2 billion from which the 300,000,000 rights offering shares were taken.

Paxys has 724 and 723 shareholders owning 100 or more shares as of June 30, 2014 and December 31, 2013, respectively.

APIC

	(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 ₱2,747.21 million and ₱2,723.29 million, as at June 30, 2014 and December 31, 2013, respectively, are not available for dividend declaration until these are distributed to the Parent Company.

The transition adjustments as a result of PAS 19R, amounted to ₱3.22 million and (₱1.54) million for the years 2013 and 2012, respectively. The Company applied the adjustments retrospectively and subsequently recycled to retained earnings. As at June 30, 2014, retained earnings amount not available for dividend distribution due to revised PAS 19 amounted to (₱1.56) million.

12. **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

Related Party	Amount/Volume 2014	Amount/Volume 2013	Outstanding Balance 2014	Outstanding Balance 2013	Terms and Conditions
Common Stockholder*					
NGL Pacific Limited	**₱22**	**₱362**	**₱2,092**	₱2,114	Unsecured; noninterest-bearing; collectible on demand; no impairment.
ACS Pacific Limited	**5,933**	**8,937**	**16,186**	10,253	Unsecured; noninterest-bearing; collectible on demand; with impairment.
Others**	–	**56**	**3,805**	3,991	Unsecured; noninterest-bearing; collectible on demand; with impairment.
Joint Venture					
Simpro Phils	–	**17,733**	**1,347**	2,552	Unsecured; noninterest-bearing; collectible on demand; no impairment.
PGS Dalian**	–	–	**4,548**	4,548	Unsecured; noninterest-bearing; collectible on demand; with impairment.
Total	**₱5,955**	**₱27,088**	**₱27,978**	₱23,458	

**These companies have the same stockholders as the Company.*
***Allowance for doubtful accounts related to these receivables amounted to ₱18,742 as at June 30, 2014 and December 31, 2013.*

Advances from related parties

Related Party	Amount/Volume 2014	Amount/Volume 2013	Outstanding Balance 2014	Outstanding Balance 2013	Terms and Conditions
Common Stockholder*					
Simpro Phils	**₱–**	₱101	**₱–**	101	Unsecured; noninterest-bearing; collectible on demand
Others	**–**	**–**	**₱53**	₱54	Unsecured; noninterest-bearing; collectible on demand
Total	**₱–**	₱101	**₱53**	₱154	

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

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

13. **Cost of Services**

	For the Six Months Ended June 30		For the Three Months Ended June 30	
	2014	2013	**2014**	2013
	(In Thousands)			
Personnel expenses	**₱44,023**	₱49,604	**₱21,741**	₱27,919
Rent	**5,110**	4,775	**2,555**	2,494
Utilities	**4,531**	5,236	**2,449**	3,480
Communication	**2,516**	2,930	**1,476**	1,742
Security and janitorial services	**2,073**	3,251	**1,009**	1,829
Association dues	**1,085**	910	**543**	370
Depreciation and amortization	**900**	2,668	**329**	1,117
Supplies	**640**	793	**290**	456
Information technology expenses	–	885	**–**	428
Others	**932**	896	**449**	588
	₱61,810	₱71,948	**₱30,841**	₱40,423

14. **General and Administrative Expenses**

	For the Six Months Ended June 30		For the Three Months Ended June 30	
	2014	2013	**2014**	2013
	(In Thousands)			
Personnel expenses	**₱11,402**	₱14,407	**₱4,041**	₱9,620
Professional fees	**8,323**	6,344	**4,062**	2,952
Depreciation and amortization	**3,622**	5,189	**1,732**	2,613
Communication	**2,955**	2,291	**1,890**	1,113
Rent	**2,305**	2,327	**1,190**	1,265
Utilities	**1,164**	807	**774**	429
Provision for nonrecoverability of input VAT	**1,428**	1,533	**908**	755
Write-off of receivables	–	3	**–**	–
Insurance expense	**1,301**	1,671	**606**	795
Security and janitorial services	**901**	953	**463**	448
Taxes and licenses	**892**	970	**345**	611
Transportation and travel	**740**	1,329	**504**	818
Repairs and maintenance	**656**	1,369	**280**	1,050
Entertainment, amusement and recreation	**481**	480	**275**	248
Supplies	**391**	340	**249**	170
IT expenses	**30**	802	**3**	309
Association dues	**6**	192	**3**	82
Provision for doubtful accounts (see Note 4)	–	3,587	**–**	3,115
Recruitment expenses	–	98	**–**	49
Others	**1,584**	1,796	**762**	9
	₱38,180	₱46,488	**₱18,087**	₱26,451

15. Interest Income, Foreign exchange gains and losses, and Other Income

Interest Income
Interest income for the comparative periods was generated mainly from bank deposits and short-term placements amounting to ₱18.4 million and ₱20.7 for the six months period ended June 30, 2014 and June 30, 2013, respectively.

Foreign exchange Gains and Losses
Foreign exchange gains and losses amounted to ₱9.0 million and ₱31.8 million for the six months period ended June 30, 2014 and June 30, 2013, respectively, refers mainly to revaluation of AU$-denominated monetary assets of the Group.

Other Income - net
Other income mainly refers to sale of scrap and idle equipment of the Group.

In the last quarter of 2013, the Group recognized other income amounting to ₱24.7 million for the reversal of accruals for tax assessment that has prescribed.

16. 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.

The Group do not recognize material changes in the accrued retirement until the release of the next actuarial report.

Changes in unfunded post-employment benefits in 2013follows:

	December 31, 2013
Balance at beginning of year	**₱7,738**
Net benefit cost in statements of comprehensive income:	
Current service cost	**2,257**
Interest cost	**454**
Curtailment gain	**–**
	2,711
Remeasurement effects recognized in OCI:	
Actuarial changes arising from experience adjustments	**(196)**
Actuarial changes arising from changes in financial assumptions	**(3,028)**
	(3,224)
Benefits paid	**–**
Disposal of a subsidiary	**–**
Balance at end of year	**₱7,225**

The cost of defined benefit pension plans as well as the present value of the pension obligation is 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 %
Discount rates	**6.38%**
Future salary increases	**5.00%**
Turnover rate:	
Age:	
19-24	**7.50%**
25-29	**6.00%**
30-34	**4.50%**
35-39	**3.00%**
40-44	**3.00%**
>=45	**0.00%**

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

17. Other Noncurrent Liability

Included in this account are refundable deposits received by SWA from its sub-leasing arrangement with one client. The deposit is refundable to the client at the end of the lease period.

18. 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:

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

- Call Center - The call center segment offers an integrated mix of call center solutions including inbound (customer-initiated) and outbound teleservicing as well as email and web-based tools.

- Others - This segment includes the operations of the Parent Company and its holding companies.

Business Segment Data

The following table presents revenues and expenses information and certain assets and liabilities information regarding the business segments for the six months ended June 30, 2014 and 2013:

	June 30, 2014				
	Data Transcription	**Call Center**	**Others**	**Eliminations**	**Consolidated**
	(In Thousands)				
Results of Operations					
Segment revenues from external customers	**₱73,454**	**₱4,077**	**₱–**	**₱–**	**₱77,531**
Segment expenses	**(70,258)**	**(3,625)**	**(26,108)**	**–**	**(99,991)**
Segment result	**3,196**	**452**	**(26,108)**	**–**	**(22,460)**
Interest income (expense) – net	**30**	**5**	**18,390**	**–**	**18,425**
Foreign exchange gain (loss) – net	**164**	**(33)**	**8,604**	**274**	**9,009**
Other segment operating income (expense) – net	**36**	**–**	**28,278**	**(27,102)**	**1,212**
Net income (loss)	**₱3,426**	**₱424**	**₱29,164**	**(26,828)**	**₱6,186**
Assets and Liabilities					
Segment assets	**₱57,153**	**₱6,667**	**₱4,989,325**	**(₱529,515)**	**₱4,523,630**
Segment liabilities	**(80,371)**	**(82,327)**	**(178,250)**	**281,717**	**(59,231)**
Other Segment Information					
Capital expenditures:					
Property and equipment	**₱1,862**	**₱–**	**₱122**	**₱–**	**₱1,984**
Intangibles	**199**	**–**	**–**	**–**	**199**
Depreciation and amortization	**1,338**	**712**	**2,472**	**–**	**4,522**

	June 30, 2013				
	Data Transcription	Call Center	Others	Eliminations	Consolidated
			(In Thousands)		
Results of Operations					
Segment revenues from external customers	₱62,125	₱15,240	₱–	₱–	₱77,365
Segment expenses	(69,564)	(9,402)	(39,470)	–	(118,436)
Segment result	(7,439)	5,838	(39,470)	–	(41,071)
Interest income - net	123	7	20,610	–	20,740
Foreign exchange gain (loss) – net	374	23	(34,043)	1,790	(31,856)
Equity in net earnings on joint ventures	–	2,863	–	–	2,863
Mark-to-market gain	–	–	6,558		6,558
Other segment operating income (expense) - net	839	–	(1,503)	–	(664)
Net income (loss)	(₱6,103)	₱8,731	(₱47,848)	₱1,790	(₱43,430)
Assets and Liabilities					
Segment assets	₱73,408	₱22,324	₱4,904,526	(₱460,860)	₱4,539,396
Segment liabilities	(129,171)	(88,141)	(225,819)	349,262	(93,869)
Other Segment Information					
Capital expenditures:					
Property and equipment	₱547	₱11	₱47	₱–	₱605
Depreciation and amortization	3,138	1,100	3,618	–	7,857

Geographical Segment Data

The following table presents the revenue and expenditure and certain asset information regarding geographical segments for the three months ended March 31, 2014 and 2013:

	June 30, 2014			
	Continuing Operations			
	Philippines	**China**	**Eliminations**	**Consolidated**
	(In Thousands)			
Revenue				
External revenue	**₱77,531**	**₱–**	**₱–**	**₱77,531**
Other Segment Information				
Segment assets	**₱5,053,145**	**₱–**	**(529,515)**	**₱4,523,630**
Capital expenditures:				
Property and equipment	**₱1,983**	**₱–**	**₱–**	**₱1,983**
Intangibles	**199**	**–**	**–**	**199**

	June 30, 2013			
	Continuing Operations			
	Philippines	China	Eliminations	Consolidated
	(In Thousands)			
Revenue				
External revenue	₱77,365	₱–	₱–	₱77,365
Equity in net earnings (losses) on joint ventures	4,331	(1,468)	–	2,863
Other Segment Information				
Segment assets	₱4,997,132	₱3,126	(₱460,861)	₱4,539,396
Capital expenditures:				
Property and equipment	₱605	₱–	₱–	₱605

19. Financial Assets and Financial Liabilities

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, 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% in 2013.

AFS Investments. Net asset value per unit have been used to determine the fair value of AFS investments.

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 to manage foreign currency risks arising from its dollar denominated revenues. These derivatives are accounted for as transactions not designated as hedges.

These contracts are carried at fair value in the statements of financial position. 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.

20. Other Matters

Detailed schedules have been omitted for purposes of preparing these interim financial statements as allowed by SRC Rule 68.

Annex B

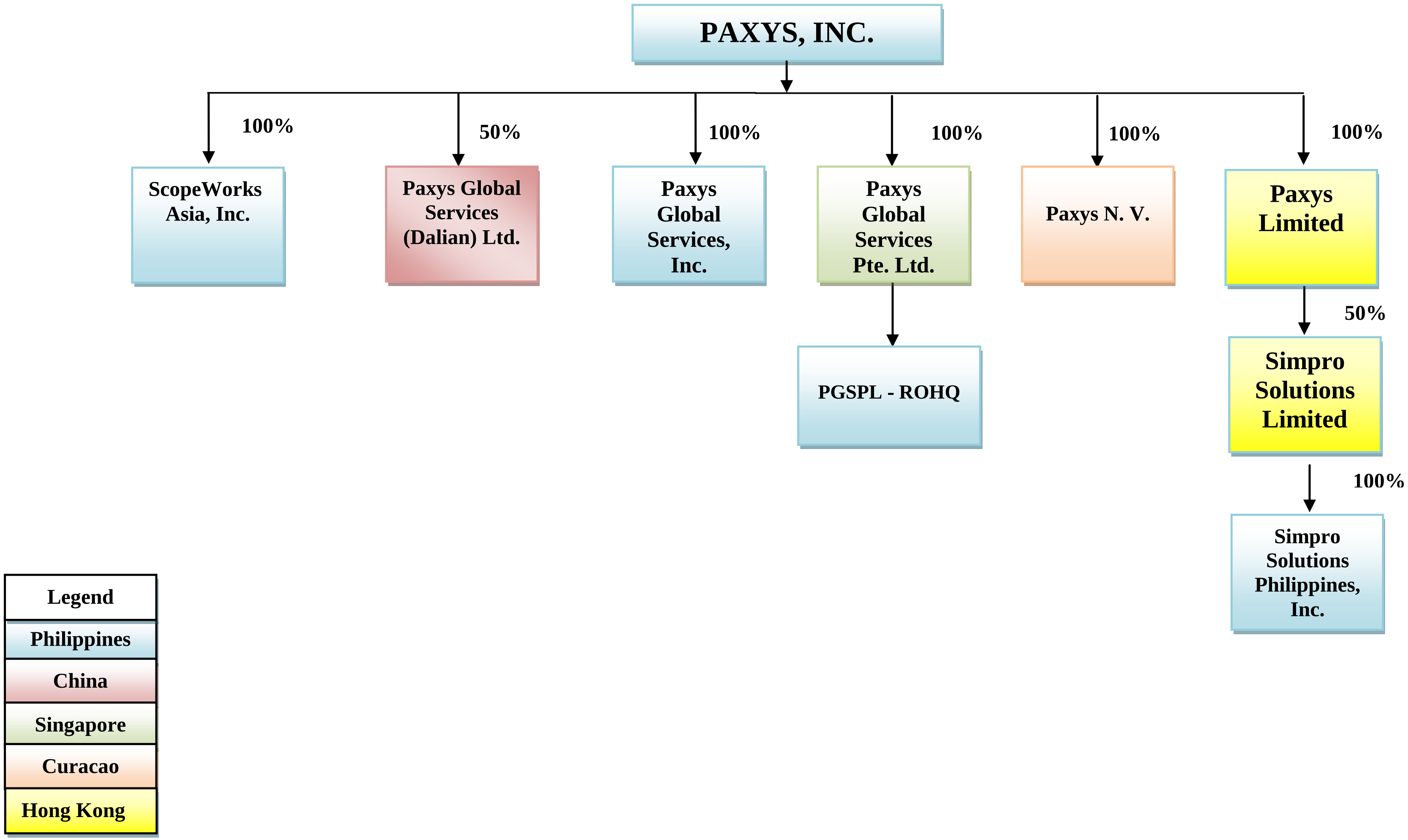
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of the Company as of and for the period ended June 30, 2014 (with comparative figures as of June 30, 2013). All necessary adjustments to present fairly the consolidated financial condition, results of operations, and cash flows of the Company for the six months ended June 30, 2013, and for all the other periods presented, have been made. Certain information and footnote disclosure normally included in the audited financial statements prepared in accordance with generally accepted accounting principles have been omitted.

Overview of Our Business

Below is the Group's organizational structure as of June 30, 2014:



Paxys is an investment holding company registered with the SEC in 1997. Through its operating subsidiaries, Paxys has been engaged in diversified services such as business processing outsourcing, data conversion. For the last three years, Paxys divested its salary packaging, call center, IT consulting and software solutions business.

SWA is a Philippine BPO company engaged in general and legal transcription, editing, proofreading, mortgage processing and data conversion services with clients in the US and UK.

PGSI is a business process-outsourcing provider for consumers, businesses and institutions. Its primary purpose is to engage in call center business that offers an integrated mix of call center solutions including inbound (customer-initiated) and outbound teleservicing.

Simpro Philippines is a joint venture company engaged in contact center and back office outsourcing activities.

Key Performance Indicators (KPI's)

The Company's management uses the following KPIs:

1) Net Service Income : Service Income less discounts and allowances

2) Gross Profit Margin : Gross profit/Service Income

3) EBITDA : Earnings Before Interest, Taxes, Depreciation and Amortization

4) EBITDA Margin : EBITDA/Service Income

5) Income from Operations : Gross Profit – Operating Expenses

6) Net Income Margin : Net Income/Service Income

7) Return on Equity : Net Income/(Equity end + Equity beg – Net Income)/2

8) Current Ratio : Current Assets/Current Liabilities

RESULTS OF OPERATIONS AND DISCUSSION OF KPIs

Summary Profit and Loss
For the Six Months Ended June 30
In Thousands Pesos

	Six Months (January - June)				**% Change**
	2014		2013		
	Amount	% to Sales	Amount	% to Sales	
Service Income	₱77,531	100%	₱77,365	100%	0.2%
Gross Profit	15,721	20%	5,417	7%	190%
Loss from Operations	(22,460)	(29%)	(41,071)	(53%)	45%
Net Income (Loss)	6,186	8%	(43,430)	(56%)	114%
EBITDA	10,708	14%	(39,303)	(51%)	127%

<u>FINANCIAL PERFORMANCE HIGHLIGHT</u>

The Group's Net Loss from operations, significantly reduced by 53% due to decline in direct costs of operating entities. Net Operating Loss decreased substantially from ₱41.0 million of prior year to only ₱22.5 million this year.

The Group's Net Income for the first half of the year amounted to ₱6.2 million, favorable by ₱49.6 million versus net loss of prior year of ₱43.4 million, consisted mainly of the net income contribution of SWA and Paxys corporate.

Interest earned amounted to ₱18.4 million, as proceeds from divestment of business entities of the Group are used in interest-earning activities.

EBITDA is higher this period by 123% due to lower loss from operations and interest earned this period.

<u>SCOPEWORKS</u>

The Company generated a net income of ₱4.4 million as of 1H2014 which is ₱10.5 million better than that of the same period in 2013. The improvement in the net profit came mainly from better operating performance of the main revenue program and conversion of idle facility to a facilities rental.

<u>PGS</u>

The revenue contracts of PGS were terminated as of April 2014. PGS contributed revenue of ₱4.1 million and ₱15.2 million for the period ending June 30, 2014 and 2013, respectively. Net loss posted for the period amounted to ₱0.3 million for the period versus net income of₱5.9 million for the same period prior year.

FINANCIAL CONDITION

In Thousands Pesos	**June 30, 2014**	**December 31, 2013**	**Y14 vs Y13**
Balance Sheet Data:			
Total Current Assets	**₱4,501,789**	**₱4,554,276**	1%
Total Noncurrent Assets	**21,841**	**24,030**	(9%)
Total Assets	**4,523,630**	**4,578,306**	1%
Total Current Liabilities	**50,943**	**57,223**	(11%)
Total Noncurrent Liabilities	**8,287**	**7,839**	6%
Total Equity	**4,464,400**	**4,513,244**	1%

The major changes in the statements of financial position items from December 31, 2013 to June 30, 2014 are as follows:

- Net increase in Cash and Cash equivalents by 3% or ₱125.7 million realization of escrow fund in full to cash and interest earned from investing activities, net of forex translation loss arising from stronger Peso against Dollar from 44.4 in December 2013 to 43.65 YTD June.

- Decrease in Trade and other receivables by 70% or ₱181.5 million is mainly due to realization into cash of the escrow fund from restricted current assets amounting to ₱179 million.

- Decrease in fixed assets and intangible assets are mainly due to depreciation and amortization expense for the period.

- Accounts payable and other current liabilities decreased by 11% or ₱5.4 million due to various payments to trade vendors and statutory payments to government.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary source of liquidity is the cash generated from operations within the Group. The following are the cash flow movements:

For the Six Months Ended 30 June	**2014**	**2013**	**Y14 vs Y13 % change**
Net Cash Provided by Operating Activities	₱176,029	₱52,565	235%
Net Cash Used for Investing Activities	(2,182)	(13,733)	(84%)

Operating activities provided net inflow in 2014 mainly because of realization of escrow fund to cash and interest income from investment activities.

Net Cash used in 2014 for investing activities mainly refers to acquisition of fixed assets.

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.

Financial Ratios

	2014	2013	**Y14 vs Y13 % change**
Financial Ratios:			
Current Ratio	88:12	80:20	11%
Debt to Equity Ratio	1.3%	1.4%	(8%)
Return on Equity	(0.1%)	(0.2%)	107%
EBITDA Margin	14%	(63%)	122%
Net Profit Margin	8%	(47%)	117%

FINANCIAL RISK

- **Foreign Currency risk**

The Company has transactional currency exposure. Such exposure arises from service income denominated in US$ and AU$. Service income of SWA are denominated in US$ and AU$, which were 84% and 7% respectively in June 30, 2014 compared to 80% and 19% respectively in December 31, 2013.

Paxys' Cash and Cash Equivalents consist of US$ and AU$, which were 76.8% and 0.2% respectively in June 30, 2014 while 66% and 10% respectively in December 31, 2013.

In view of the above, 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 primary strategy to address its forex exposures is 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 from major financial institutions which are assessed based on their industry standing and historical performance. As of June 30, 2014 and December 31, 2013, the Group doesn't have outstanding derivative instruments.

The Company adopted the following rates of exchange in translating foreign currency statement of comprehensive income and statement of financial position as of June 30, 2014 and December 31, 2013:

	June 30, 2014		December 31, 2013	
	Closing	Average	Closing	Average
Philippine Peso to 1 unit of foreign currency:				
United States Dollar (US$)	43.65	44.50	44.40	42.32
Australian Dollar (AU$)	41.23	40.70	39.46	41.02

- **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.

OTHER MATTERS

a. There were no known events that trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

b. There were no material commitments of the Company.

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

d. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows.

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

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

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

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

i. There were not 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.

Key Variable and Other Quantitative and Factors

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 requirements.

Annex C

Paxys, Inc. and Subsidiaries
Consolidated Trade Receivables Aging Schedule
As of June 30, 2014
(Amounts in Thousands)

	Age of Receivables					
Types of customers	**<30 days**	**31-60 days**	**61-90 days**	**90-120 days**	**>120 days**	**Total**
Local	₱1,381	₱621	₱-	₱-	₱34,408	₱36,410
International	11,180	11,120	11,092	21	5,759	39,172
	12,561	11,741	11,092	21	40,167	75,582
Less allowance for doubtful accounts	-	-	-	-	11,784	11,784
	₱12,561	₱11,741	₱11,092	₱21	₱28,383	₱63,798

Annex D

Paxys, Inc.

Unrestricted Retained Earnings
As of June 30, 2014

Unappropriated Retained Earnings, beginning per books		**₱9,518,836**
Accumulated non-actual/ unrealized income and expenses in prior years		**(20,287,523)**
Unappropriated Retained Earnings, as adjusted, beginning		**(10,768,687)**
Add: Net income actually earned realized during the period		
Net income during the period closed to Retained earnings	**9,969,422**	
Unrealized foreign exchange gain – net	**(136,510)**	
Unealized foreign exchange loss in 2013, realized in 2014	**20,287,523**	
Net income actually earned during the period		**30,120,436**
Total Retained Earnings, End – Unrestricted		**₱19,351,749**

Annex E

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS

PAXYS, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE REQUIRED
UNDER SRC RULE 68, AS AMENDED (2011)

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2014		**Adopted**	**Not Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	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 Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2014		Adopted	Not Adopted	Not Applicable
	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	🗐		
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	🗐		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2014		Adopted	Not Adopted	Not Applicable
PAS 19	Employee Benefits	🗐		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	🗐		
PAS 19 (Amended)*	Employee Benefits	🗐		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	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 (Amended)*	Separate Financial Statements	🗐		
	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			🗐
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			🗐

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2014		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: The Fair Value Option	🗐		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			🗐
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	🗐		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	🗐		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			🗐
	Amendment to PAS 39: Eligible Hedged Items			🗐
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			🗐
PAS 40	Investment Property			🗐
	Amendment to PAS 40: Investment Property	Not early adopted		
PAS 41	Agriculture			🗐

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2014		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			🗐
SIC-7	Introduction of the Euro			🗐
SIC-10	Government Assistance - No Specific Relation to Operating Activities			🗐
SIC-12	Consolidation - Special Purpose Entities			🗐
	Amendment to SIC - 12: Scope of SIC 12			🗐
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			🗐
SIC-15	Operating Leases - Incentives	🗐		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2014		Adopted	Not Adopted	Not Applicable
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			🗐