F-I-R-S-T Carbon Solutions 2016 Sustainability Report

Big Data, the Blueprint of Sustainable Development Goals (SDGs)

FIRSTCARBONSOLUTIONS™

AN ADEC INNOVATION

WE SUPPORT

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting the **Sustainable Development Goals**.

ABOUT THE COVER

The hexagon is a shape that naturally occurs in nature, specifically in the honeycomb found in beehives. The honeycomb is often associated with hard work, organization and efficiency as demonstrated by the worker bees.

The creation of the honeycomb entails a process called "tessellation", or the arranging of polygons in a manner where they are closely fitted together. This results to patterns without gaps, which means no unused space. For bees, tessellation ensures that space inside the hive is maximized and that there are no wasted resources.

From a data standpoint, the hexagonal cells also symbolize data and how its abundance and interconnectedness ultimately creates "Big Data". With Big Data as the foundation, the honeycomb-like structure serves as the blueprint for achieving the SDGs, and through the use of informed decisions and the efficient use of resources, no gaps are created in the pursuit of sustainable development.

EXECUTIVE SUMMARY

The third annual sustainability report of F-I-R-S-T Carbon Solutions covers the fiscal year 2016. This report revolves on the progress made in pursuing the Ten Principles of the United Nations Global Compact, centered on human rights, labor, environment, and anti-corruption. The initiatives, mechanisms, and best practices applied by the Company over the past year are presented based on specific referenced economic, environmental, and social material topics, as cited in the Global Reporting Initiative (GRI) 2016 Standards. The programs and operation of F-I-R-S-T Carbon Solutions in 2016 are aligned with its vision of leading the private sector towards sustainable development through innovative platforms, tools, strategies, and techniques, with big data as the blueprint in advancing the SDGs.

In 2016, F-I-R-S-T Carbon Solutions has increased collaboration with multilateral stakeholders and foundations that promote the SDGs. Jim Donovan, the Chairman of the Company, has partnered with United Nation's Environment Programme and My Shelter Foundation in integrating innovation and sustainability. The Company consistently produces scalable products and strategies that encourage best practices in optimizing the business operation and maintaining compliance of its clients. Together with its transparent, reliable, and socially compliant operation, the Company has made a mark in the industry as reflected in a stable revenue this year. Through its sustainability programs, the Company has reduced its electricity consumption, minimized the increment in water usage, and managed to generate minimal wastes that are within the regulatory requirements. With cohesive and comprehensive procedures and systems in place, the Company monitors its compliance with the labor laws and anti-corruption practices, and conformance to international standards on quality, environmental management, information system management, and trade. Therefore, no grave issues, noncompliance and violation against the significant operational, social, environmental, and trade laws have been reported over the past year.

F-I-R-S-T Carbon Solutions reshapes the landscape of business technology by anchoring on the capacity of information system to propel sustainable development. The Company integrates into its systems and operation the principles of human rights, labor, environment, and anti-corruption, thus simultaneously addressing the current challenges of SDGs. Through the creation of innovative products and strategies that harness the potential of big data, the Company aids its clients in establishing a blueprint to maximize resources, improve business operation, and realize their vision towards sustainability.

CHAIRMAN'S MESSAGE

Dear Fellow Stakeholders:

We are pleased to present this third annual sustainability report for fiscal year 2016. F-I-R-S-T Carbon Solutions has consistently pursued its vision of creating economically viable sustainable solutions to aid organizations improve their performance, compliance, and operation, driving sustainable development at the forefront. This report evaluates the progress of the Company for the past year in light of the United Nations Global Compact's Ten Principles centered on human rights, labor, environment and anti-corruption. In 2016, F-I-R-S-T Carbon Solutions has revolved on the context of utilizing big data as a blueprint for advancing the Sustainable Development Goals in response to the United Nations' Agenda 2030.

With the rising trend on data revolution, F-I-R-S-T Carbon Solutions has continuously developed technologies and systems as well as established a network of partners to build enabling platforms towards responsible, efficient, and sustainable business. Coupled with years of expertise on data management and sustainability, F-I-R-S-T Carbon Solutions has created solutions allowing the adoption of best practices for bridging the evolving gaps in meeting the SDGs. Its innovative products such as the Sustainability WorkBench – a robust and scalable software-as-service have changed the way organizations do their business. We believe that by guiding our clients on the various aspects of sustainability and equipping them with the right blend of technology solutions to access information, they can make smarter decisions and take better actions toward sustainable development.

As we live in a growing disruptive innovative economy, we need to encourage a paradigm shift among organizations – from product-centered to process-oriented. By building an intricate system of knowledge and providing a platform for the translation of the conventional and technology-sourced data, we can develop a roadmap on how business should be conducted and reshape the approach in reaching for the shared vision on sustainable development. We can mold the future of SDGs by leveraging on the potential of big data as a blueprint.

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

ABOUT THE REPORT

Rationale

The F-I-R-S-T Carbon Solutions encourages sustainable business practices and responsible growth through technology-enabled and data management solutions, leveraging on its years of expertise in aiding organizations improve environmental performance and compliance. With this vision, the Company partners with multilateral stakeholders to foster sustainable development in the business arena. Since year 2014, F-I-R-S-T Carbon Solutions has been a member of the United Nations Global Compact (UNGC), a global movement of the United Nations that supports the private sector in advancing the sustainable development goals (SDGs) by helping them align their business operation with the Ten Principles on human rights, labor, environment, and anti-corruption. As part of F-I-R-S-T Carbon Solutions' commitment on sustainable development, the Company monitors its business operation and communicates its progress through an annual sustainability report.

This Sustainability Report is the third–issued Communication on Progress (COP) which covers the 2016 fiscal year. The content includes an overview and assessment of the three sustainability pillars: economic, environmental, and social programs. The objectives of the F-I-R-S-T Carbon Solutions Sustainability Report for 2016 include:

- The assessment of the Company's business operation in comparison with the previous years, including the identification of any significant impacts to economy, environment and society;
- The progress made in improving and implementing the human rights, labor, environmental and anti-corruption policies and management over the past year; and
- The evaluation of the products and services of F-I-R-S-T Carbon Solutions, anchoring on big data as the blueprint of SDGs.

Highlights of Year 2016

In 2016, F-I-R-S-T Carbon Solutions has strengthened its position on sustainable development through collaborations with multilateral stakeholders and foundations. While exercising its knowledge on data management and solutions, the Company has developed significant contribution in utilizing big data to address the concerns enveloping the achievement of the SDGs. Various engagements have transpired including the appointment of James Donovan as one of the lead authors for the General Outlook for the Environment (GEO) 6, and the accreditation of ADEC Foundation, Inc., the affiliated non-profit organization of F-I-R-S-T Carbon Solutions, as a member of UNEP's stakeholder group. The partnership of its parent company, the ADEC Innovations, and My Shelter Foundation for the Liter of Light Project was also launched last year, with the aim of augmenting power shortage by providing a sustainable source of electricity in the poor rural areas in the Philippines. These partnerships highlight the sustainability efforts of the Company in 2016.

Reporting Principles and Framework

UNGC Ten Principles

The F-I-R-S-T Carbon Solutions aligns its operation with the Ten Principles of UNGC governing the facets of human rights, labor, environment, and anti-corruption. This report presents the progress of the Company in fostering these four elements within the sphere of economic, environmental and social programs. In unity with the other members of UNGC, the Company leverages on the potential of big data in advancing the SDGs.

THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT

HUMAN RIGHTS

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

LABOUR

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

This sustainability report serves as the Communication on Progress (COP), providing a self-assessment classified as GC Active level, as per requirements of the UNGC Policy. The minimum requirements and information covered in this report include an expression of support from the chief executive of F-I-R-S-T Carbon Solutions, disclosure of the management approach, actions, programs and systems applied in the realm of the four areas covered by the Ten Principles, and an evaluation of the measured outcomes. A table mapping the Ten Principles of the United Nations Global Compact is annexed to this report as a reference (Annex A).

GRI Reporting Guidelines

The F-I-R-S-T Carbon Solutions 2016 Sustainability Report references the 2016 GRI Standards for the communication and disclosure of specific information related to the material topics on economy, environment, and society. To provide a reasonable assessment of the overall performance of the Company during the past year, the report observes the Reporting Principles for defining the quality of the GRI Standards:

- **Accuracy.** The data obtained from each organization are validated prior to reporting, ensuring the integrity of the information and reliability of the measurements and methods applied.
- **Balance.** Contents are presented in an unbiased manner, accounting both the positive aspects of the business, as well as the areas that need improvement and the operational risks involved.
- **Clarity.** Information are organized in a comprehensible form, disclosing the business management risks and controls on a level that can be well-understood by stakeholders and simplifying the presentation of the materiality topics - economic, environmental, and social.
- **Comparability.** Current performance is compared with the outcome of the previous years, reflecting the trend in employment, utility consumption, and other factors of operation.
- **Reliability.** The report is circulated to the management and concerned organizations for review, allowing successive internal and external scrutiny prior to publishing.
- **Timeliness.** The Company is consistent in communicating its progress and submitting the requirements in a timely manner, with this report covering the 2016 fiscal year.

A matrix summary of the 2016 GRI Standards on Management Approach and specific materiality topics on the economic, environmental, and social impacts, and the corresponding response and information for each disclosure is attached as Annex B.

ABOUT THE REPORT

Scope and Limitations

This Sustainability Report presents an assessment of the Company's progress and performance over the year 2016 period, focusing on the impacts and contributions made in the economic, environmental, and social dimensions of sustainable development. The details and information provided in this report cover only the operation of F-I-R-S-T Carbon Solutions in the Philippines, and excludes other offices or global network in other countries.

Development

In continuity with the previously released report, the materiality topics in 2015 have mostly been adopted in this F-I-R-S-T Carbon Solutions 2016 Sustainability Report, with additional information on the anti-corruption policies, procurement practices, and local supply allocation of the Company. The progress of the Company, its impacts and contributions to sustainable development have revolved on the three elements of sustainability - economic, environmental, and social. The report highlights the best practices of the company and will use the performance of the previous years (2014 & 2015) as benchmark to derive a feasible criteria for evaluation. The Company valued the inputs from the stakeholders including the leads of organizational entities. Information and data obtained from the various finance, purchasing, human resource, legal, internal audit, research and development, compliance office, facilities group and operation team were consolidated to convey a cohesive outlook of the Company's operation. The covered topics in this report address the Ten Principles of the UNGC. The financial statement of F-I-R-S-T Carbon Solutions is presented as Annex C, reflecting the stability and growth of the Company over the past year.

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

Company Profile

F-I-R-S-T Carbon Solutions Corporation, incorporated in the Philippines, is a global provider of sustainability business solutions through consulting and energy and environmental data management, that improves the growth, operations and environmental performance of organizations.

Who We Are

F-I-R-S-T Carbon Solutions is a leading energy management, sustainability and supply chains solutions consultant for business and industry. F-I-R-S-T Carbon Solutions shares the best sustainable practices to improve the financial, social and environmental performance of businesses and organizations across the world. Through its wide spectrum of consulting services, data management and software solutions, F-I-R-S-T Carbon Solutions aims to aid its partner clients optimize time, resources and reduce costs, address environmental impacts and heighten operational efficiencies. The Company ensures that the environmental and compliance challenges of the business, industry, non-profit organizations and public sector are addressed.

What We Do

F-I-R-S-T Carbon Solutions provides an array of target-based solutions through consulting, software development, reprographics and processing services.

Sustainability, Environmental and Energy Consulting

With over 30 years of experience, F-I-R-S-T Carbon Solutions empowers business with strategies and technologies including expertise on sustainability to ensure efficient operation and compliance. Consulting services include the following:

- Business Case Development
- Business Intelligence
- Due Diligence
- Energy Management
- Environmental Impacts
- Market & Regulatory Compliance
- Performance Management
- Program Design & Management
- Resource Use Analysis
- Site Assessments
- Strategy Deployment
- Sustainability and Environmental Management

Energy Monitoring and Management Software

F-I-R-S-T Carbon Solutions addresses the regulatory requirements, reporting and corporate sustainability initiatives of its clients through innovative software solutions. The automated energy, sustainability and supply chain programs provide cost-effective measures that lead to an optimized business operation. Clients are equipped with monitoring equipment and programs to measure their utility consumption, sustainability metrics, and other operational parameters.

Reprographics

F-I-R-S-T Carbon Solutions has a pool of the best technical people ranging from word processors, editors, graphic artists, to specialists that deliver a well-integrated reprographic solutions, supporting the project and compliance goals of clients. The Company utilizes various high quality techniques and advanced technologies to reduce the project's reproduction and overhead costs. Powerful software solutions include geographic information services, use of the latest Window version, Ricoh systems, and CAD applications.

Data Processing Services

The effective data processing and management system of F-I-R-S-T Carbon Solutions caters to the back-office requirements and data-extensive activities of its clients. By streamlining data processing with the world-class expertise of the Company, the most comprehensive solutions are provided which include transaction data administration, document management, data system conversion, rebate processing and utility processing. The Company has developed tools such as the Sustainability Workbench for data consolidation and data analysis.

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

Where We Work

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

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

How We Started

F-I-R-S-T Carbon Solutions had its humble beginning as a back-office support to companies wanting to improve their business scale and operation, and optimize resources. In response to the growing need on carbon management, ADEC Group established F-I-R-S-T Carbon Solutions in 2008 to aid the private sector, governments, and organzations in managing their greenhouse gas emissions. Since then, F-I-R-S-T Carbon Solutions has expanded its pool of environmental consultants to provide multiple sustainability programs, energy efficient measures, and supply chain solutions. In 2010, the Company expanded its operation globally and started offering comprehensive software solutions. F-I-R-S-T Carbon Solutions partnered with CDP as a Supply Chain Scorer, working with corporations in addressing the impacts of climate change across the supply chain. With the support of its partners, F-I-R-S-T Carbon Solutions has continuously revolutionized the surface of sustainability.

Vision, Mission, and Values

F-I-R-S-T Carbon Solutions is a global leader in Environmental, Social and Governance solutions. In pursuit of its vision, the Company empowers its clients to create better decisions by providing innovation platforms, advancing sustainable business practices, helping organizations achieve a responsible growth, and challenging the market towards data transparency and accountability. With a high level of corporate standards and strong affiliations, the Company introduces technological breakthroughs that drive sustainable development at the forefront of businesses across the globe.

VISION
We empower better decisions.

MISSION
To co-create innovative sustainability business solutions worldwide.

Core Values

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

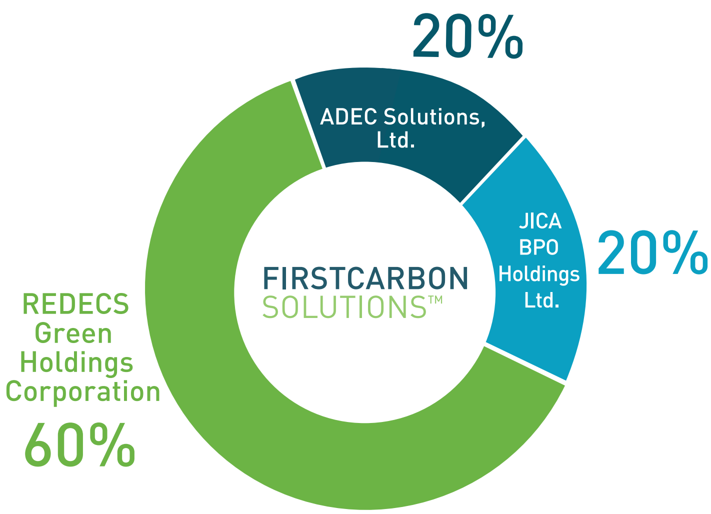
C	**Customer Focus** Continuously understanding the unique needs of our clients, enabling us to deliver unparalleled customer solutions through our world-class services.
E	**Excellence** Being dynamic, innovative and passionate for learning, fueling our relentless pursuit to achieve the highest levels of standards in everything we do.
R	**Respect** Treating stakeholders, clients, employees, suppliers and community with courtesy and compassion.
T	**Teamwork** Proactively working together and being accountable to each other to achieve our goals.
I	**Integrity** Advocating honesty in our workplace by doing the right thing even when no one is looking.
C	**Commitment** Making things happen by creatively maximizing our resources to ensure each other's success.

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

Ownership

F-I-R-S-T Carbon Solutions is sixty percent-owned by REDECS Green Holdings Corporation, a business entity registered in the Philippines that is engaged in property disposal. The other forty percent is equally shared by ADEC Solutions, Ltd. and JICA BPO Holdings Ltd.

F-I-R-S-T Carbon Solutions accepts trickle financial support from private organizations, and none from the government.



Ownership Structure
(as of December 31, 2015)

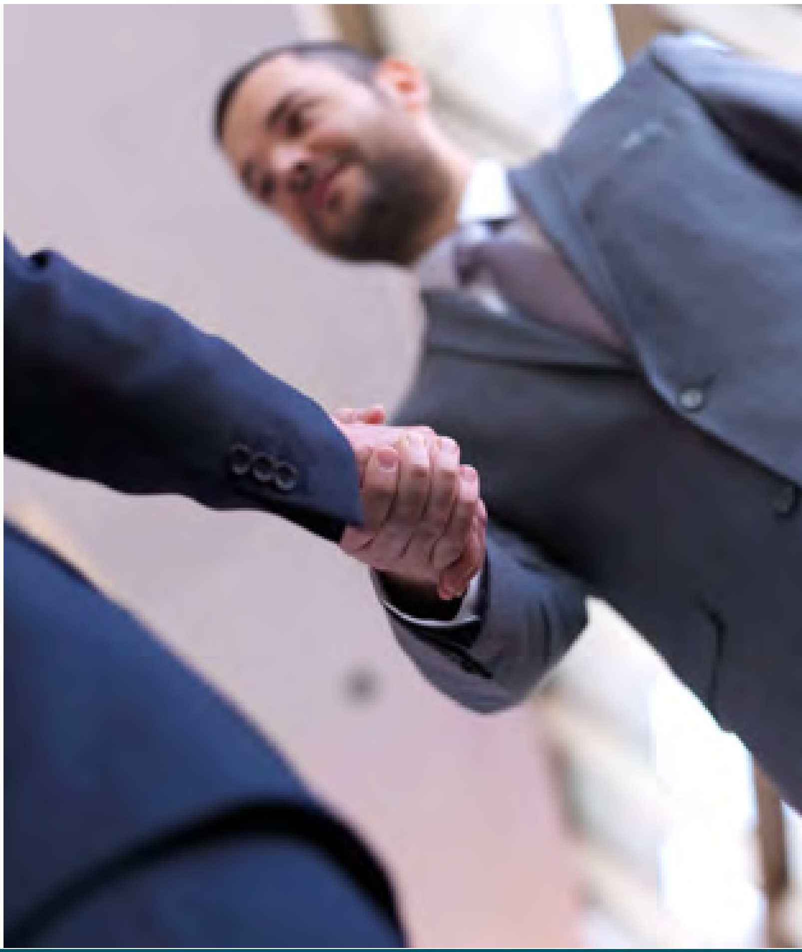
Advocacy, Certifications and Recognitions

Associations, Affiliations & Partnerships

ADEC Innovations, the parent company of F-I-R-S-T Carbon Solutions, has shown leadership in various multilateral engagements, particularly in the field of big data and innovation. In 2015, James Donovan, the Chairman of F-I-R-S-T Carbon Solutions, started leading the Assessment Methodologies, Data and Information Working Group for the Global Environment Outlook 6 (GEO-6) of the United Nations Environment Programme (UNEP). To strengthen the role of private sector in addressing sustainable development, Mr. Donovan became a part of the Business Advisory Board of the United Nations Economic Commission for Europe (UNECE). Within the same year, ADEC Innovations partnered with the United Nations Office for South-South Cooperation (UNOSSC) in gathering the business leaders for the establishment of the Global CEO Alliance (GCEOA). The GCEOA was launched in the last quarter of 2016 to bring the private sectors, institutions and multilateral organizations together towards championing the SDGs, with the Alliance as the knowledge and technology exchange platform. Still on strengthening partnerships, ADEC Innovations joined the Asian Institute of Management (AIM) in developing a Public Private Partnership (PPP) Research Laboratory.

Recent collaborations include the appointment of James Donovan as one of the Coordinator Lead Authors on the Environmental State and Trends and Policy Effectiveness chapters for UNEP's GEO-6, and the accreditation of ADEC Foundation, a non-profit organization of ADEC Innovations, as part of the United Nations Environment Assembly (UNEA) Stakeholders Group.

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



ASSOCIATION OR AFFILIATION	STATUS
CDP (formerly Carbon Disclosure Project)	*One of CDP's scoring partners and go-to solutions provider
British Chamber of Commerce Philippines (BCCP)	Active Partner
Australian-New Zealand Chamber of Commerce	Active Partner
American Chamber of Commerce	Active Partner
Australia Philippines Business Council	Active Partner
Healthcare Information Management Outsourcing Association of the Philippines	Active Partner
IT & Business Process Association Philippines	Active Partner
United Nations Environment Assembly (UNEA) Stakeholders Group	Active Partner

Under the ADEC Innovations group of companies, F-I-R-S-T Carbon Solutions has strengthened its partnerships with other consultancy and software engineering companies over the past years, providing value-added services and catering to the requirements of the clients on environmental management and compliance, carbon and energy management, and supply chain solutions.

Climate change

Third party audit

Sustainable business

Energy Efficiency

Third party audit

Energy, economic & ecological

Sustainability management

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

Management Systems

F-I-R-S-T Carbon Solutions ensures excellence, consistency and quality in providing the optimum process, system, security, and standard to its clients. In recognition of the Company's resilience, it has received certifications and licenses from industries and global certifying bodies through its affiliate company, AMDATEX.

CDP Accredited Provider

- Global scoring partner for supply chain since 2011
- Scoring partner for investor programs since 2012
- Climate and water related strategy and action
- Gold Consultancy Partner across all countries of operation
- Silver Software Partner
- Response Check Consultant

Information Security Management Systems (ISMS) (ISO/IEC 27001:2013)

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

GSA Contract for F-I-R-S-T Carbon Solutions *ghgTrack™*

- License for FirstCarbon Solutions ghgTrack ™ and the software implementation
- Bug fixes, upgrades to functionality and usability
- Customer service
- Software Maintenance as a Service

Sedex Member Ethical Trade Audit (SMETA) assessed

- Supplier ethical data exchange
- Responsible sourcing data on supply chains

Environmental Management System (EMS) (ISO 14001:2004)

- Identification and analysis of environmental aspects
- Establishment of objectives, targets, and programs
- Management and reduction of environmental impacts
- Compliance to applicable legal and environmental regulatory requirements

Quality Management System (QMS) (ISO 9001:2008)

- For the provision of global business process outsourcing services
- Continuous improvement

GSA Contract for Consulting Services

- Advice, assistance, guidance or counseling on energy related projects
- Assistance to agencies in adhering to energy legislation and policy

Awards and Recognitions

F-I-R-S-T Carbon Solutions and its parent and sister companies have been recognized for their relentless leadership, sustainable business operations, environmental initiatives, and innovation efforts.

Year 2016	• F-I-R-S-T Carbon Solutions' CEO, James M. Donovan, recognized as the JLL Expatriate Executive of the Year at the Asia CEO Awards
Year 2014	• ADEC Innovations, the parent company of F-I-R-S-T Carbon Solutions, won in the Business Responsibility & Ethics category and received a special citation in the "Energy Management" category at the 1st Sustainable Business Awards Philippines. • F-I-R-S-T Carbon Solutions' affiliate technology company, the Envirosite Corporation, bagged the Oracle Technology Company of the Year Award at the Asia CEO Awards. • F-I-R-S-T Carbon Solutions' CEO, James M. Donovan, received the South-South and Triangular Cooperation Visionary Award from the United Nations Office for South-South Cooperation at the Global South-South Development Expo held in Washington DC.
Year 2013	• F-I-R-S-T Carbon Solutions' CEO, James M. Donovan, along with Carol S. Esguerra, received the Executive Leadership Team of the Year Award at the Asia CEO Awards.
Year 2011	• F-I-R-S-T Carbon Solutions won the "Most Innovative Company of the Year" at the 5th ICT International Awards Philippines.
Year 2010	• F-I-R-S-T Carbon Solutions won the Best Eco-Industrial Service at the 2010 Philippine International Eco-Show Awards

Since 2015, ADEC Innovations, the parent company of F-I-R-S-T Carbon Solutions, has been giving recognition to companies for their valued commitment to sustainability in the Asia CEO Awards held annually. In 2016, ADEC Innovations presented The Asia CEO's Green Company of the Year award to Imperial Homes Corporation for having demonstrated strong leadership and excellence in the field of sustainability and environmental protection.

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

Product and Services

Globally Accessible Information System and Technology Platform

Sustainability Workbench (SWB) is a software-as-a-service (SaaS) technology platform containing a suite of Environmental, Social and Governance (ESG) applications that measures carbon footprint, provides information on the impacts of business operation, and manages data. Its highly scalable and customizable feature maximizes resource use, reduces operational costs and improves sustainability performance.

Integrated Software and Data Bureau

Supply-LINK™ platform is a data supply system that has consolidated operational and personnel information sourced from retail brands, suppliers and factory managers by the data bureaus. Verified data serve as benchmarks for industries and non-governmental organizations (NGOs). Supply-LINK™ monitors the quality of supply, water and energy consumption, waste generated, staff performance, and other key elements in the supply chain.

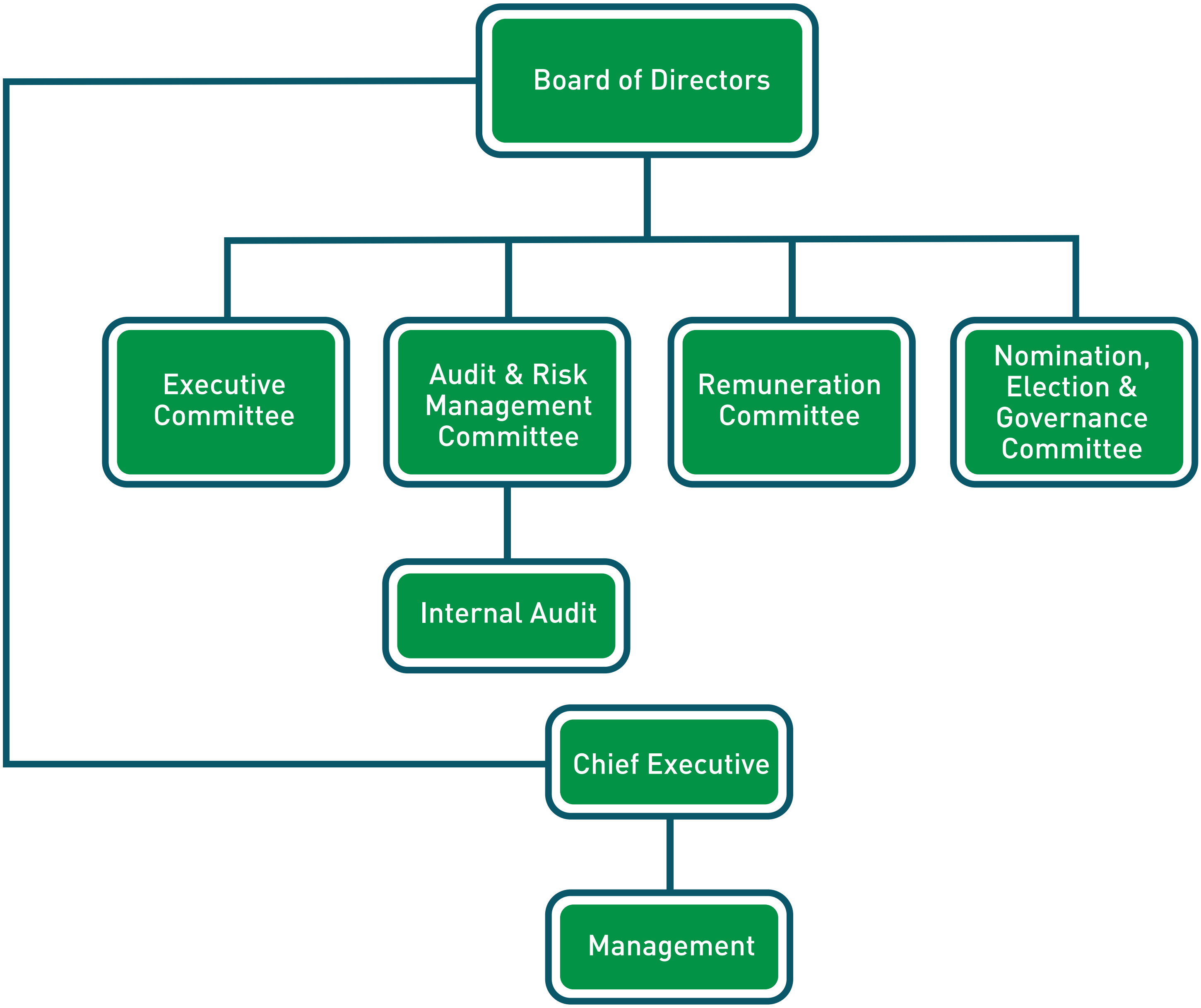
Large Scale Business and Knowledge Processing

FCS is the **sole CDP** (formerly known as the Carbon Disclosure Project) **scoring Gold partner** for the global Supply Chain program since 2011, as well as for the S&P 500, FTSE 350, Canada and Benelux, India, Southeast Asia, and Nordic regions. FCS has evaluated more than 11,000 disclosures and responses against the CDP methodology, and has established a database and standard dashboard which are accessible 24 hours a day and 7 days a week.

Corporate Governance & Compliance

Governance Structure & Directors

F-I-R-S-T Carbon Solutions is led by the Board of Directors, and the core business managed by the four committees. The Chief Executive Officer, with the assistance of the Senior Management, ensures harmony in the operations.



F-I-R-S-T Carbon Solutions' Board Structure

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

Board of Directors

The Board of Directors ensures that the business is aligned with the corporate vision, values and goals; oversees the general welfare of the Company; and maintains its competitive edge in the market. This independent body conducts a regular scrutiny and tracks the progress of the Management's operation. The Board secures the internal control mechanisms in order to retain good governance and inculcate a culture of excellence while propelling the Company's sustainable growth. The Board observes the process for the selection of highly qualified and competent leaders, and adheres to an inclusive participatory plan. Together with the Management, the Board holds an annual review of the business operation and develops a comprehensive strategic plan.

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

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

CAROLINA S. ESGUERRA
CHIEF FINANCIAL OFFICER AND DIRECTOR

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

VICENTE P. REVENTAR III
DIRECTOR

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

JOSE RENATO T. BADELLES
DIRECTOR

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

DONALD R. FELBAUM
INDEPENDENT DIRECTOR

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

SHERWIN JOHN Y. LIM
INDEPENDENT DIRECTOR

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

Board Committees

Executive Committee

The executive committee approves high-level decisions in the Company, as the need arises. The Board of Director convenes the executive committee and establishes the procedures from which the committee is created. The executive committee may act upon specific matters concerning the Company by casting a majority vote, as vested by the corporate By-Laws and within the boundaries specified by the Corporation Code of the Philippines.

Nomination, Election and Governance Committee

The nomination, election and governance committee evaluates the Board's electoral and appointment processes. The committee assesses the qualifications of the persons nominated and appointed by the Board, and addresses any potential conflict of interest in line with the appointment. Members of this committee establish the performance evaluation mechanism, and provide the leadership programs and education to the members before assuming office.

Remuneration Committee

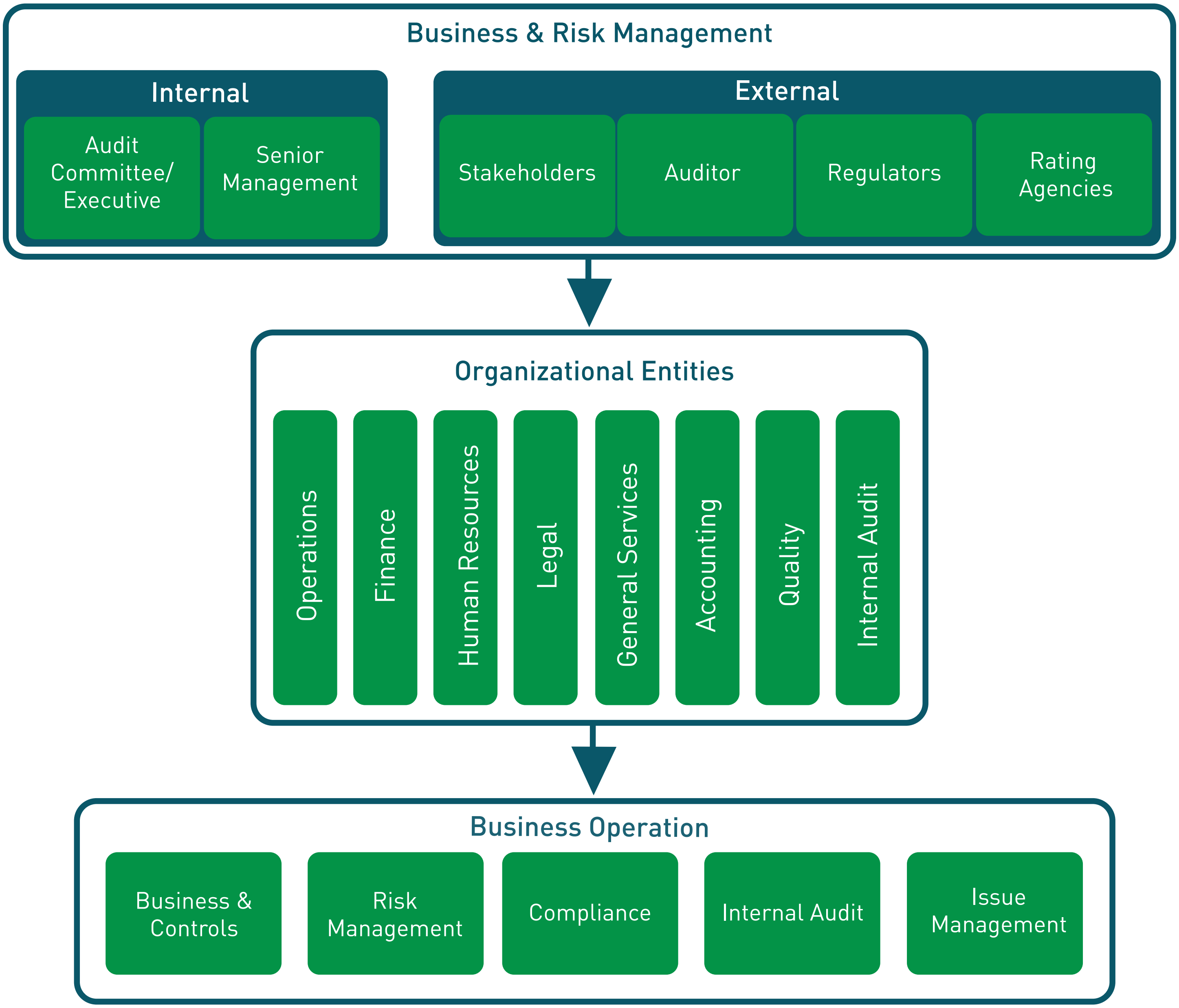
The remuneration committee develops the remuneration package policy for directors and officers, with utmost transparency. The Chairman of the Board and two directors of the committee ensure that the procedure is dealt with transparency and is commensurate to the credentials and performance of the managers. The remuneration package for the Chairman of the Board is reviewed by a committee composed of two directors and headed by the Vice Chairman.

Audit and Risk Committee

The audit and risk committee assesses the oversight on financial, internal control system, audit, and monitoring of compliance based on applicable laws and regulations. This committee is composed of reliable experts and practitioners from different fields including accounting, audit, finance and legal who assess the vulnerability of the Company to risks and other project engagements. Due diligence of the operation and projects is conducted to maintain continuous compliance to environmental, information, and management guidelines set by the accreditation bodies.

MANAGEMENT SYSTEM AND OPERATION

The Management supervises the organizational entities' operation including the implementation of the business and controls, risk management, compliance, internal audit, and improvement management procedures. The Company's business operation and vulnerability to risks are evaluated internally by the executives and externally by third party auditors.

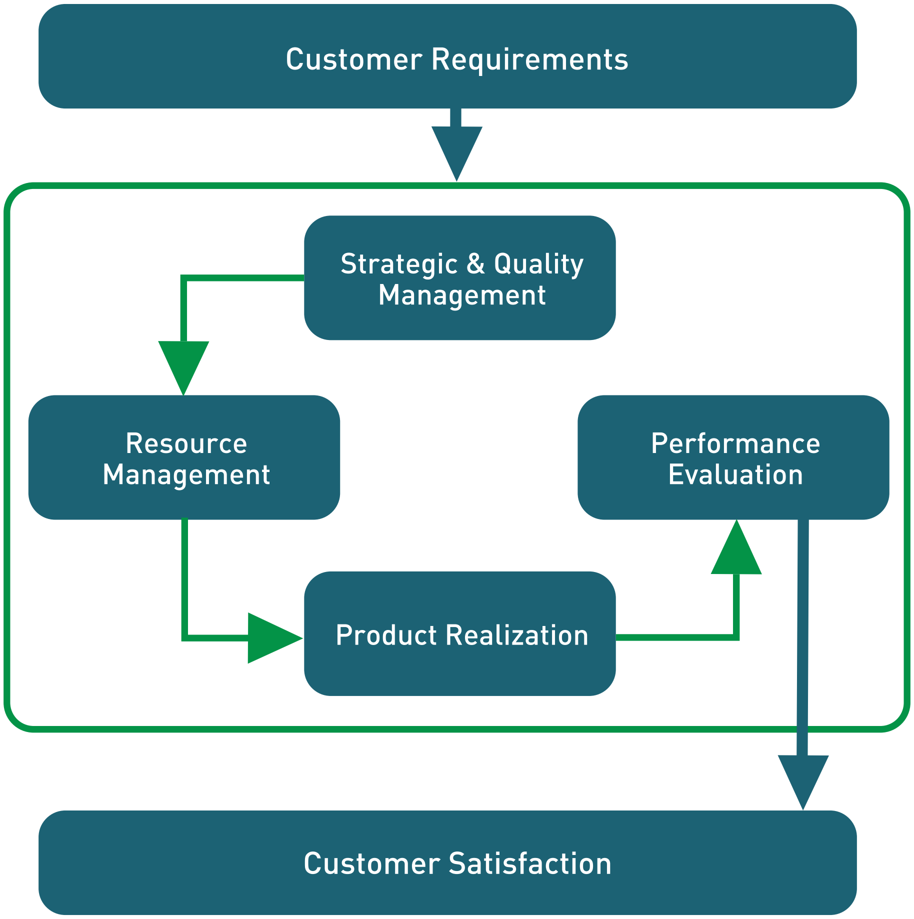


Organizational System

MANAGEMENT SYSTEM AND OPERATION

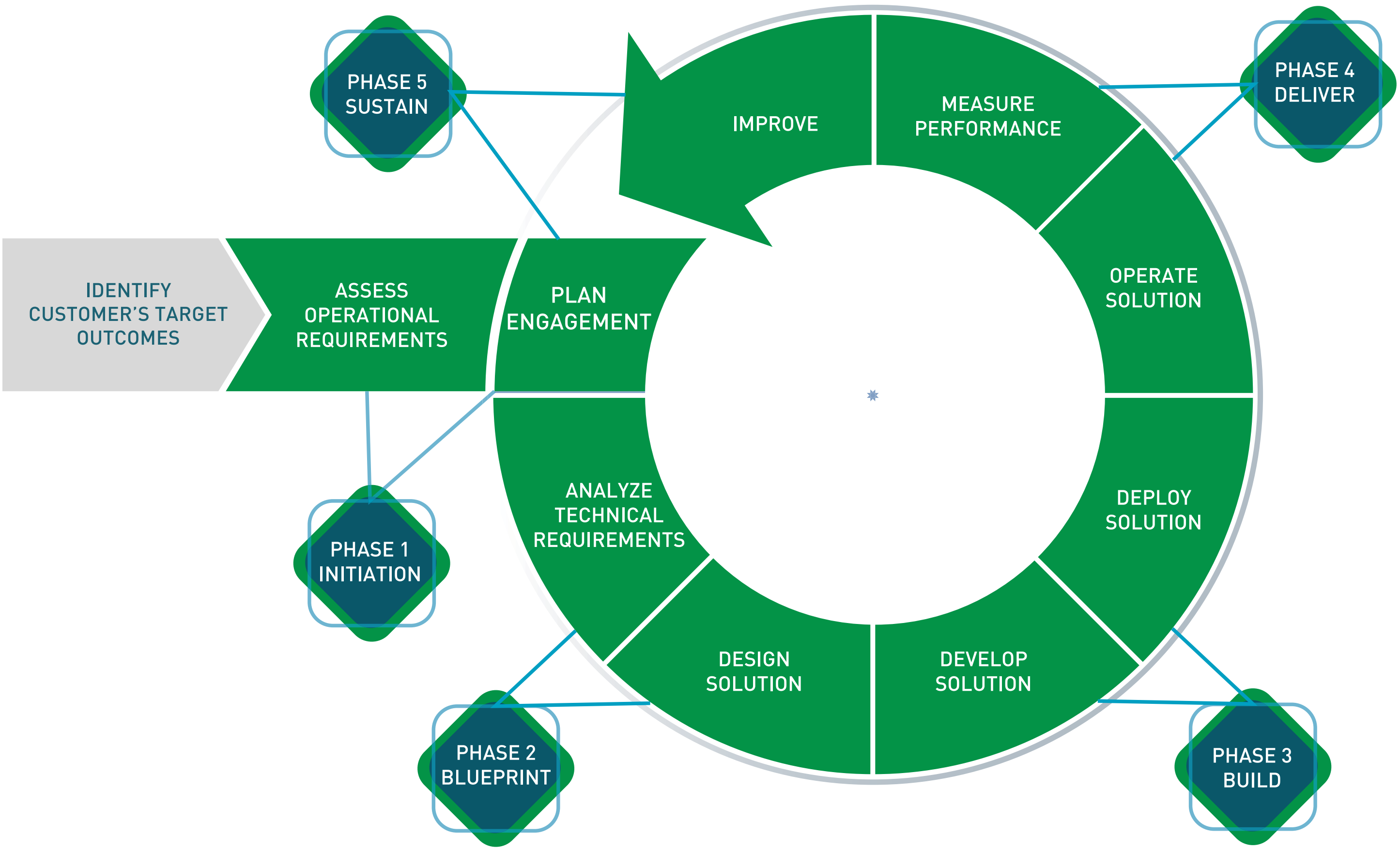
Business & Controls

F-I-R-S-T Carbon Solutions delivers the highest quality service and product through its management-controlled operation and inclusive participatory approach. The senior management of each organizational entity ensures that the procedures are well-followed and implemented, while practicing innovation in their processes. The product and management flow starts by (1) evaluating the requirements of the client through consultation; (2) tapping the necessary manpower, applications, systems, and trainings to materialize the requirements; (3) transforming the needs and expectations of the clients into a comprehensive, tangible, and interactive platform; and (4) monitoring the performance and progress for the long-term growth of the client's business. The Company regulates and maintains the product and service flow through strategic plans.



Process and Management Flow

The products and services offered by the Company go through a continuous development cycle, called the Project Lifecycle Management, wherein the product undergoes five phases to improve its quality. This project delivery framework gives importance to the objectives and expectations of the client. It includes a cohesive platform that weaves the functional efforts of the project team and the interface of departments and entities, thus adding value to the services and products delivered to the client.



Project Lifecycle Management

F-I-R-S-T Carbon Solutions maintains the quality of its business operation and scrutinizes the process of delivering the best to its clients through the Performance Management, Improvement and Monitoring Systems. The Company confirms the conformance of its product to quality standards using specific key performance metrics. A client feedback mechanism including an online survey is conducted to assess client satisfaction, ensuring that expectations are met and any performance gaps are acted on.

F-I-R-S-T Carbon Solutions regularly audits its internal procedures and conformance to the Quality, Environmental and Information Security Management System. As part of the company's operational enhancement efforts, a performance evaluation mechanism is in place to advance opportunities for improved product development and service delivery, as well as to address non-conformance issues.

MANAGEMENT SYSTEM AND OPERATION

Risk Management

Transparency through Relations

Investor Relations

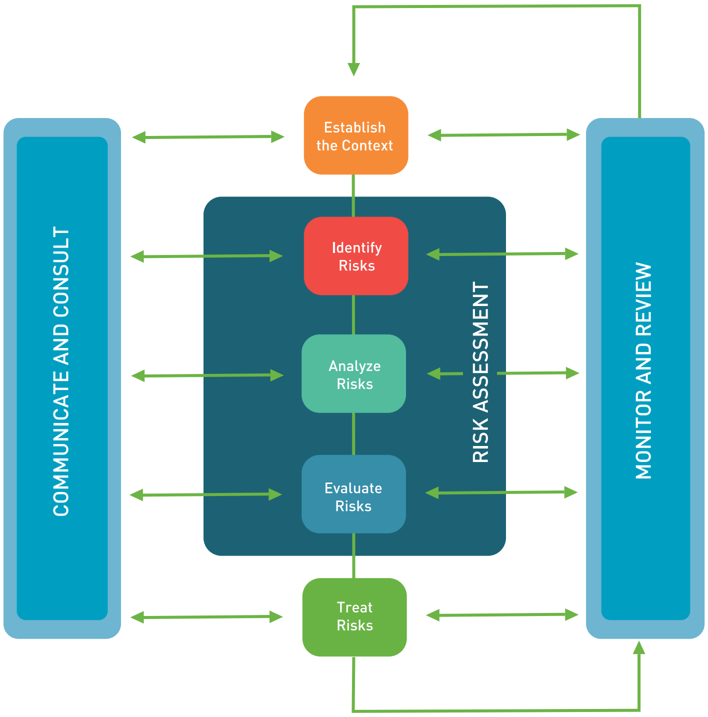
F-I-R-S-T Carbon Solutions engages with the stockholders and investors during the Annual General Meeting. Together with the Board, stockholders convene to participate in the ratification of appointments, actions, policies, and statements including financials and remuneration packages. The annual gathering promotes transparency and encourages visibility among stockholders.

Media Relations

The Company has established a good reputation among its clients, customers, and stakeholders with the aid of media. The Company recognizes the significant role of media in promoting transparency and accountability. The Management optimizes the potential of media as a conduit of information by sending out at least two exposures a month and conducting media rounds.

Risk Management

An annual risk assessment is conducted based on the International Organization for Standardization (ISO) 31000:2009 – Risk Management Standard framework in all offices of ADEC Innovations including the F-I-R-S-T Carbon Solutions, the Management, and the Board.



ISO 31000:2009 Risk Management Standard Framework

Business Risks

The identified risks over the previous reporting years (2014 to 2016) include the following:

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

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

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

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

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

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

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

Internal Control Mechanism against Risks

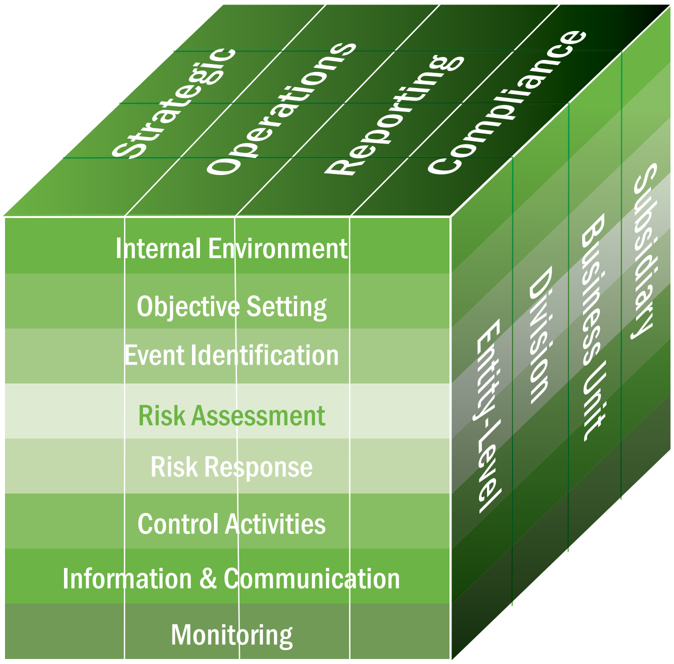
Each of the leaders below have a significant role in establishing the F-I-R-S-T Carbon Solutions' internal control environment:

- **Board** oversees the management and supervision of the company.

- **Management** directly manages and operates the organizational entities.

- **Management information and risk management reporting systems** support the organizational and procedural mechanisms.

- **Independent audit party** monitors and evaluates the effectiveness and efficiency of the company's operations.



COSO Enterprise Risk Management Framework

MANAGEMENT SYSTEM AND OPERATION

As the executives of the Company, the Board oversees the internal control mechanisms. Members of the Board decide on major issues, select and ratify the appointment of the CEO and senior managers, and review the policies and programs for the employees.

The Chief Internal Auditor leads the internal audit committee in establishing the Company's organizational and operation controls, and in making sure that all offices adhere to the international standards as set in the Professional Practice of Internal Auditing and in accordance to the Committee of Sponsoring Organization of the Treadway Commission (COSO) framework.

The internal control system has three lines of defense against risks. The first line includes the internal controls, information technology and application controls which are handled by the operations manager using the identification, assessment, control, and risk mitigation mechanisms. Management of risks starts from the bottom line consisting of the business units and ascends to the centralized processes such as products and legal entities. Risks are also controlled across the organizational hierarchy. The second line of defense involves the identification and evaluation of any risk and compliance oversight by the operations management through the implementation of the risk management practices. Compliance and controllership functions are in place to scrutinize the Company's vulnerability to risks including non-compliance to applicable laws, and to regulate financial risks and reporting issues. The Internal Audit Department is an independent body that conducts the last line of defense against risks. This committee mitigates and addresses the identified risks, ensures the quality of governance within the Company, and dissects the risk management and internal controls based on the highest level of independence and objectivity.

Three-Line Defense Mechanism

Improvement Management System

F-I-R-S-T Carbon Solutions promotes transparency, accountability, and open communication across all levels of the organization. The Improvement Management System (IMS) is the communication platform used by the employees to elevate their concerns to the Management. This channel also serves as a grievance tool to air issues on, but not limited to, fraud, information and infrastructure security, and other auditable matters. The communicated concerns of employees online, via telephone, and email or post are monitored by an independent body. The matter is resolved or escalated depending on the gravity of the subject and level of office of the complainant.

Compliance

F-I-R-S-T Carbon Solutions has access to certifications of its affiliate company, AMDATEX, which has been recognized for its comprehensive procedures and innovative system on environmental management, information security, quality management, and ethical trade. The Company remains compliant to local and international standards and laws on environment, social, and data security.

ISO 14001:2004, Environmental Management System (EMS)

The Environmental Management System (EMS) aims to advance environmental protection through the optimum use of resources, promotion of best practices, energy conservation, and waste management, in accordance to international standards (ISO 14001:2004). The perceived environmental impacts of each activities and organizations are identified, monitored, controlled, and regularly evaluated, at least once a year. The business operation including the creation of products, delivery of services, outputs of engagement with suppliers and clients, and activities across the organization are assessed in terms of environmental compliance, particularly their contribution to energy and water consumption, and waste generation. The Company has a designated Pollution Officer to monitor compliance to environmental laws, policies, and regulations. Employees are also encouraged to join the Company's efforts towards sustainable development by participating in environmental initiatives such as tree planting and mindful usage of utilities.

ISO/IEC 27001:2013, Information Security Management Systems (ISMS)

The Information Security Management System (ISMS) minimizes the risk of business and information assets from security threats caused by unauthorized access, use, and disclosure. The ISMS covers the Company's services, research, communication, administration, and applications. Because the integrity and confidentiality of information is at the core of F-I-R-S-T Carbon Solutions, the Company conforms to the International Organization for Standardization and the International Electrotechnical Commission 27001:2013 requirements as well as the regulations and legislations on data storage, security and privacy. An annual audit is held to prevent any security breaches and reduce operational risks. The Company has established risk and business continuity management measures, campaigns and trainings, and systematized access control to information to regulate the secured flow of information.

ISO 9001:2008, Quality Management System (QMS)

The Quality Management System (QMS) harmonizes the operation of the Company to ensure quality output and service to clients, with the system anchored on customer satisfaction and based on the international standards (ISO 9001:2008). As part of its commitment, the F-I-R-S-T Carbon Solutions observes the established quality policy and objectives, conducts management reviews, sets the strategic action plans, and optimizes the allocation of resources. The Company also organizes a Quality Management Training to raise awareness among its employees on the value of quality management, and initiates Quality Programs for Operations. The organizations also participate in the review of the documents and collaborate internally to respond to the identified issues on quality and continuously improve the processes.

Sedex Member Ethical Trade Audit (SMETA)

Sedex Member Ethical Trade Audit is not a certification, but an audit procedure highlighting ethical audit and good trade practices. Following this procedure generates high-quality output that is acceptable to retailers and trading corporations. While still observing the local law on trading, the Sedex Member Ethical Trade Audit has integrated the principles of health and safety, labor standards, environment, and business ethics in the initiative code in order to create an effective

MANAGEMENT SYSTEM AND OPERATION

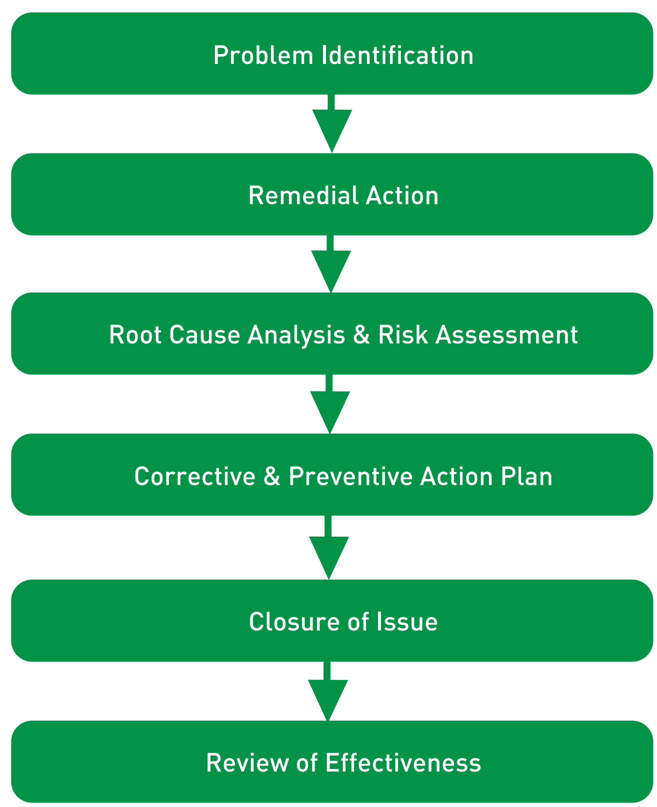
Internal Audit

The Internal Auditors of the F-I-R-S-T Carbon Solutions maintain the check and balance through activities encompassing human relations, confidentiality, values, proficiency, and supervision requirements. The team regularly monitors the performance across the organization to ensure compliance to policies and regulations based on the International Professional Practices Framework that contains the mandatory guidelines from the Institute of Internal Auditors. F-I-R-S-T Carbon Solutions evaluates the Company's conformance to the established policies, procedure and customer requirements including ISO 14001:2004, ISO 27001:2013 and ISO 9001:2008, with the operating procedures specified in the Internal Integrated Management Systems Audit. The Internal Auditors observe the procedural framework of planning, audit, recording and reporting of audit findings. Members of the audit team have taken Internal Audit Training prior to engagement. Internal management audits are conducted annually and as the need arises including those that concern quality, delivery, customer satisfaction, and requires investigation. Other audit activities include a regular Physical and Safety Inspection of the company premises.

External party auditors run through the check and balance system of the Company to ensure that there is no oversight of residual non-conformance. F-I-R-S-T Carbon Solutions commissions an independent auditing body to examine the Company's financial statements and other compliance requirements.

Issue Management

F-I-R-S-T Carbon Solutions addresses any non-conformity through the Issue Management System and Procedure, relying on the expertise of its personnel, stable system, and flexible resources. The Issue Management System is an interactive platform that receives, stores, and monitors the issues, concerns, and complaints raised by the employees. The concerns are forwarded to the corresponding organization and Management Team involved, for further evaluation and resolution. The system is supplemented with a Systems Management Procedure which details the level of access and operating procedures, ensuring that all observations are well-accounted, the root cause of the problems identified and addressed, and measures to prevent its recurrence are laid down. The Issue Management System covers the existing and identified potential matters pertaining to process, services, and products. The course of action including problem identification, assessment of issues, and review of corrective action effectiveness is based on the established Issue Management framework.



Issue Management Framework

ECONOMIC

Conformance to Labor Laws

F-I-R-S-T Carbon Solutions facilitates the welfare and growth of employees through programs and remuneration packages which are in accordance to the national laws and regulations on employment including the Labor Code and Corporate Code of the Philippines. Fair wage, normal working hours, gender equality, and respect for diversity are observed in the policies and procedures of the Company. The Code of Discipline covering the proper decorum, prohibitions, and corresponding sanctions for any violation is strictly implemented and communicated to all personnel. An orientation is provided to new employees prior to their commencement, thus aligning the expectations of both parties and understanding the policies of the Company as stipulated in the Employee Handbook. Over a period of one year, no grave violations concerning labor rights have been reported.

The Company operates on a fair salary structure which is anchored on the competency and skill set, educational attainment and qualifications of the employee. The compensation and benefits are based on the national minimum rates, but are well-adjusted according to perceived inflation rate, cost of living in the area, and competitive market pricing. Full-time employees are covered by a health care program including one for their dependents, other government-mandated benefits, and leaves including parental leave. Salary upgrade depends on the employee's annual performance evaluation, promotion and periodic job evaluation. Strategic objectives, operational and financial capacity, and foreseen return on investment are considered and addressed in hiring new employees. The retirement program of the Company complies with the provisions of the Philippine Republic Act No. 7641, known as the Retirement Pay Law. The minimum retirement age is 60 years old with at least five years of credit service, with the package covering 100% of the average monthly basic salary during the last 12 credited months of service, for every year of credited service.

Anti-Bribery and Anti-Corruption

F-I-R-S-T Carbon Solutions upholds its position against bribery and corruption by committing to fair, authentic, lawful and ethical business deals and relationships. The responsibilities of the employees in practicing anti-bribery and anti-corruption acts are specified in the Company's policies which supports all applicable laws and other corporate policies including the Global Code of Ethics and Business Conduct, the Global Procurement Policy, Financial Performance Reporting Policy, Working Capital Policy, and Reimbursable Expenses Policy. Employees are prohibited from taking and receiving any bribes and kickbacks from the ir colleagues, clients or other personnel with whom the company is doing business with. Furthermore, the employees are not allowed to offer or accept gifts, hospitality, rewards, benefits or other incentives from a third party which may influence or compromise business decisions and outcome, and may even lead to the misconduct of an official in duty. Performing insider trading or participating in transactions that jeopardize the interest of the company is also prohibited.

All aspects of the business operation are assessed for risks related to bribery and corruption, safeguarding the integrity of the processes, services, and people. Circulation of corporate communications reminding of the proper conduct of business and incorporating the Code of Discipline in the orientation of new hires are done to ensure the compliance of all to the anti-bribery and anti-corruption policy. All employees across the organizations, clients, and suppliers are encouraged to report any incident of bribery and corruption within the Company, thus engaging all stakeholders towards zero tolerance to bribery and corruption.

In 2016, no incident cases of bribery, corruption or major misdemeanor were cited.

Procurement Practices

F-I-R-S-T Carbon Solutions has adopted a Global Procurement Policy that align the transaction of goods and services with the Company's values, national regulations, and global principles of ethics, ecology, social and good governance. The Company's procurement strategy, screening of suppliers, allocation of budget, and monitoring of expenditures are founded on the principles and standards of ethical purchasing conduct including:

- **Transparency** in the purchasing process and implementation of contract agreements;
- **Competitiveness** in providing equal opportunity to all private entities who are qualified to supply the goods and services;
- **Streamlining** of the purchasing process to create a simple but innovative, effective and efficient procedure;
- **Accountability** of all those involved in the procurement process; and
- **Monitoring** of the purchasing process and implementation.

The purchasing team observes the security of supply towards achieving the financial value contribution of the products and services in the end, conforming to quality standards and meeting the sustainability requirements, and ensuring the timely delivery of commitments. The team pools the expertise needed and leverages on the network efforts and current economic scale, in collaboration with the suppliers and concerned departments.

Local Supply Allocation

F-I-R-S-T Carbon Solutions provides opportunities to local communities through the accreditation of the right suppliers with good reputation, capability, transparency, and capacity to provide excellent products and services. The Company taps the local market, allocating 98% of spending to local suppliers which may or may not have the capacity to offer their services globally, but has the capacity and willingness to become Partners in delivering global excellence. This movement contributes to local employment, economic growth, and regional development.

Vendor/Supplier Accreditation and Evaluation

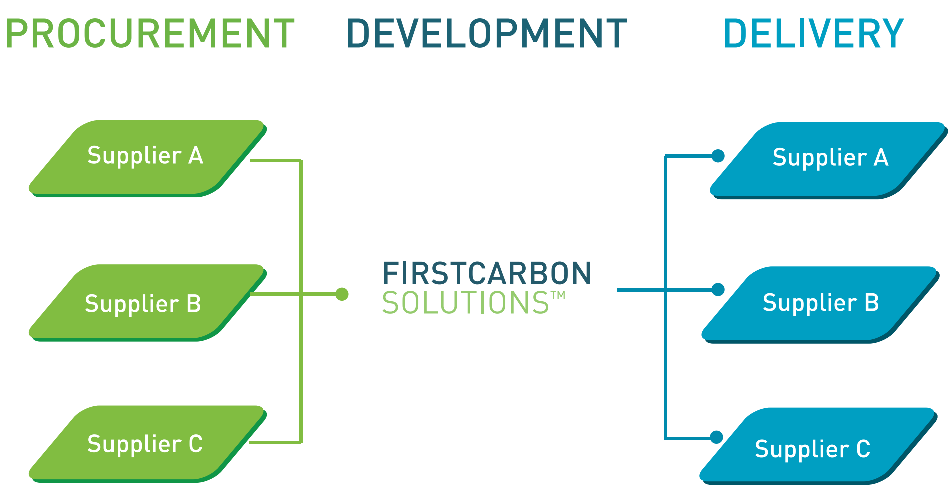
All vendors and suppliers go through the accreditation process of the Company to align the commitment of both parties and monitor the continued compliance to various internal and national policies, regulatory requirements, standards, and procedures. Adherence to the Company procedures are covered in the pre-qualification and accreditation stages, with the commitment stipulated in the contract obligations prior to engagement. A periodic evaluation is also conducted to assess the performance of vendors and suppliers. The Company ensures that the best value is achieved by screening the suppliers based on competitive pricing, quality of goods and service, prompt delivery, and service responsiveness.

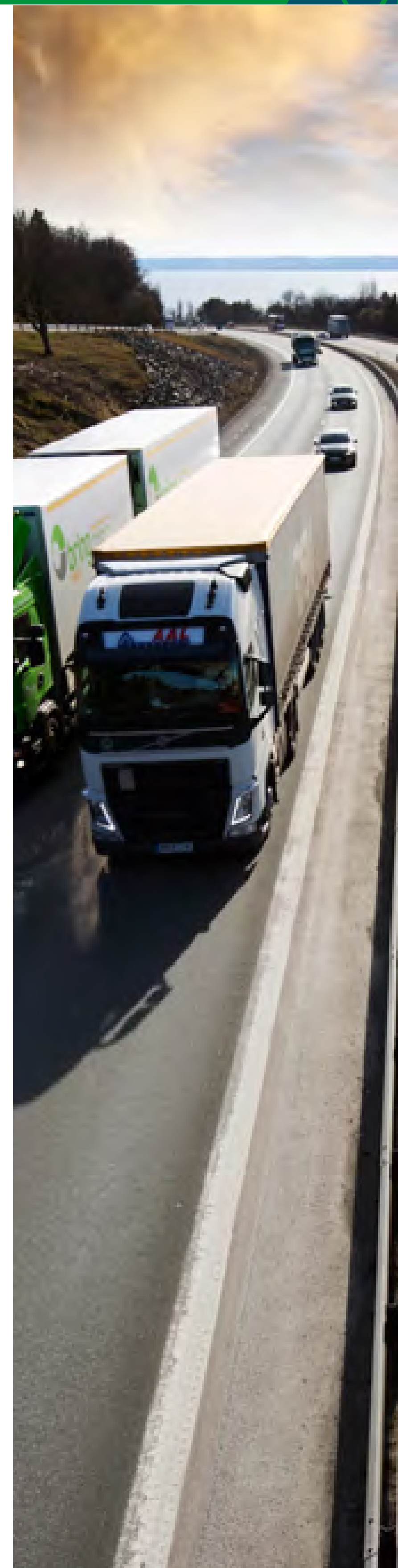
Stable Revenue

The Company's revenue increased by 15 percent this year compared to the previous reporting period. The 2016 revenue of total of Php 13.3 million or $ 0.267 million indicates the strong position of the Company in the market as it consistently advances sustainability and upholds the value of innovation and quality in its services. Based on the Audited Financial Statement (**Annex C**), the Company has a Total Comprehensive Income of Php 1.6 million, equivalent to $ 0.032 million. The secured and stable financial condition is a reflection of the Company's efforts to improve its process, reliable delivery of products, and scalable solutions that meet or even exceed the requirements of the clients.

Supply Chain

The solutions of F-I-R-S-T Carbon Solutions undergo the three phases of development: (1) procurement; (2) development; and (3) delivery, to provide high quality valued products and services to clients. Guided by the requirements of the client during consultation, the expert services, operating materials and equipment are supplied at the procurement phase. At this initial stage of product development, the Company monitors the performance and delivery of the suppliers including their compliance to the environment, quality and information security requirements. As all new and existing suppliers go through the accreditation process, the Company evaluates them based on the Supplier Assessment metrics covering technical capability, quality of products and services, delivery, cost, and environmental compliance including the potential risks of the supplied information and materials to the Company's business. The most feasible and sustainable solutions are then developed based on the understanding of the clients' needs. After subjecting the product to quality assurance and control procedures, the technology-enabled and innovative solutions are served to the clients. In 2016, none of the suppliers had been identified as having any significant potential negative impacts to the environment.



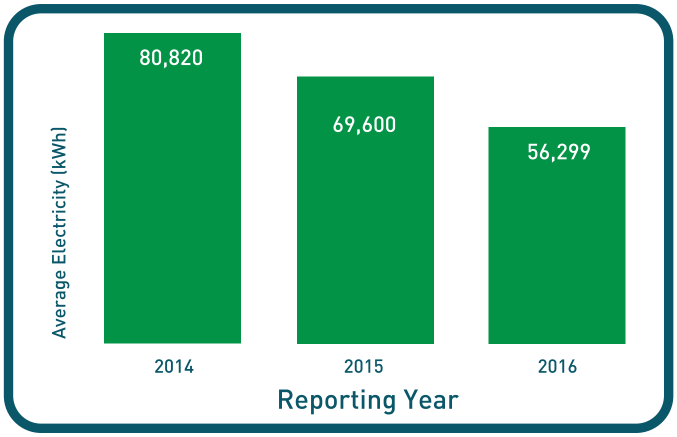


Sustainability Programs

Over the years, the F-I-R-S-T Carbon Solutions has continuously improved its sustainability programs on energy, water, and waste management, focusing on the regular internal review of policies, monitoring of utility consumption, compliance to international and local environmental standards, and efficient maintenance of operation.

Energy Management Program

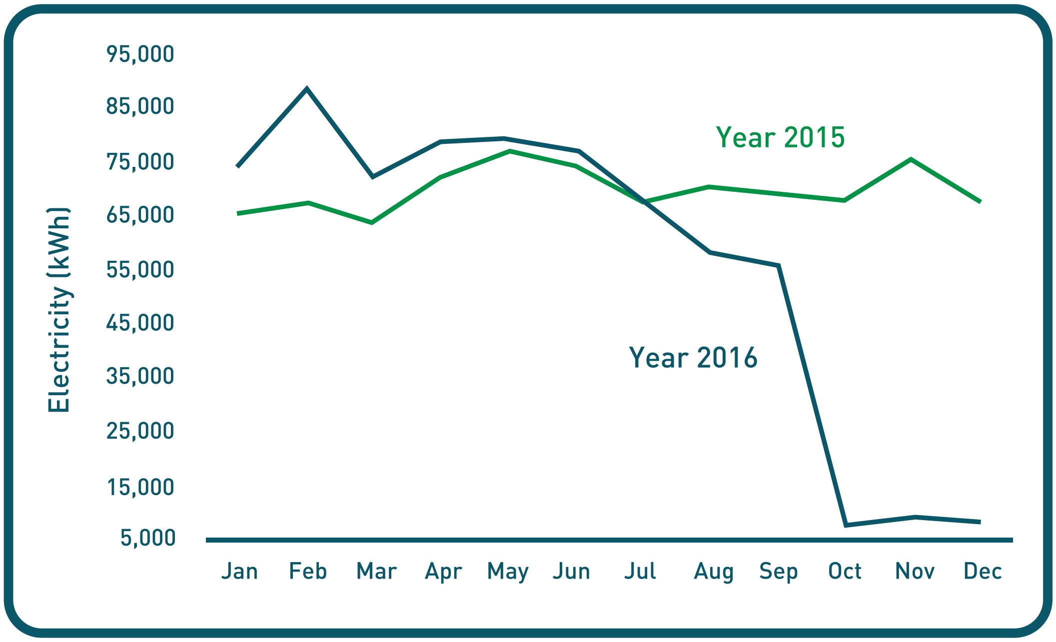
With its energy management program, the Company has shown progress in reducing electricity consumption and heightening the awareness of its employees' role in the energy saving initiative. Since 2015, F-I-R-S-T Carbon Solutions has resorted to the use of energy-efficient lights, air conditioning units, and other equipment which led to optimum utility conservation. Employees are regularly reminded of electricity-saving techniques through the circulation of corporate communications and posts near the electricity fixtures. The figure below shows a decreasing trend in terms of electricity consumption for the past three years (2014 to 2016), thus reflecting an energy saving of 19% this year.



FCS Annual Electricity Consumption

Comparing the 2015 and 2016 electricity data, the utility readings (kWh) starting August until December of 2016 are lower. Electricity consumption significantly declined in October 2016 when F-I-R-S-T Carbon Solutions co-located and joined its affiliate companies in one building.

FCS Monthly Electricity Consumption (2015-2016)

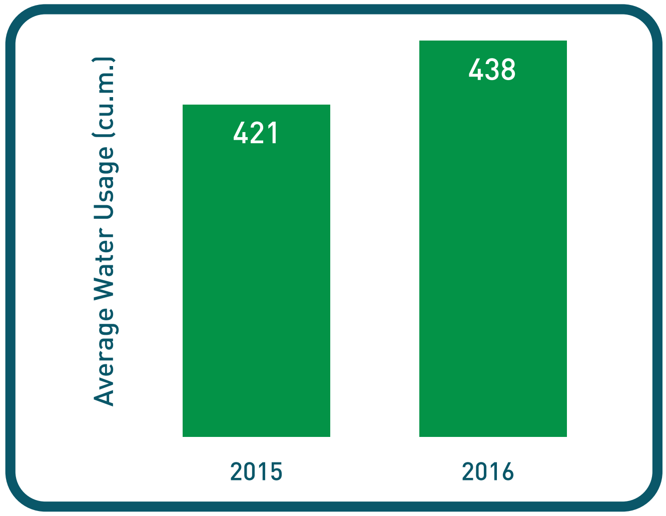


The internal movement and energy management efforts of the Company led to the maximized use of utilities and reduced energy consumption in 2016.

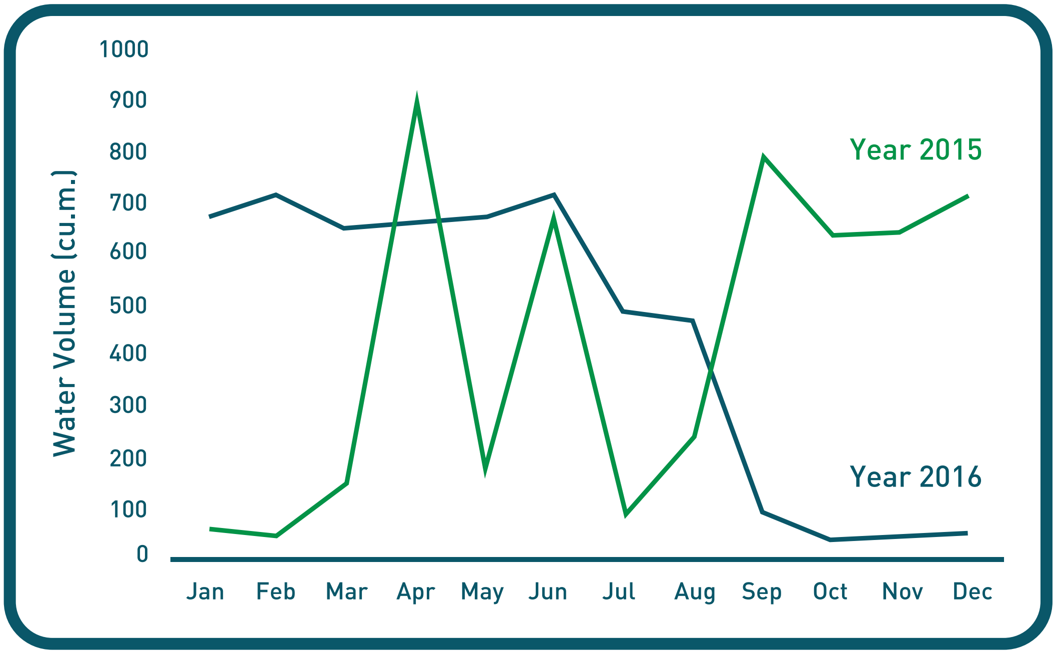
Water Management Program

F-I-R-S-T Carbon Solutions frequently monitors the office's water consumption to gauge the effectiveness of the conservation efforts of the Company. The water management program inculcates the culture of conserving and maximizing water usage, not only within the office premises but also at home. Water reduction strategies include the use of recycled water in the sanitation facilities and for domestic cleaning, provision for waterless urinals, regular inspection for any leakage, and consistent maintenance of water fixtures.

From an average consumption of 421 m3 in 2015, the Company managed to have a minimal increase of 4 percent in water usage as an average volume of 438 m3 is reported this monitoring year.



FCS Monthly Water Consumption (2015-2016)



The significantly lower readings registered from September to December 2016 could be attributed to the Company's internal movement within the latter quarter of this reporting fiscal period. Water consumption in 2016 is more stabilized compared to the previous year, thus indicating the progress of the Company's water conservation efforts.

Waste Management Program

F-I-R-S-T Carbon Solutions has implemented various waste management schemes including the segregation of biodegradable from non-biodegradable, discharge monitoring and compliance to effluent standards, installation of grease traps in the kitchen as part of the physical treatment process, and maintenance of the sewage treatment plant. Corporate campaigns and strict implementation of the Code of Discipline which stipulates the adherence of employees to the waste segregation procedures and prohibition of littering supplement the waste management initiatives. The Company also has a designated Pollution Control Officer to prevent pollution and observe compliance to the waste disposal mandate.

Compliance with Environmental Regulations

In pursuit of environmental commitment, F-I-R-S-T Carbon Solutions conforms to the conditions specified in the Environmental Compliance Certificate which was approved by the Environmental Management Bureau of the Department of Environment and Natural Resources (EMB-DENR) on 3 October 2014. The discharge permit for the Company's effluent and permit to operate for the air control facility and pollution sources were renewed with the government issuing body, thus extending the validity to year 2018 and 2019, respectively. The designated Pollution Control Officer monitors the operation of the Company and ensures compliance to the environmental laws and regulations including the effluent and air pollution standards. As part of the regulatory requirements, the Company submits a quarterly self-monitoring report and a semi-annual compliance monitoring report to the Department of Environment and Natural Resources to assess its emission and operation. To date, the Company has not committed any violations nor has identified any non-compliance with the environmental laws and/or regulations.

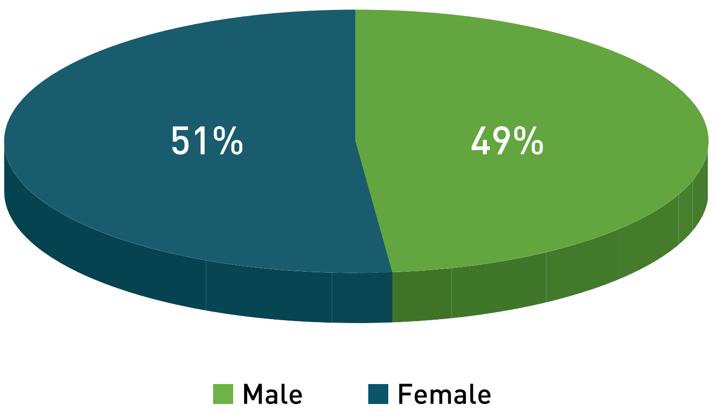
Advocacies and Partnerships

F-I-R-S-T Carbon Solutions collaborates with foundations and multilateral institutions in pursuing environmental initiatives including the Sustainable Development Goals. ADEC Foundation is an accredited member of United Nations Environment Assembly under the United Nations Environment Programme. The ADEC Foundation has also partnered with My Shelter Foundation in bringing energy-efficient sources of light to deprived local communities of the Philippines through the Liter of Light project. The Company also has a visible representation and diligent presence in conferences, meetings and gatherings aimed at strengthening the role of private sectors in driving sustainable development as part of the business operation.

SOCIAL

Employment

F-I-R-S-T Carbon Solutions promotes gender equality at its workplace, providing equal opportunity for men and women. The Company has a current total of 77 employees, with the population slightly dominated by female (51%). This is similar to the figures recorded in the previous reporting year as there were no new hires in 2016. A total of 13 employees resigned from the Company in 2016, which translates to an attrition rate of 17%. The relatively fair distribution of human resources and the low turnover rate signify the Company's endeavor to sustain growth and equality within the organization, as the sphere for development is stretched across gender and age group. The Company prioritizes local hiring. Only 2.6% of the population is comprised of foreign-hired managers. No incidents of discrimination were reported in 2016, thus reflecting that diversity and inclusion are being practiced in the Company.



Employee Engagement and Development

The welfare and growth of its employees is one of the main thrusts of F-I-R-S-T Carbon Solutions. The Company has employee engagement programs to encourage participation, community-building, equality, leadership, and pursuit of social and environmental advocacy. The programs serve as an engine towards holistic growth, thus fostering development and nourishing relationships across the organization.

Various engagement activities were prepared and initiated by the Company in 2016 to serve as avenues for showcasing and honing the skills, knowledge and abilities of the employees.

Learning and Development

Technical, developmental, leadership and personal enhancement trainings and workshops are provided to employees. Internal and external trainings equip the employees with the knowledge and skill sets that they need, to further enhance their strengths and fill any technical gaps. The Company has established a Learning and Development guidelines for the design, execution, and evaluation of all trainings.

In 2016, a total of 558 man hours were spent on training which is equivalent to an average of 7 hours per employee. Of the total trainings offered last year, thirty-seven percent (37%) were conducted internally and 63% were sponsored by third-party facilitators. The training courses involved technical, behavioral, core skills, functional, health and safety, and soft skills.

Communication Platforms

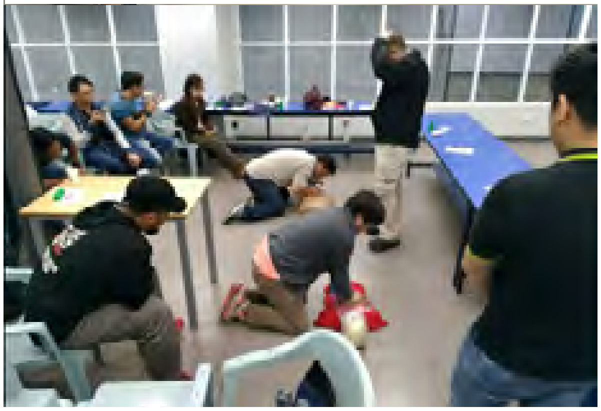
Various platforms have been developed to promote inclusive participation of the employees to the operation of the Company, and to strengthen the management-employee relationship. Employees are encouraged to attend town hall meetings which serve as a venue for them to voice out any concerns to the Management. To uphold transparency and accountability, F-I-R-S-T Carbon Solutions has established a grievance mechanism platform, known as the Improvement Management System where employees are given the opportunity to raise any issues and concerns that need to be addressed by the Management. There were no grave issues recorded by the Board or Management in 2016.

Interest groups and associations are also considered as channels for the employees to exercise their freedom of expression through a peaceful assembly. However, the Company prohibits any engagement of employees to unlawful acts that elicit rebellion amongst co-workers, damaging properties, and tapping the resources of the Company for self-interest, as specified in the Employee Handbook.

SOCIAL

Health and Safety

Technical and development trainings and workshops advance the health, safety, and security of F-I-R-S-T Carbon Solutions employees by establishing a safe working environment and creating programs that cater to their wellness. Employees and their families are entitled to healthcare programs including free medical check-ups for dependents. Weekly fitness activities are organized by the clinic to promote work-life balance. The Company also conducts health and safety trainings, and fire drills in preparation for any future emergencies and occurrence of extreme natural hazards. As a result of the Company's health and safety initiatives, no incident nor time loss was reported in 2016.



Basic Life Support and First Aid Training

Annual corporate-wide medical check-ups

Regular fitness activities

Employee Recognition and Engagement

F-I-R-S-T Carbon Solutions recognizes the exemplary performance and contributions of the employees to the growth of the Company through the annual Services Awards. As part of recognition programs, loyalty awards and incentives are given to employees who celebrate their fifth and tenth year anniversaries in the Company. As part of the engagement programs, the Company hosts team bonding activities such as indoor sports competition within the organization to promote physical health and foster camaraderie.

Community Initiatives

F-I-R-S-T Carbon Solutions and its affiliate companies organize Corporate Social Responsibility (CSR) programs across the local and national scale. In the last quarter of 2016, ADEC Innovations collaborated with My Shelter Foundation in launching the Liter of Light Project which aims to light the homes of unprivileged communities in the Philippines using lamps made of recycled bottles. Also in the same year, the Company worked with St. Luke's Foundation and conducted a blood donation drive involving the employees in all organizations.

Launching of the Liter of Light Project, with ADEC Innovations and My Shelter Foundation

Blood Donation, in collaboration with St. Luke's Global City

SOCIAL

Customer Satisfaction

F-I-R-S-T Carbon Solutions values the feedback of its clients as part of the essential metrics in improving business operation, and revolutionizing the way products and services are delivered. Periodic client feedback survey is conducted to gauge the performance of the Company, as well as gather insights on how to strengthen the salient features of the products and capture any dissatisfaction and gaps that need to be addressed. The Company aims to deliver excellence and provide the finest experience to its client through a wide array of services, catering to meet client's satisfaction.

Industry

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

Focus Area

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

Service

- Consulting
- Software
- Reprographics
- Data Processing

All products and services of F-I-R-S-T Carbon Solutions are assessed for any potential health and safety, environmental, and social impacts prior to deployment. F-I-R-S-T Carbon Solutions provides response to the queries and concerns of their clients through a customer support system operating 24 hours a day and 7 days a week. Depending on the need and availability of expertise, a dedicated technical staff addresses the needs of the clients. For any immediate concerns regarding the products of F-I-R-S-T Carbon Solutions, the clients may seek assistance through various media including online communication, telephone and video conferencing, and face-to-face meetings. F-I-R-S-T Carbon Solutions has also established online self-help tools for minimal concerns on the products.

Compliance with Data Privacy, Security and Storage

F-I-R-S-T Carbon Solutions conscientiously observes the laws and regulations pertaining to data privacy, security and storage. The current system and operations across the organizations are anchored on international guidelines (ISO 27001:2005, ISMS) and aligned with the statutory requirements of the Philippine Corporation Code and the Securities and Exchange Commission. A designated officer monitors the compliance, ensuring that the creation and authentication, processing and transfer, and retrieval and archiving of documents and information are well-regulated. Regular corporate reminders and orientation on data and information management are provided to strengthen the awareness of employees on the proper data security measures. The intricately structured information system management and procedures shields the business from any unauthorized access, damage, and loss.

ANNEX A

UNITED NATIONS GLOBAL COMPACT TEN PRINCIPLES CONTENT INDEX

UNITED NATIONS GLOBAL COMPACT Ten Principles		COMMITMENT Cross reference to the Section	Page
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Principle 2	Businesses should ensure that they are not complicit in human rights abuses	4.0 ECONOMIC 4.1 Conformance to Labor Laws	 29
		6.0 SOCIAL 6.2 Employee Engagement and Development - Communication Platforms	 35
LABOUR			
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	6.0 SOCIAL 6.3 Employee Engagement and Development - Communication Platforms	 35
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labour	4.0 ECONOMIC 4.1 Conformance to Labor Laws	 29
Principle 5	Businesses should uphold the effective abolition of child labour	4.0 ECONOMIC 4.1 Conformance to Labor Laws	 29
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation	4.0 ECONOMIC 4.1 Conformance to Labor Laws	 29
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ENVIRONMENT			
Principle 7	Businesses are asked to support a precautionary approach to environmental challenges	2.0 ABOUT F-I-R-S-T CARBON SOLUTIONS 2.1 Company Profile 2.2 Vision, Mission and Values 2.4 Associations, Affiliations & Partnerships	 9-10 11 12-13
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility	5.0 ENVIRONMENT 5.2 Sustainability Programs 5.3 Compliance with Environmental Regulations 5.4 Advocacies and Partnerships	 31-33 34 34
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies	2.0 ABOUT F-I-R-S-T CARBON SOLUTIONS 2.5 Product and Services	 16
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		6.0 SOCIAL 6.4 Customer Satisfaction	 38
ANTI-CORRUPTION			
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery	2.0 ABOUT F-I-R-S-T CARBON SOLUTIONS 2.6 Corporate Governance & Compliance	 17-20
		3.0 MANAGEMENT SYSTEM AND OPERATION 3.2 Risk Management 3.3 Compliance 3.4 Internal Audit 3.5 Issue Management	 24-26 27 28 28
		4.0 ECONOMIC 4.2 Anti-Bribery and Anti-Corruption 4.3 Procurement Practices 4.5 Vendor/Supplier Accreditation and Evaluation	 29 30 30

ANNEX B

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	102-2	Activities, primary brands, products, and services	2.0 ABOUT F-I-R-S-T CARBON SOLUTIONS 2.1 Company Profile - What We Do 2.5 Product and Services	9 16
	102-3	Location of headquarters	2.0 ABOUT F-I-R-S-T CARBON SOLUTIONS 2.1 Company Profile - Where We Work	10
	102-4	Location of operations	2.0 ABOUT F-I-R-S-T CARBON SOLUTIONS 2.1 Company Profile - Where We Work	10
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	102-6	Markets served	6.0 SOCIAL 6.5 Customer Satisfaction	38
	102-7	Scale of the organization	6.0 SOCIAL 6.1 Employment	35
	102-8	Information on employees and other workers	6.0 SOCIAL 6.1 Employment	35
	102-9	Supply chain	5.0 ENVIRONMENTAL 5.1 Supply Chain	31
	102-10	Significant changes to the organization and its supply chain	1.0 ABOUT THIS REPORT 1.1 Rationale - Highlights of Year 2016	6
	102-11	Precautionary Principle or approach	2.0 ABOUT F-I-R-S-T CARBON SOLUTIONS 2.2 Vision, Mission and Values	11
	102-12	External initiatives	6.0 SOCIAL 6.4 Community Initiatives	37
	102-13	Membership of associations	2.0 ABOUT F-I-R-S-T CARBON SOLUTIONS 2.4 Advocacy, Certifications and Recognitions - Associations, Affiliations & Partnerships	12-13
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	102-14	Statement from senior decision-maker	CHAIRMAN'S MESSAGE	5
	102-15	Key impacts, risks, and opportunities	3.0 MANAGEMENT SYSTEM AND OPERATION 3.2 Risk Management	24-26
	3. Ethics and integrity			
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	102-17	Mechanisms for advice and concerns about ethics	3.0 MANAGEMENT SYSTEM AND OPERATION 3.2 Risk Management - Improvement Management System	26
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	102-19	Delegating authority	2.0 ABOUT F-I-R-S-T CARBON SOLUTIONS 2.6 Corporate Governance & Compliance - Board Committees	20-21
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	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	6.0 SOCIAL 6.1 Employment	35
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	GRI 404: TRAINING AND EDUCATION			
	403-1	Average hours of training per year per employee	6.0 SOCIAL 6.2 Employee Engagement and Development - Learning and Development	35
	403-2	Programs for upgrading employee skills and transition assistance programs	6.0 SOCIAL 6.2 Employee Engagement and Development - Learning and Development	35
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	405-1	Diversity of governance bodies and employees	6.0 SOCIAL 6.1 Employment	35
	GRI 406: NON-DISCRIMINATION			
	406-1	Incidents of discrimination and corrective actions taken	6.0 SOCIAL 6.1 Employment	35
	GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
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	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	6.0 SOCIAL 6.4 Customer Satisfaction	38
	GRI 418: CUSTOMER PRIVACY			
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	6.0 SOCIAL 6.5 Compliance with Data Privacy, Security and Storage	38
	GRI 419: SOCIOECONOMIC COMPLIANCE			
	419-1	Non-compliance with laws and regulations in the social and economic area	4.0 ECONOMIC 4.1 Conformance to Labor Laws	29
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ANNEX B

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	201-3	Defined benefit plan obligations and other retirement plans	4.0 ECONOMIC 4.1 Conformance to Labor Laws	29
	201-4	Financial assistance received from government	2.0 ABOUT F-I-R-S-T CARBON SOLUTIONS 2.3 Ownership	12
	GRI 202: MARKET PRESENCE			
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SOCIAL TOPICS	GRI 401: EMPLOYMENT			
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	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	6.0 SOCIAL 6.2 Employee Engagement and Development - Health and Safety	36
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	405-1	Diversity of governance bodies and employees	6.0 SOCIAL 6.1 Employment	35
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	406-1	Incidents of discrimination and corrective actions taken	6.0 SOCIAL 6.1 Employment	35
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	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	6.0 SOCIAL 6.2 Employee Engagement and Development - Communication Platforms	35
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	GRI 416: LOCAL COMMUNITIES			
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	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	6.0 SOCIAL 6.4 Customer Satisfaction	38
	GRI 418: CUSTOMER PRIVACY			
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	GRI 419: SOCIOECONOMIC COMPLIANCE			
	419-1	Non-compliance with laws and regulations in the social and economic area	4.0 ECONOMIC 4.1 Conformance to Labor Laws	29
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Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ADEC Innovations Corporation (the Company), which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 3 -

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2016 required by the Bureau of Internal Revenue as disclosed in Note 21 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Leonardo D. Cuaresma, Jr.
Partner

CPA Reg. No. 0058647
TIN 109-227-862
PTR No. 5908621, January 3, 2017, Makati City
SEC Group A Accreditation
Partner - No. 0007-AR-4 (until Apr. 30, 2018)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-7-2014 (until Aug. 5, 2017)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

March 31, 2017

ADEC INNOVATIONS CORPORATION
(Formerly F-I-R-S-T Carbon Solutions Corporation)
[A Subsidiary of REDECS Green Holdings Corporation]
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes		2016		2015
ASSETS					
CURRENT ASSETS					
Cash	4	P	3,052,618	P	1,362,969
Trade and other receivables	5		47,941,082		43,553,970
Other current assets	6		1,046,970		1,757,317
Total Current Assets			52,040,670		46,674,256
NON-CURRENT ASSETS					
Property and equipment - net	7		12,782		234,751
Security deposits	6		1,571,674		1,550,835
Total Non-current Assets			1,584,456		1,785,586
TOTAL ASSETS		P	53,625,126	P	48,459,842
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Trade and other payables	9	P	7,965,337	P	5,424,806
Income tax payable			587,039		-
Due to a related party	14		4,851,608		4,705,450
Other current liability			242,831		242,831
Total Current Liabilities			13,646,815		10,373,087
NON-CURRENT LIABILITIES					
Post-employment benefit obligation	12		480,741		363,622
Deferred tax liabilities	13		383,424		513,892
Security deposits	17		958,481		680,832
Total Non-current Liabilities			1,822,646		1,558,346
Total Liabilities			15,469,461		11,931,433
EQUITY					
Capital stock	15		25,750,001		25,750,001
Revaluation reserve			205,494		205,494
Retained earnings			12,200,170		10,572,914
Total Equity			38,155,665		36,528,409
TOTAL LIABILITIES AND EQUITY		P	53,625,126	P	48,459,842

See Notes to Financial Statements.

F-I-R-S-T Carbon Solutions Financial Statement

ADEC INNOVATIONS CORPORATION
(Formerly F-I-R-S-T Carbon Solutions Corporation)
[A Subsidiary of REDECS Green Holdings Corporation]
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes	2016	2015
SALE OF SERVICES	14	P 13,309,973	P 11,589,833
COST OF SERVICES	10, 14	3,541,337	1,887,965
GROSS PROFIT		9,768,636	9,701,868
OTHER OPERATING EXPENSES	10, 14	(15,285,249)	(12,256,877)
OTHER OPERATING INCOME	11	8,228,730	7,060,504
PROFIT BEFORE TAX		2,712,117	4,505,495
TAX EXPENSE	13	1,084,861	1,335,400
NET PROFIT		1,627,256	3,170,095
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified to profit or loss			
Actuarial gain on remeasurements of post-employment benefit obligation		-	133,074
Tax expense	13	-	(39,922)
	12	-	93,152
TOTAL COMPREHENSIVE INCOME		P 1,627,256	P 3,263,247

See Notes to Financial Statements.

ADEC INNOVATIONS CORPORATION
(Formerly F-I-R-S-T Carbon Solutions Corporation)
[A Subsidiary of REDECS Green Holdings Corporation]
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes	Capital Stock	Revaluation Reserve	Retained Earnings	Total
Balance at January 1, 2016		P 25,750,001	P 205,494	P 10,572,914	P 36,528,409
Total comprehensive income for the year	12	-	-	1,627,256	1,627,256
Balance at December 31, 2016	15	**P 25,750,001**	**P 205,494**	**P 12,200,170**	**P 38,155,665**
Balance at January 1, 2015		P 25,750,001	P 112,342	P 7,402,819	P 33,265,162
Total comprehensive income for the year	12	-	93,152	3,170,095	3,263,247
Balance at December 31, 2015	15	P 25,750,001	P 205,494	P 10,572,914	P 36,528,409

See Notes to Financial Statements.

ADEC INNOVATIONS CORPORATION
(Formerly F-I-R-S-T Carbon Solutions Corporation)
[A Subsidiary of REDECS Green Holdings Corporation]
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 2,712,117	P 4,505,495
Adjustments for:			
Unrealized foreign currency exchange gains - net		(2,127,701)	(2,125,911)
Depreciation and amortization	7, 8	221,969	294,824
Interest income	11	(4,626)	(56,643)
Operating profit before working capital changes		801,759	2,617,765
Increase in trade and other receivables		(2,262,809)	(2,687,575)
Decrease in other current assets		531,965	178,605
Increase in trade and other payables		2,540,531	169,036
Increase in other current liability		-	242,831
Increase in post-employment benefit obligation		117,119	138,251
Increase in security deposits		277,649	-
Cash generated from operations		2,006,214	658,913
Interest received		4,626	4,056
Cash paid for income taxes		(470,747)	(1,208,119)
Net Cash From (Used in) Operating Activities		1,540,093	(545,150)
CASH FLOWS FROM A FINANCING ACTIVITY			
Additions to due to a related party	14	146,158	419,788
EFFECT OF EXCHANGE RATE CHANGES ON CASH		3,398	3,114
NET INCREASE (DECREASE) IN CASH		1,689,649	(122,248)
CASH AT BEGINNING OF YEAR		1,362,969	1,485,217
CASH AT END OF YEAR		P 3,052,618	P 1,362,969

See Notes to Financial Statements.

ADEC INNOVATIONS CORPORATION
(Formerly F-I-R-S-T Carbon Solutions Corporation)
[A Subsidiary of REDECS Green Holdings Corporation]
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Corporate Information

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

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

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

1.2 Change in Corporate Name

On January 4, 2016, the Board of Directors (BOD) approved the change in the Company's corporate name from F-I-R-S-T Carbon Solutions Corporation to ADEC Innovations Corporation. The change was approved by SEC on April 29, 2016.

1.3 Approval of Financial Statements

The financial statements of the Company as of and for the year ended December 31, 2016 (including the comparative financial statements as of and for the year ended December 31, 2015) were authorized for issue by the Company's BOD on March 31, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

The Company qualified as a small and medium-sized entity based on the criteria set by the SEC and as defined in the Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs). However, the Company opted to avail of the exemption provided by the SEC for mandatory adoption of PFRS for SMEs on the basis of its ultimate plan to become a subsidiary of a foreign parent company (see Note 1.1) reporting under IFRS. In view of the foregoing, the Company's financial statements have been prepared in accordance with PFRS.

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

(b) Presentation of Financial Statements

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

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

(c) Functional and Presentation Currency

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

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

2.2 Adoption of New and Amended PFRS

(a) Effective in 2016 that are Relevant to the Company

The Company adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2016:

PAS 1 (Amendments)	:	Presentation of Financial Statements – Disclosure Initiative
PAS 16 and PAS 38 (Amendments)	:	Property, Plant and Equipment, and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization
PAS 16 and PAS 41 (Amendments)	:	Property, Plant and Equipment, and Agriculture – Bearer Plants
Annual Improvements to PFRS (2012-2014 Cycle)		
PFRS 7 (Amendments)	:	Financial Instruments: Disclosures – Servicing Contracts
PAS 19 (Amendments)	:	Employee Benefits – Discount Rate: Regional Market Issue

Discussed below and in the succeeding pages are the relevant information about these amendments and improvements.

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure Initiative.* The amendments encourage entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendments clarify that an entity's share in other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

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

(iii) PAS 16 (Amendments), *Property, Plant and Equipment*, and PAS 41 (Amendments), *Agriculture – Bearer Plants*. The amendments define a bearer plant as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. On this basis, bearer plant is now included within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and to be measured after initial recognition at cost or revaluation basis in accordance with PAS 16. The amendments further clarify that produce growing on bearer plants remains within the scope of PAS 41.

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

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

- PAS 19 (Amendments), *Employee Benefits – Discount Rate: Regional Market Issue*. The amendments clarify that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

(b) Effective in 2016 that are not Relevant to the Company

The following new PFRS, amendments and annual improvements to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2016 but are not relevant to the Company's financial statements:

PAS 27 (Amendments)	:	Separate Financial Statements – Equity Method in Separate Financial Statements
PFRS 10, PFRS 12 and PAS 28 (Amendments)	:	Consolidated Financial Statements, Disclosure of Interests in Other Entities, and Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception
PFRS 11 (Amendments)	:	Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
PFRS 14	:	Regulatory Deferral Accounts
Annual Improvements to PFRS (2012-2014 Cycle)		
PAS 34 (Amendments)	:	Interim Financial Reporting – Disclosure of Information "Elsewhere in the Interim Financial Report"
PFRS 5 (Amendments)	:	Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal
PFRS 7 (Amendments)	:	Financial Instruments: Disclosures – Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements

(b) Effective Subsequent to 2016 but not Adopted Early

There are new PFRS and amendments to existing standards effective for annual periods subsequent to 2016, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Company's financial statements.

(i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative* (effective from January 1, 2017). The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). It requires an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, it suggests a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

(ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses* (effective from January 1, 2017). The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference.

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

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

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

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

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

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

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

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

Management is currently assessing the impact of PFRS 9 (2014) on the financial statements of the Company and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(iv) PFRS 15, *Revenue from Contract with Customers* (effective from January 1, 2018). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Management is currently assessing the impact of this standard on the Company's financial statements.

(v) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right of use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similarly to a purchased asset and depreciated or amortized. The lease liability is accounted for similar to a financial liability using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard on the Company's financial statements.

2.3 Financial Assets

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

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

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

The Company's financial assets are currently categorized as loans and receivables and are presented as Cash, Trade and Other Receivables and Security Deposits in the statement of financial position. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are subsequently remeasured at amortized cost using the effective interest method for maturities extending beyond one year, less impairment losses, if any. Impairment loss is provided when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in the profit or loss.

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

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

2.4 Other Assets

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

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

2.5 Property and Equipment

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

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

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

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

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

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

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

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

2.6 Intangible Asset

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

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

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

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

2.7 Financial Liabilities

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

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

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

2.8 Offsetting Financial Instruments

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

2.9 Provisions and Contingencies

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

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

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

2.10 Revenue and Expense Recognition

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

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

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

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

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

2.11 Leases

The Company accounts for its leases as follows:

(a) *Company as Lessee*

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

(b) *Company as Lessor*

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

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

2.12 Foreign Currency Transactions and Translation

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

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

2.13 Impairment of Non-financial Assets

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

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

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

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

2.14 Income Taxes

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

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

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

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

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

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

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

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

2.15 Employee Benefits

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

(a) Post-employment Defined Benefit Plan

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

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

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

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

(b) Post-employment Defined Contribution Plans

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

(c) *Termination Benefits*

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

(d) *Compensated Absences*

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

2.16 Related Party Transactions and Relationships

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

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

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

2.17 Equity

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

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

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

2.18 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) *Distinction Between Operating and Finance Leases*

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

(b) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish the difference between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.9 and relevant disclosures are presented in Note 17.

3.2 Key Sources of Estimation Uncertainty

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

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

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

The carrying amounts of property and equipment and intangible asset are analyzed in Notes 7 and 8, respectively. Based on management assessment as at December 31, 2016 and 2015, there is no change in the estimated useful lives of property and equipment and intangible asset during those years. Actual results, however, may vary due to changes in factors mentioned above.

(b) *Impairment of Non-financial Assets*

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

No impairment losses were recognized on the Company's property and equipment, intangible asset and other non-financial assets in 2016 and 2015.

(c) *Impairment of Trade and Other Receivables*

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

No impairment loss was recognized on trade and other receivables in 2016 and 2015 because management determined that the receivables are collectible in full based on its evaluation (see Note 5).

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

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The carrying values of deferred tax assets (net of deferred tax liabilities) as at December 31, 2016 and 2015 are disclosed in Note 13.

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

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

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

4. CASH

Cash includes the following as at December 31:

	2016	2015
Cash on hand	P 20,000	P 20,000
Cash in banks	3,032,618	1,342,969
	P 3,052,618	P 1,362,969

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

5. TRADE AND OTHER RECEIVABLES

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

	Note	2016	2015
Trade receivables from:			
Related parties	14.1(b), 14.2(b)	P 45,007,744	P 42,773,474
Third parties		2,060,556	174,419
Other receivables	14.2(d)	872,782	606,077
		P 47,941,082	P 43,553,970

All of the Company's trade and other receivables have been reviewed for indications of impairment. Based on management's assessment, none of the trade and other receivables is impaired as at December 31, 2016 and 2015.

6. OTHER ASSETS

The composition of this account is shown below.

	Notes	2016	2015
Current:			
Input VAT	21.1(b)	P 649,112	P 778,970
Deferred input tax		192,248	-
Security deposits		164,836	153,837
Prepaid expenses		40,774	682,901
Creditable withholding tax		-	141,609
		P 1,046,970	P 1,757,317
Non-current –			
Security deposits	17.1	P 1,571,674	P 1,550,835

In connection with the four-year non-cancellable lease of the Company's office spaces from a third party (see Note 17.1), the Company made security deposits to the lessor which will be refunded at the end of the lease. Security deposits are carried at amortized cost using the effective interest rate at the inception of the lease contract. The fair values of the deposits are determined by calculating the present value anticipated until the end of the lease term using the effective interest rate. As the deposits do not have an active market, the interest rate was determined by reference to market interest rate of comparable instruments (see Note 20.2).

7. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2016 and 2015 are shown below.

	Computer Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Total
December 31, 2016					
Cost	P 4,848,972	P 303,417	P 594,941	P 532,686	P 6,280,016
Accumulated depreciation and amortization	(4,844,230)	(296,024)	(594,294)	(532,686)	(6,267,234)
Net carrying amount	**P 4,742**	**P 7,393**	**P 647**	**P -**	**P 12,782**
December 31, 2015					
Cost	P 4,848,972	P 303,417	P 594,941	P 532,686	P 6,280,016
Accumulated depreciation and amortization	(4,626,231)	(292,331)	(594,017)	(532,686)	(6,045,265)
Net carrying amount	P 222,741	P 11,086	P 924	P -	P 234,751
January 1, 2015					
Cost	P 4,848,972	P 303,417	P 594,941	P 532,686	P 6,280,016
Accumulated depreciation and amortization	(4,365,512)	(270,587)	(583,485)	(532,686)	(5,752,270)
Net carrying amount	P 483,460	P 32,830	P 11,456	P -	P 527,746

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2016 and 2015 is shown below.

	Computer Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Balance at January 1, 2016, net of accumulated depreciation and amortization	P 222,741	P 11,086	P 924	P -	P 234,751
Depreciation charges for the year	(217,999)	(3,693)	(277)	-	(221,969)
Balance at December 31, 2016, net of accumulated depreciation and amortization	**P 4,742**	**P 7,393**	**P 647**	**P -**	**P 12,782**

	Computer Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Balance at January 1, 2015 net of accumulated depreciation and amortization	P [illegible]	P [illegible]	P [illegible]	P -	P [illegible]
Depreciation charges for the year	([illegible])	([illegible])	([illegible])	-	([illegible])
Balance at December 31, 2015, net of accumulated depreciation and amortization	P [illegible]	P [illegible]	P [illegible]	P -	P [illegible]

The depreciation charges for the years ended December 31, 2016 and 2015 are presented as part of Other Operating Expenses in the statements of comprehensive income (see Note 10).

As of December 31, 2016 and 2015, fully depreciated and fully amortized property and equipment with a total cost of P5.6 million and P4.9 million, respectively, are still used in operations.

8. INTANGIBLE ASSET

Intangible asset pertained to the cost of computer software license used mainly in the Company's financial reporting system. The gross carrying amount of P1.4 million has been fully amortized as of December 31, 2016 and 2015.

The amortization charges for the year ended December 31, 2015 of P1,829 is presented as part of Other Operating Expenses in the 2015 statement of comprehensive income (see Note 10).

9. TRADE AND OTHER PAYABLES

This account consists of the following:

	Note	2016	2015
Trade payables	14.2(a)	P **5,925,665**	P 4,370,750
Accrued expenses	14.2(c)	**1,394,505**	808,170
Other current liabilities		**645,167**	245,886
		P **7,965,337**	P 5,424,806

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

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

10. COSTS AND OPERATING EXPENSES BY NATURE

The details of expenses by nature are shown below.

	Notes	2016	2015
Rentals	17.1	P 8,502,942	P 6,303,751
Outside services	14.2(a)	3,349,793	1,421,120
Salaries and employee benefits	12.1	1,856,020	1,874,877
Membership dues		1,187,082	1,187,082
Utilities, light and communication		1,182,278	1,458,257
Repairs and maintenance		696,797	208,039
Professional fees		920,625	247,250
Depreciation and amortization	7, 8	221,969	294,824
Overhead		191,544	310,364
Taxes and licenses	21.1(f)	187,789	284,800
Interest cost	12.2	13,963	16,238
Travel and transportation		13,709	248,001
Trainings and seminar		500	72,000
Software costs		-	156,481
Miscellaneous	21.1(h)	501,575	61,758
		P 18,826,586	P 14,144,842

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

	2016	2015
Cost of services	P 3,541,337	P 1,887,965
Other operating expenses	15,285,249	12,256,877
	P 18,826,586	P 14,144,842

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

	Note	2016	2015
Outside services	14.2(a)	P 3,349,793	P 1,421,120
Overhead	14.1(c), 14.2(c)	191,544	310,364
Software costs		-	156,481
		P 3,541,337	P 1,887,965

11. OTHER OPERATING INCOME

Other operating income includes the following:

	Notes	2016	2015
Rent income	14.2(d), 17.2	P 5,840,081	P 4,813,840
Foreign exchange gains		2,384,023	2,190,021
Interest income from:			
Cash in banks	4	4,626	4,056
Security deposits		-	52,587
		P 8,228,730	P 7,060,504

12. EMPLOYEE BENEFITS

12.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

	Notes	2016	2015
Short-term employee benefits		P 1,752,864	P 1,752,864
Post-employment defined benefit	12.2	103,156	122,013
	10	P 1,856,020	P 1,874,877

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

12.2 Post-employment Benefit Obligation

(a) Characteristics of the Defined Benefit

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

Under R.A. No. 7641, the normal retirement age is 60 with a minimum of 5 years of credited service. Normal retirement benefit is an amount equivalent to 100% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

In 2016, the Company opted not to obtain the services of an actuary as management believes that the 2015 actuarial valuation report is still relevant considering that there have been no significant changes on the Company's employee profile.

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

The amount of post-employment benefit obligation recognized in the statements of financial position amounted to P0.5 million and P0.4 million as of December 31, 2016 and 2015, respectively.

The movements in the present value of the post-employment benefit obligation recognized in the financial statements as of December 31, 2016 and 2015 are as follows:

	Note	2016	2015
Balance at beginning of year		P 363,622	P 358,445
Current service cost		103,156	122,013
Interest cost	10	13,963	16,238
Remeasurements – actuarial losses (gains) due to:			
Experience adjustments		-	(154,823)
Changes in financial assumptions		-	21,749
Balance at end of year		P 480,741	P 363,622

The components of amounts recognized in profit or loss and in other comprehensive income for the years ended December 31, 2016 and 2015 in respect of the post-employment defined benefit plan are as follows:

	Notes	2016	2015
Recognized in profit or loss:			
Current service cost		P 103,156	P 122,013
Interest expense	10	13,963	16,238
		P 117,119	P 138,251
Recognized in other comprehensive income:			
Actuarial gain (loss) due to:			
Experience adjustments		P -	P 154,823
Changes in financial assumptions		-	(21,749)
Tax expense	13	-	(39,922)
		P -	P 93,152

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

In determining the amount of the post-employment benefit obligation in 2016 and 2015, the following actuarial assumptions were used:

	2016	2015
Discount rate	**4.34%**	3.84%
Expected rate of salary increases	**7.00%**	7.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 9 years for both males and females in 2016 and 2015.

(c) Risks Associated with the Retirement Benefit Obligation

(i) Interest Risks

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

(ii) Longevity and Salary Risks

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

(d) Sensitivity Analysis

The sensitivity of the 2016 and 2015 post-employment obligation to changes in the principal assumptions is shown below:

	Change in assumption	Impact on post-employment obligation	
		Increase in assumption	Decrease in assumption
Discount rate	100 bps	Decrease by [illegible]	Increase by [illegible]
Salary increase rate	100 bps	Increase by [illegible]	Decrease by [illegible]

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

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

As at December 31, 2016, the Company is yet to determine how much and when to fund a post-employment benefit plan.

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13. TAXES

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

		2016		2015
Reported in profit or loss:				
Current tax expense				
Regular corporate income tax (RCIT) at 30%	P	**1,214,511**	P	374,577
Final tax at 20% and 7.5%		**818**		743
		1,215,329		375,320
Deferred tax expense (income) relating to origination and reversal of temporary differences	(	**130,468)**		960,080
	P	**1,084,861**	P	1,335,400
Reported in other comprehensive income –				
Deferred tax expense relating to origination of temporary differences (see Note 12.2)	P	**-**	P	39,922

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

		2016		2015
Tax on pretax profit at 30%	P	**813,635**	P	1,351,649
Adjustment for income subjected to lower tax rates	(	**570)**	(	472)
Tax effect of:				
Non-deductible expense		**271,796**		-
Non-taxable income		**-**	(	15,777)
	P	**1,084,861**	P	1,335,400

The net deferred tax liabilities relates to the following as at December 31:

	Statements of Financial Position		Statements of Comprehensive Income – Profit or Loss		Statements of Comprehensive Income – Other Comprehensive Income	
	2016	2015	2016	2015	2016	2015
Deferred tax liabilities:						
Unrealized foreign currency exchange gains (losses) – net	P 637,291	P 636,839	P 452	P 850,646	P -	P -
Rental receivable – PAS 17	61,599	-	61,599	-	-	-
	698,890	636,839	62,051	850,646	-	-
Deferred tax assets:						
Rental payable – PAS 17	(171,248)	(13,860)	(157,388)	110,509	-	-
Retirement benefit obligation	(144,218)	(109,087)	(35,131)	(41,475)	-	39,922
	(315,466)	(122,947)	(192,519)	(45,434)	-	39,922
Deferred tax liabilities – net	P 383,424	P 513,892				
Deferred tax expense (income)			(P 130,468)	P 960,080	P -	P 39,922

The Company is subject to the minimum corporate income tax (MCIT) which is computed at 2% of gross income net of allowable deductions, as defined under the tax regulations or to RCIT, whichever is higher. No MCIT was reported in 2016 and 2015 as the RCIT was higher than MCIT in both years.

In 2016 and 2015, the Company opted to continue claiming itemized deductions in computing for its income tax due.

14. RELATED PARTY TRANSACTIONS

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

Related Party Category	Note	Amount of Transactions 2016	Amount of Transactions 2015	Outstanding Balances 2016	Outstanding Balances 2015
Stockholder:					
Rendering of services	14.1(b)	P 3,412,685	P 4,653,657	P 27,399,641	P 26,041,528
Advances received (paid) - net	14.1(a)	146,158	419,788	(4,851,608)	(4,705,450)
Accommodation of expenses	14.1(c)	146,158	270,424	-	-
Related Parties Under Common Ownership:					
Rendering of services	14.2(b)	P 6,060,000	P 6,180,000	P 17,608,103	P 16,731,946
Purchase of services	14.2(a)	3,349,793	1,421,120	(5,854,510)	(3,878,322)
Accommodation of expenses	14.2(c)	37,986	196,421	(91,537)	(50,000)
Rental	14.2(d)	404,880	297,410	35,280	33,600
Reimbursement of expenses		159,937	-	159,937	-
Key Management Personnel					
Compensation	14.3	1,560,000	-	1,560,000	-

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

The following are the details of such transactions:

14.1 *Transaction with a Stockholder*

(a) Advances of Funds

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

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

		2016		2015
Balance at beginning of year	P	4,705,450	P	4,285,662
Additions		146,158		419,788
Balance at end of year	P	4,851,608	P	4,705,450

(b) Rendering of Services

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

		2016		2015
Greenhouse gas track	P	2,002,105	P	1,916,212
Web services		1,410,580		2,737,445
	P	3,412,685	P	4,653,657

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

The outstanding receivables from services rendered to ADEC as at December 31, 2016 and 2015 are presented as part of Trade receivables from related parties under the Trade and Other Receivables account in the statements of financial position (see Note 5).

(c) Accommodation of Expenses

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

There were no outstanding payables from these transactions as at December 31, 2016 and 2015.

14.2 Transactions with Related Parties Under Common Ownership

(a) Purchase of Services

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

The outstanding payable as at December 31, 2016 and 2015 is presented as part of Trade payables under the Trade and Other Payables account in the statements of financial position (see Note 9).

(b) Rendering of Services

The Company and ALPSI also entered into a Management Service Agreement (MSA) in which the Company will provide ALPSI sustainability and environmental management program suitable to address the needs of ALPSI. The revenues recognized from these MSA services are shown as part of Sale of Services in the statements of comprehensive income. The outstanding receivable as of December 31, 2016 and 2015 are presented as part of Trade receivables from related parties under the Trade and Other Receivables account in the statements of financial position (see Note 5).

In 2013, the Company and FCS International, Inc. (FCS International) entered into a service agreement whereby the Company shall provide FCS International professional services including, but not limited to: telecommunications; management functions; marketing and design; research, reproduction and publications; information technology support and infrastructure improvements; proposal team support; and other similar or related activities. There were no services rendered to FCS International in 2016 and 2015. The outstanding receivable as of December 31, 2016 and 2015 amounting to P16.5 million and P14.8 million, respectively, is presented as part of Trade receivables from related parties under the Trade and Other Receivables account in the statements of financial position (see Note 5).

(c) Accommodation of Expenses

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

The outstanding payable as at December 31, 2016 and 2015 is presented as part of Accrued expenses under the Trade and Other Payables account in the statements of financial position (see Note 9).

(d) Rental of Office and Parking Space

In 2015, the Company renewed its non-cancellable lease agreement with Pharma KPO Corporation for the lease of an office space. The revenues recognized from the lease are included as part of Rent Income under Other Operating Income account in the statements of comprehensive income (see Note 11). The outstanding balance as at December 31, 2016 and 2015 is presented as part of Other receivables under the Trade and Other Receivables account in the statements of financial position (see Note 5).

14.3 Key Management Personnel Compensation

The key management personnel received a total compensation amounting to P1.6 million both in 2016 and 2015.

15. CAPITAL STOCK

The details of the Company's capital stock as of December 31, 2016 and 2015 are shown below.

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

As at December 31, 2016 and 2015, the Company has 3 stockholders owning 100 or more shares each of the Company's capital stock.

16. SUBSEQUENT EVENT

On December 9, 2016, the Company entered into an agreement (the Agreement) to subscribe 2,250,000 shares from the proposed increase in authorized capital stock of ADEC Innovations Knowledge Management Corporation (ADEC KMC), a domestic corporation registered with the SEC. However, as of December 31, 2016, certain terms of the Agreement have not yet been executed and the SEC has not yet approved of ADEC KMC's proposed increase in authorized capital stock. Accordingly, the Company did not recognize the subscription as of December 31, 2016.

Subsequently, on January 30, 2017, the SEC approved such increase in authorized capital stock. The Company also paid P2.0 million for the subscription, thereafter. The Company's subscription represented 90% ownership interest in the authorized capital stock (after the increase) of ADEC KMC of 5,000,000 shares of stock. Accordingly, ADEC KMC became a subsidiary of the Company in 2017.

17. COMMITMENTS AND CONTINGENCIES

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

17.1 Operating Lease Commitments – Company as Lessee

The Company is a lessee under a non-cancellable operating lease covering certain office space and facilities. In December 2015, the Company renewed its lease contract for its office space which has a term of four years, with renewal options, and includes an annual escalation rate of 5%. The Company was required to make security deposits amounting to P1.6 million in connection with the lease, which shall answer for any default and any rental obligations or damages it may cause on the leased premises, but shall be refunded at the end of the lease term in case no defaults or damage is caused upon by the Company. The deposits are recognized as Security Deposits under Non-current Assets section in the statements of financial position (see Note 6). As at December 31, 2016 and 2015, the Company has met all the requirements of the lease contract.

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

	2016	2015
Within one year	**P 8,337,346**	P 7,978,330
After one year but not more than five years	**17,033,709**	25,371,055
	P 25,371,055	P 33,349,385

Total rental expense from this operating lease amounting to P8.5 million in 2016 and P6.3 million in 2015 is presented as Rentals under Other Operating Expenses in the statements of comprehensive income (see Note 10).

17.2 Operating Lease Commitments – Company as Lessor

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

Moreover, in December 2015, the Company renewed another sublease agreement covering certain office space and facilities for a term of three years, with an escalation rate of 5% each year. In connection with the sublease, the Company received P0.7 million in 2015 and an additional P0.3 million in 2016 representing the security deposit which shall be refunded to the sublessee at the end of the contract. The security deposit is presented as part of Security Deposit under the Non-current Liabilities section in the statements of financial position.

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

	2016	2015
Within one year	P 4,421,973	P 4,211,402
After one year but not more than five years	4,655,236	9,077,209
	P 9,077,209	P 13,288,611

Total rent income from the operating leases amounting to P5.8 million and P4.8 million for the years ended December 31, 2016 and 2015, respectively, is shown as Rent Income and is presented under Other Operating Income in the statements of comprehensive income (see Note 11).

17.3 Others

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

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

18. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

18.1 Foreign Currency Risk

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

Foreign currency-denominated financial assets translated into Philippine peso at their respective closing rates amount to P44.3 million and P41.0 million as at December 31, 2016 and 2015, respectively. As of the same period, the Company has no outstanding financial liabilities denominated in foreign currency.

The sensitivity analysis of the Company's profit before tax arising from its financial assets and the U.S. dollar-Philippine peso exchange rate assumes a reasonably possible change in rate of +/-9.45% and +/-10.42% in 2016 and 2015, respectively. These percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months estimated at a 99% confidence level. If the Philippine peso has strengthened against the U.S. dollar, with all the variables held constant, the Company's profit before tax would have decreased by P4.2 million and P4.3 million in 2016 and 2015, respectively. Conversely, if the Philippine peso has weakened by the same percentages during the same period, profit before tax would have increased by the same amount.

18.2 Interest Rate Risk

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

18.3 Liquidity Risk

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

The following are the Company's maximum liquidity risks as at December 31, 2016 and 2015, and are shown under the current liabilities section in the statements of financial position.

	Notes	2016	2015
Trade and other payables	9	**P 7,491,576**	P 5,350,327
Due to a related party	14	**4,851,608**	4,705,450
Other current liability		**242,831**	242,831
Security deposit	17.2	**958,481**	680,832
		P 13,544,496	P 10,979,440

18.4 Credit Risk

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

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as at December 31, 2016 and 2015 as shown in the detailed analysis provided in the notes to the financial statements, as summarized below.

	Notes	2016	2015
Cash	4	P 3,052,618	P 1,362,969
Trade and other receivables	5	47,941,082	43,553,970
Security deposits	6	1,736,510	1,704,672
		P 52,730,210	P 46,621,611

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

The credit risk for Cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings. On the other hand, 94% and 98% of the Company's Trade and Other Receivables as at December 31, 2016 and 2015, respectively, are due from related parties [see Note 14.1(b) and 14.2(b)]. The Company mitigates the concentration of its credit risk by regularly monitoring the age of its receivables from these customers and ensuring that collections are received within the agreed credit period.

Security deposits were provided by the Company to lessors in relation to lease agreements covering certain office facilities (see Note 17.1). These security deposits are refundable at the end of the lease term and the Company only deals with lessors that are reputable.

Some of the unimpaired trade receivables are past due as at December 31, 2016 and 2015. The trade receivables that are past due but not impaired are as follows:

	2016	2015
Not more than three months	P 1,435,160	P 2,263,598
More than three months but not more than six months	333,372	784,746
More than six months but not more than one year	5,829,198	2,282,098
More than one year	35,614,361	34,632,913
	P 43,212,091	P 39,963,355

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

19. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

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

		2016		2015
Total liabilities	P	**15,469,461**	P	11,931,433
Total equity		**38,155,665**		36,528,409
Debt-to-equity ratio		**0.41:1**		0.33:1

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

20. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

20.1 Carrying Amounts and Fair values of Financial Assets and Financial Liabilities

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below.

		2016		2015	
	Notes	Carrying Amount	Fair Values	Carrying Amount	Fair Values
Financial Assets					
Loans and receivables:					
Cash	4	P **3,052,618**	P **3,052,618**	P 1,362,969	P 1,362,969
Trade and other receivables	5	**47,941,082**	**47,941,082**	43,553,970	43,553,970
Security deposits	6	**1,736,510**	**1,736,510**	1,704,672	1,704,672
		P **52,730,210**	P **52,730,210**	P 46,621,611	P 46,621,611
Financial Liabilities					
At amortized cost:					
Trade and other payables	9	P **7,491,576**	P **7,491,576**	P 5,350,327	P 5,350,327
Due to a related party	14	**4,851,608**	**4,851,608**	4,705,450	4,705,450
Other current liability		**242,831**	**242,831**	242,831	242,831
Security deposit	17	**958,481**	**958,481**	680,832	680,832
		P **13,544,496**	P **13,544,496**	P 10,979,440	P 10,979,440

See Notes 2.3 and 2.7 for a description of the accounting policies for each category of financial instruments. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 18.

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

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

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

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

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

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

Management considers that due to short duration of the Company's financial assets, such as cash and receivables, and financial liabilities, such as due to a related party and trade and other payables, measured at amortized costs, their fair values as of December 31, 2016 and 2015 approximates their carrying amounts; hence, these financial assets and financial liabilities are classified under Level 1.

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

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

20.3 Offsetting of Financial Assets and Financial Liabilities

The Company has not set-off financial instruments in 2016 and 2015 and does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis. As such, the Company's outstanding receivables from related parties amounting to P45.0 million and P42.8 million as of December 31, 2016 and 2015, respectively, and the Company's outstanding liabilities to related parties amounting to P10.8 million and P8.6 million as of December 31, 2016 and 2015, respectively, are stated at gross. However, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through the approval of both parties' BOD and stockholders (see Notes 5, 9, 14.1 and 14.2).

21. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

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

21.1 Requirements Under RR No. 15-2010

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR No. 15-2010 are as follows:

(a) Output VAT

In 2016, the Company declared output VAT on rendering of services as follows:

	Tax Base	Output VAT
Vatable services	P 10,878,182	P 1,305,382
Zero-rated services	1,604,696	-
	P 12,482,878	**P 1,305,382**

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

The tax base of the zero-rated services are included as part of Sale of Services while the Vatable sales are included as part of either Sale of Services or Other Operating Income in the 2016 statement of comprehensive income. The tax bases for Sale of Services and Other Operating Income are based on the Company's gross receipts for the year; hence, may not be the same as the amounts reported in the 2016 statement of comprehensive income. An equivalent amount of input VAT is applied against the amount of output VAT; hence, the outstanding balance of VAT payable is nil as at December 31, 2016.

(b) Input VAT

The movements in input VAT in 2016 are summarized below.

Balance at beginning of year	P 778,970
Domestic purchase of services	1,175,255
Domestic purchases of goods other than capital goods	269
Applied against output VAT	(1,305,382)
Balance at end of year	**P 649,112**

The outstanding input VAT amounting to P649,112 as at December 31, 2016 is presented under the Other Current Assets account in the 2016 statement of financial position (see Note 6).

(c) *Taxes on Importation*

The Company did not have any importations in 2016.

(d) *Excise Tax*

The Company did not have any transactions in 2016 which are subject to excise tax.

(e) *Documentary Stamp Tax*

The Company paid P1,627 of documentary stamp tax (DST) in 2016.

(f) *Taxes and Licenses*

Details of taxes and licenses are as follows:

Business permits	P	141,475
Community tax certificate		6,927
DST		1,627
Others		37,760
	P	187,789

The amount of taxes and licenses is presented as part of Other Operating Expenses in the 2016 statement of comprehensive income (see Note 10).

(g) *Withholding Taxes*

Details of total withholding taxes for the year ended December 31, 2016 are shown below.

Expanded	P	458,853
Compensation and employee benefits		290,017
	P	749,750

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

(h) *Deficiency Tax Assessments and Tax Cases*

In 2016, the Company was assessed for deficiency taxes on expanded withholding taxes and documentary stamp taxes amounting to P335,372, including interest of P112,486, covering the taxable year 2012. The assessment was fully paid in 2016. The deficiency tax is presented as part of Miscellaneous under Operating Expenses account in the 2016 statement of comprehensive income (see Note 10).

As of December 31, 2016, the Company does not have other final deficiency tax assessment with the BIR or tax cases outstanding or pending in any of the open taxable years.

21.2 Requirements Under RR No. 19-2011

RR No. 19-2011 requires schedules of taxable revenues and other non-operating income, costs of sales and services, itemized deductions and other significant tax information, to be disclosed in the notes to financial statements.

The amounts of taxable revenues and income, and deductible costs and expenses presented below are based on relevant tax regulations issued by the BIR; hence, may not be the same as the amounts reflected in the 2016 statement of comprehensive income.

(a) Taxable Revenues

The Company's taxable revenues for the year ended December 31, 2016, which are presented as Sale of Services in the 2016 statement of comprehensive income and are subject to the regular tax rate, amounted to P13,309,973.

(b) Deductible Cost of Services

Cost of services, which are deductible under the regular tax rate for the year ended December 31, 2016, comprises the following:

Outside services	P	3,349,793
Overhead		191,544
	P	**3,541,337**

(c) Taxable Non-operating and Other Income

The Company recognized taxable rent income and realized forex – gain in 2016 which is subject to regular tax totaling to P8,017,270.

(d) Itemized Deductions

The amounts of itemized deductions which are deductible under the regular tax rate for the year ended December 31, 2016 are as follows:

Rental	P	7,078,331
Salaries and employee benefits		1,752,863
Membership dues		1,187,082
Utilities, light and communication		1,182,278
Repairs and maintenance		696,797
Professional fees		289,500
Depreciation and amortization		221,969
Taxes and licenses		187,789
Office supplies		15,486
Travel and transportation		13,709
Freight charges		5,479
Representation and entertainment		4,566
Trainings and seminars		500
Miscellaneous		201,184
	P	**13,737,533**