





## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Allsectech Manila, Inc. (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended March 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, 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.

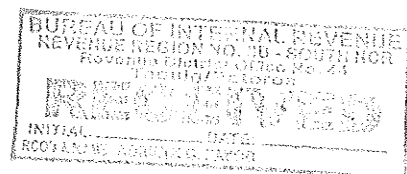
The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein and submits the same to the stockholders or member.

ETP and Associates Co. (Represented by the Signing Partner, Enrico T. Pizarro), the independent auditor appointed by the stockholders (members) has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders (members) has expressed its opinion on the fairness or presentation upon completion of such audit.

**SUBRAMANIAN RAMAKRISHNAN**  
President and Chairman

**DENNIS T. ESTAVILLO**  
Treasurer



Signed this 4<sup>th</sup> day of April 2020.

JUL 29 2020

# **ETP and Associates Co.**

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Unit 1712, 98 Cityland Herrera Tower V.A. Rufino St. cor. Valero St. Salcedo Village, Brgy. Bel-Air, Makati City, Philippines  
Telephone Number: +632 88232126

## **REPORT OF INDEPENDENT AUDITOR TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION**

**The Board of Directors and the Stockholders  
Allsectech Manila, Inc.**  
*(A Wholly-Owned Subsidiary of  
Allsec Technologies Ltd.)*

**3F Market! Market!,  
Bonifacio Global City,  
Taguig City, Metro Manila**

We have audited the accompanying financial statements of Allsectech Manila, Inc. (the "Company"), as at and for the years ended March 31, 2020 and 2019, on which we have rendered our report dated April 6, 2020.

In compliance with Securities Regulation Code Rule 68, as amended, we are stating that the Company has one (1) stockholder owning one hundred (100) or more shares each.

**ETP AND ASSOCIATES CO.**

**ENRICO T. PIZARRO**

Partner

CPA Certificate No. 0097067

Tax Identification No. 201-775-899-000

PTR No. 8281545

Issued on May 29, 2020 at Makati City

BIR Accreditation No. 08-001463-001-2017

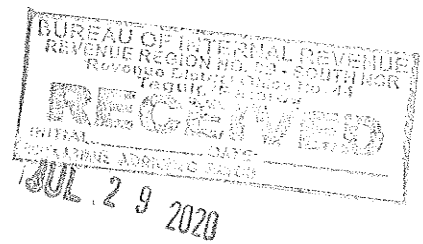
Valid until April 7, 2020

Firm's BOA Accreditation No. 6003

Valid until January 11, 2021

April 6, 2020

**ALLSECTECH MANILA, INC.**  
***(A Wholly-Owned Subsidiary of***  
***Allsec Technologies Ltd.)***  
***(A PEZA Registered Enterprise)***  
***Audited Financial Statements***  
**MARCH 31, 2020 and 2019**



# **ETP and Associates Co.**

Unit 1712, 98 Cityland Herrera Tower V.A. Rufino St. Salcedo Village, Brgy. Bel-Air, Makati City, Philippines  
Telephone Number: +632 88232126

## **INDEPENDENT AUDITOR'S REPORT**

**The Board of Directors and the Stockholders**  
**Allsectech Manila, Inc.**  
*(A Wholly-Owned Subsidiary of*  
*Allsec Technologies Ltd.)*

**3F Market! Market!,**  
**Bonifacio Global City,**  
**Taguig City, Metro Manila**

### *Opinion*

We have audited the financial statements of Allsectech Manila, Inc. (the "Company"), which comprise the statements of financial position as at March 31, 2020 and 2019 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the fiscal years then ended, and notes to the financial statements, including a summary of significant accounting policies.

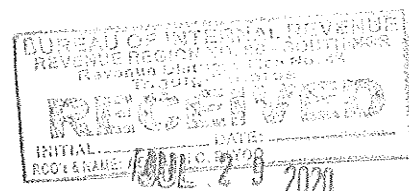
In our opinion, the accompanying financial statements presents fairly, in all material respects, the financial position of the Company as at March 31, 2020 and 2019 and its financial performance and its cash flows for the fiscal years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

### *Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's 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, the *Code of Ethics for Professional Accountants 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 of the financial statements in accordance with PFRSs, 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.

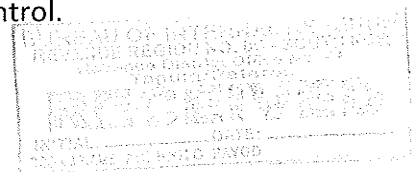
Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### *Auditor's 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 auditor's 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 PSAs 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 PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

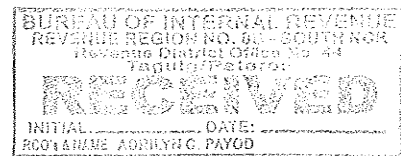
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 the accounting policies used and the reasonableness of accounting estimates of the Company's internal control.



JUL 29 2015

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether 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 material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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 findings, including any significant deficiencies in internal control that we identify during our audits.



Jul 29 2020

**Report on the Supplementary Information Required under Revenue Regulation Nos. 15-2010 and 2-2014 of the Bureau of Internal Revenue (BIR)**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and licenses and the schedule of taxable income and deductible expense in Note 19 to the financial statements is presented for the purpose of filing with the BIR and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Company. The information has been subjected to the auditing procedures applied in our audit of basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as whole.

**ETP AND ASSOCIATES CO.**



**ENRICO T. PIZARRO**

Partner

CPA Certificate No. 0097067

Tax Identification No. 201-775-899-000

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Issued on May 29, 2020 at Makati City

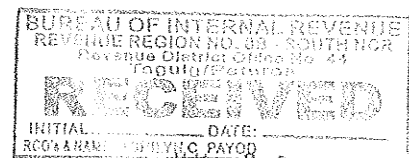
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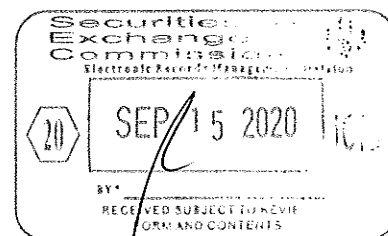
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April 6, 2020



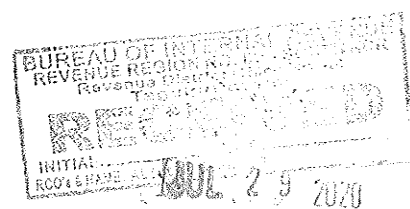


**ALLSECTECH MANILA, INC.**  
*(A Wholly-Owned Subsidiary Of Allsec Technologies Ltd.)*  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2020 AND 2019**  
*(Amounts in Philippine Peso)*



	<u>Notes</u>		<u>2020</u>		<u>2019</u>
<b><u>A S S E T S</u></b>					
<b>CURRENT ASSETS</b>					
Cash	6,7,17,18,19	P	510,966,146	P	233,738,642
Trade and other receivables	6,8,18,19		97,655,267		113,943,574
Due from related parties	6,16,18,19		2,597,513		2,889,127
Prepayments and other current assets	9,20		<u>1,233,441</u>		<u>1,112,603</u>
Total Current Assets			<u>612,452,367</u>		<u>351,683,946</u>
<b>NON-CURRENT ASSETS</b>					
Property and equipment - net	5,10,14,15		60,076,202		12,489,599
Other non-current assets	6,12,18,19		<u>12,481,908</u>		<u>9,935,207</u>
Total Non-Current Assets			<u>72,558,110</u>		<u>22,424,806</u>
<b>TOTAL ASSETS</b>		<b>P</b>	<b><u>685,010,477</u></b>	<b>P</b>	<b><u>374,108,752</u></b>
<b><u>LIABILITIES AND EQUITY</u></b>					
<b>CURRENT LIABILITIES</b>					
Trade and other payables	6,13,18,19,20	P	30,639,786	P	16,792,479
Income tax payable			3,322,946		9,965,698
Due to related parties	6,16,18,19		<u>2,870,828</u>		<u>2,860,882</u>
Total Current Liabilities			36,833,560		29,619,059
<b>NON-CURRENT LIABILITY</b>					
Lease liability			<u>45,880,903</u>		-
Total Liabilities			<u>82,714,463</u>		<u>29,619,059</u>
<b>EQUITY</b>					
Capital stock			81,250,000		81,250,000
Retained earnings			<u>521,046,014</u>		<u>263,239,693</u>
Total Equity			<u>602,296,014</u>		<u>344,489,693</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P</b>	<b><u>685,010,477</u></b>	<b>P</b>	<b><u>374,108,752</u></b>

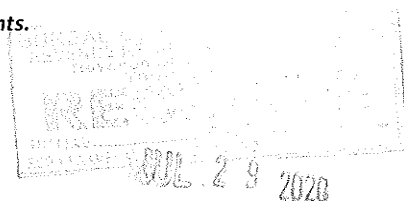
*See Accompanying Notes to Financial Statements.*



**ALLSECTECH MANILA, INC.**  
**(A Wholly-Owned Subsidiary Of Allsec Technologies Ltd.)**  
**STATEMENTS OF TOTAL COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED MARCH 31, 2020 AND 2019**  
*(Amounts in Philippine Peso)*

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>			
Call center operation	20	P 460,699,597	P 264,968,473
Other outsourcing services	20	181,227,027	345,028,905
Realized foreign exchange gain (loss)		( 1,993,825 )	( 65,517 )
Unrealized foreign exchange gain	7,17	( 10,018,574 )	( 238,672 )
 Total Revenues		 629,914,226	 609,693,189
 <b>COST OF SERVICES</b>	 5,10,14,20	 ( 342,048,792 )	 ( 351,848,526 )
 <b>GROSS PROFIT</b>		 287,865,434	 257,844,663
 <b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	 5,10,15,17,20	 ( 71,090,835 )	 ( 80,379,336 )
 <b>OPERATING INCOME</b>		 216,774,600	 177,465,327
 <b>OTHER INCOME</b>			
Sub-contracted services	20	58,569,434	53,785,780
Interest income	7,17	814,935	304,697
Miscellaneous income		-	50,666
 Total		 59,384,369	 54,141,143
 <b>FINANCE COST</b>	 17	 ( 44,515 )	 ( 144,338 )
 <b>INCOME BEFORE INCOME TAX EXPENSE</b>		 276,114,453	 231,462,132
 <b>INCOME TAX EXPENSE</b>	 17	 ( 18,308,133 )	 ( 17,171,796 )
 <b>NET INCOME</b>		 <u>P 257,806,321</u>	 <u>P 214,290,336</u>

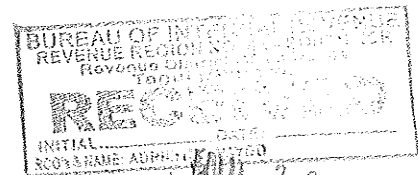
*See Accompanying Notes to Financial Statements.*



**ALLSECTECH MANILA, INC.**  
**(A Wholly-Owned Subsidiary Of Allsec Technologies Ltd.)**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED MARCH 31, 2020 AND 2019**  
*(Amounts in Philippine Peso)*

	2020	2019
<b>CAPITAL STOCK</b>		
Common stock - P100 par value per shares		
Authorized - 850,000 shares		
Issued and outstanding - 812,500 shares	P 81,250,000	P 81,250,000
<b>RETAINED EARNINGS</b>		
Balance at beginning of year	263,239,693	48,949,357
Net income during the year	257,806,321	214,290,336
Balance at end of year	521,046,014	263,239,693
<b>TOTAL EQUITY</b>	<b>P 602,296,014</b>	<b>P 344,489,693</b>

*See Accompanying Notes to Financial Statements.*



ALLSECTECH MANILA, INC.  
(A Wholly-Owned Subsidiary Of Allsec Technologies Ltd.)  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MARCH 31, 2020 AND 2019  
(Amounts in Philippine Peso)

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax paid		P 276,114,453	P 231,462,132
Adjustments for:			
Depreciation expense	5,10,14,15	7,301,153	6,340,774
Interest income	7,17	( 814,935 )	304,697
Operating income before changes in working capital balances		<u>282,600,671</u>	<u>238,107,603</u>
Changes in:			
Trade and other receivables	6,8,18,19	16,288,307	( 47,446,574 )
Due from related parties	6,16,18,19	291,614	( 726,797 )
Prepayments and other current assets	9,20	( 120,838 )	87,370
Trade and other payables	6,13,18,19,20	7,204,556	( 837,034 )
Lease liabilities		45,880,903	-
Due to related parties	6,16,18,19	<u>9,946</u>	( 5,477,540 )
Net cash generated from operations		<u>352,155,158</u>	<u>183,707,028</u>
Income tax paid		( 18,308,133 )	( 12,538,698 )
Interest received	7,17	<u>814,935</u>	( 304,697 )
Net Cash Flows From Operating Activities		<u>334,661,960</u>	<u>170,863,633</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property and equipment	10	( 54,887,756 )	( 7,980,311 )
Increase in refundable deposits	6,12,18,19	( 2,546,701 )	( 1,239,026 )
Net Cash Flows Used In Investing Activities		( 57,434,457 )	( 9,219,337 )
<b>NET INCREASE IN CASH</b>		<b>277,227,504</b>	<b>161,644,296</b>
<b>CASH AT BEGINNING OF YEAR</b>		<u><b>233,738,642</b></u>	<u><b>72,094,346</b></u>
<b>CASH AT END OF YEAR</b>		<u><b>P 510,966,146</b></u>	<u><b>P 233,738,642</b></u>

*See Accompanying Notes to Financial Statements.*

**ALLSECTECH MANILA, INC.**  
*(A Wholly-Owned Subsidiary of Allsec Technologies Ltd.)*  
*(A PEZA Registered Enterprise)*  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2020 and 2019**

**1. COMPANY INFORMATION**

Allsectech Manila, Inc. (the "Company") is primarily engaged in the business of business process outsourcing including contact center operations. It is also engaged in trading information technology related goods and services on wholesale or retail basis. Goods such as computer equipment, software and operating systems, services such as programming, consultation, systems and administration and deployment, managing information services, creating consumer software applications, building enterprise applications, integrating independent solutions, and data warehousing.

On October 3, 2007, all of the Company's equity holders signed a share purchase agreement with Allsec Technologies, Ltd., (the "Parent"), a foreign company, thereby transferring all their respective shares to the latter. Accordingly, the Company's management has changed.

The Company is a wholly-owned subsidiary of Allsec Technologies, Ltd. (the "Parent"), a publicly-listed company based in Chennai, India. It is an integrated contact third party management services center which offers both voice and non-voice services.

The Company's principal address is 3/F Market Market!, Bonifacio Global City Taguig City, Metro Manila.

The Company was also registered with the Philippine Economic Zone Authority (PEZA) as an Ecozone IT Enterprise under the Registration Certificate 07-79-IT dated December 17, 2007.

The Company benefits from the following available incentives for the year 2020:

1. Incentives under Book VI of Executive Order (EO) 226 which include the following:
  - a.) Corporate income tax holiday (ITH) for four (4) years from original project effective on the committed date of start of commercial operations, or the actual date of start of commercial operations, whichever is earlier; ITH entitlement for the original project can also be extended for another three (3) years provided specific criteria are met for each additional year and prior PEZA approval is obtained; duly approved and registered "Expansion" and "New" projects are entitled to a three-year, and four-year ITH, respectively;
  - b.) Tax and duty free importation of merchandise which include raw materials, capital equipment, machineries and spare parts;

- c.) Exemption from wharfage dues and export tax, impost or fees;
  - d.) VAT zero-rating of local purchases subject to compliance with BIR and PEZA requirements; and
  - e.) Exemption from payment of any and all local government impost, fees, licenses or taxes except real estate tax; however, machineries installed and operated in the ecozone for manufacturing processing or for industrial purposes shall not be subject to payment of real estate taxes for the first three (3) years of operation of such machineries; production equipment not attached to real estate shall be exempt from real property taxes.
2. After the lapse of ITH, the following incentives shall apply:
- a.) Exemption from national and local taxes, in lieu thereof payment of 5% final tax on gross income as provided in Section 24 of R.A. 7916 and Rule XX of the Rules and Regulations to Implement R.A. 7916, and
  - b.) Additional deduction from training expenses (1/2 of value) against the 5% tax on gross income earned, but not to exceed 3%, subject to guidelines to be formulated by PEZA in coordination with the Department of Labor and Employment and the Department of Finance (Section 42 of R.A. 7916).
3. Non-fiscal incentives shall include the following:
- a.) Permanent resident status within the ecozone for foreign investors with initial investment of at least US \$ 150,000.00;
  - b.) Employment of foreign nationals; and
  - c.) Simplified import and export procedures.

The Company is a qualified enterprise for the purpose of VAT zero-rating of its transaction with its local suppliers of goods, properties and services in connection with its PEZA-registered activities, in accordance with Section 4.106-6 and 4.108-6. The term 'effectively zero-rated sale of goods and properties' shall refer to the local sale of goods and properties by a VAT registered person to a person or entity who was granted indirect tax exemption under special laws or international agreement." of Revenue Regulations No. 16-2005, the Consolidated Value-added Tax Regulations 2005.

The Company received Letter of Authority (LOA) No. 19-ERD-ITE/SC/FE-0122 on January 15, 2019 valid until March 31, 2020 which grants the Company's request for authority to contract parts/sub-processes of its Business Process Outsourcing (BPO) operations, particularly Human Resource Operation (HRO) support services and Specialized Services Support to its Parent provided that the such services does not exceed 25% of the total cost of the total/complete services of the Company for BPO to its foreign and domestic clients. Revenues and income from said sub-contracted services shall be subject to the Regular Corporate Income Tax (RCIT) and shall be recorded in its book of accounts and its Audited Financial Statements and Income Tax Return as "other income".

The financial statements as at and for the years ended March 31, 2020 and 2019 were approved and authorized for issuance by the Board of Directors (BOD) on April 6, 2020.

## 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

### Statement of Compliance

#### *Financial Reporting Framework*

The financial statements that shall be prepared and filed by entities covered by SRC Rule 68 shall be in accordance with the financial reporting framework as prescribed under this section.

#### LARGE AND/OR PUBLICLY-ACCOUNTABLE ENTITIES

a) For purposes of this Rule, large or publicly accountable entities are those that meet any of the following criteria:

- 1) Total assets of more than P350 Million or total liabilities of more than P250 Million; or
- 2) Are required to file financial statements under Part II of SRC Rule 68; or
- 3) Are in the process of filing their financial statements for the purpose of issuing any class of instruments in a public market; or
- 4) Are holders of secondary licenses issued by regulatory agencies.

b) Large and/or publicly-accountable entities shall use as their financial reporting framework the Philippine Financial Reporting Standards ("PFRS") as adopted by the Commission. However, a set of financial reporting framework other than the PFRS may be allowed by the Commission for certain sub-class (e.g., banks, insurance companies) of these entities upon consideration of the pronouncements or interpretations of any of the bodies listed in paragraph 1(B)(ii) above.

The financial statements of the Company has been prepared in accordance with the Philippine Financial Reporting Standards (PFRS), which includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC) and Standards Interpretations Committee (SIC) as approved by the Financial Reporting Standards Committee (FRSC) and Board of Accountancy (BOA) and adopted the SEC.

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

#### **Basis of Preparation and 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 and expenses and other comprehensive income or loss in a single statement of comprehensive income.

#### **Functional Presentation Currency**

These financial statements are presented in Philippine Peso, the currency of the primary economic environment in which the Company operates. All amounts are recorded in the nearest peso, except when otherwise indicated

### **3. AMENDMENTS TO THE PFRS**

#### **Amendments to the Philippine Financial Reporting Standards (PFRS) Effective January 1, 2019**

The following amendments to the existing standards or new standards applicable during the reporting period and those that are effective in the succeeding period where early adoption is encourage.

##### **a. Amendments to Philippine Accounting Standards (PAS) 40 *Investment Property***

Companies shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property and supporting evidence that a change in use has occurred. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

The above-mentioned amendment has no impact on the Company's financial statement as of and for the year ended March 31, 2020.



b. *Annual Improvements to PFRSs 2014-2016 Cycle*

1. *Amendments to PAS 28 Measuring an associates or joint venture at fair value.*

Clarification that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition

2. *Amendments to PFRS 1 Deletion of short-term exemptions for first-time adopters.*

Deleted the short-term exemptions in paragraphs E3-E7 of International Financial Reporting Standards (IFRS) 1, because they have now served their intended purpose.

The above-mentioned amendments have no impact on the Company's financial statements as of and for the year ended March 31, 2020.

c. *Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions*

Clarification that the accounting for the effects of vesting and non-vesting conditions on cash-settled share-based payments should follow the same approach as for equity-settled share-based payments. This means that market and non-vesting conditions are taken into account in estimating the fair value of the cash-settled share-based payment while service and non-market conditions are not taken into account when estimating the fair value but are instead taken into account by adjusting the number of awards included in the measurement of the liability.

The effects of all conditions will be revised at the end of each reporting period, meaning that the cumulative liability recognised equals the cash eventually paid.

Companies are required to withhold on behalf of their employees a specified number of equity instruments to meet the employee's tax liability which is then remitted to the tax authority. The equity instruments withheld should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature. It is required also a requirement to disclose an estimate of the amount of cash expected to be transferred to the tax authority as a result of such arrangement.

Clarification that a modification of a share-based payment that changes the transaction from cash-settled to equity-settled be accounted as follows:

1. The original liability is derecognised;
2. The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
3. Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The above-mentioned amendment has no impact on the Company's financial statements as of and for the year ended March 31, 2020.

d. Amendments to PFRS 4, *Insurance Contract*

PFRS 4 provides entities meeting a criterion for engaging in predominantly insurance activities with the option to continue current PFRS accounting and to defer the application of PFRS 9 until the earlier of the application of the new insurance standard or periods beginning on or after January 1, 2021.

Separately, it also provides all entities with contracts within the scope of PFRS 4, following full adoption of IFRS 9, to present changes in fair value on qualifying designated financial assets in other comprehensive income (OCI) instead of profit or loss. This is referred to as the 'overlay approach' and is available on an asset by asset basis with specific requirements around designations and de-designations.

Both the temporary exemption and the overlay approach are also available to first-time adopters of IFRSs.

The above-mentioned amendment has no impact on the Company's financial statement as of and for the year ended March 31, 2020.

e. PFRS 9 *Financial Instruments*

PFRS 9 was issued as complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets.

The impairment model is based on the concept of providing for expected losses at inception of a contract, except in the case of purchased or originated credit-impaired financial assets, for which expected credit losses are incorporated into the effective interest rate. With the exemption of purchased or originated credit-impaired financial assets, expected credit losses are required to be measured through a loss allowance at an amount equal to either of the following:

1. The 12-month expected credit losses (expected credit losses that result from those default events on the financial instruments that are possible within 12 months after the reporting date.)
2. Full lifetime expected credit losses (expected credit losses that results from all possible default events over the life of the financial instruments.)

A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition. It is also required for contract assets or trade receivables that do not constitute a financing transaction in accordance with IFRS 15.

In addition, entities can elect an accounting policy to recognize full lifetime expected losses for all contract assets or all trade receivables that do constitute a financing transaction in accordance with IFRS 15. The same election is also separately permitted for lease receivables.

For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses.

Any measurement of expected credit losses under IFRS 9 should reflect an unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes as well as incorporating the time value of money. Also, the entity should consider reasonable and supportable information about past events, current conditions, and reasonable and supportable forecasts of future economic conditions when measuring expected credit losses.

To reflect time value, expected losses should be discounted to the reporting date by using the effective interest rate of the asset (or an approximation thereof) that was determined at initial recognition. A “credit-adjusted effective interest” rate should be used for expected credit losses of purchased or originated credit-impaired financial assets. In contrast to the “effective interest rate” (calculated by using expected cash flows that ignore expected credit losses), the credit-adjusted effective interest rate reflects expected credit losses of the financial asset.

IFRS 9 introduces new classification and measurement category of Fair Value to Other Comprehensive Income (FVTOCI) for debt instruments that meet the following two conditions:

1. *Business model test* — The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows *and* selling financial assets.
2. *Cash flow characteristics test* — The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

When an asset meets both of these conditions, it is required to be measured at FVTOCI unless, on initial recognition, it is designated at FVTPL to address an accounting mismatch.

For such assets, interest revenue, foreign exchange gains and losses, and impairment gains and losses are recognized in profit or loss with other gains or losses (i.e., the difference between those items and the total change in fair value) recognized in other comprehensive income (OCI).

Any cumulative gain or loss recorded in OCI would be reclassified to profit and loss on derecognition or dealt with in accordance with specific guidance in the case of reclassifications.

Interest income and impairment gains and losses are recognized and measured in the same manner as assets measured at amortized cost such that the amounts in OCI represent the difference between the amortized cost value and fair value. This results in the same information in profit or loss as if the asset were measured at amortized cost, yet the statement of financial position reflects the instrument's fair value.

The above-mentioned amendment has no impact on the Company's financial statements as of and for the year ended March 31, 2020.

#### f. Amendments to PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 illustrates some factors that an entity might consider in making the assessment as to whether promised goods or services are distinct. Those factors are:

1. Whether the goods or services are inputs to produce or deliver a combined output
2. Whether the goods or services promised in the contract modify or customise or are significantly modified or customised by one or more of the other goods or services
3. Whether the goods or services are highly interdependent or interrelated.

PFRS 15 clarified that an entity should assess whether it is a principal or agent on each specified good or service promised good or service before it is transferred to the customer. Accordingly, an entity is required to identify each good or service to be provided to the customer and assess whether it controls each good or service before that good or service is transferred to the customer. There is additional guidance to explain how each indicator supports the assessment of control. The indicators are reframed to indicate when an entity is a principal rather than when an entity is an agent. The indicators relating to the form of the consideration and exposure to credit risk has been removed as this indicator would not be helpful in assessing whether an entity is a principal. The indicator relating to exposure to credit risk is also removed as credit risk is generally not a helpful indicator when assessing whether an entity controls the specified goods or services.

In determining whether the licence grants customers a right to use the underlying intellectual property (IP) or right to access the IP on an entity's promise to grant a licence of its IP, PFRS 15 clarifies that the University is required to determine whether those activities are expected to significantly change the form or the functionality of the IP or the ability of the customer to obtain benefit from the IP is substantially derived from or dependent upon those activities. If the IP has significant stand-alone functionality, the licence would be a right to use IP, and revenue would be recognised at a point in time.

PFRS 15 give entities the option to apply another practical expedient when using the full retrospective transition approach. Under this expedient, entities are permitted to exclude the evaluation of any contract that was completed at the beginning of the earliest period presented. In addition, an entity will not be required to apply the requirements for contracts modification retrospectively for those contracts that were modified before the beginning of the earliest period presented. Instead, an entity is required to reflect the aggregate effect of those modification when identifying the satisfied and unsatisfied performance obligations, determining transaction price and allocating the transaction price to the satisfied and unsatisfied performance obligations.

The above-mentioned amendment has no impact on the Company's financial statements as of and for the year ended March 31, 2020.

#### **Amendments effective January 1, 2020**

##### **a. Amendments to PFRS 9, *Prepayment Features with Negative Compensation***

Clarification that for the purpose of assessing whether a prepayment feature meets the solely payments of principal and interest ("SPPI") condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. Prepayment features with negative compensation do not automatically fail SPPI.

The above-mentioned amendment has no impact on the Company's financial statements as of and for the year ended March 31, 2020.

b. Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The International Accounting Standards Board (IASB) has clarified that PFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying PFRS 9 to long-term interests, an entity does not take into account adjustment to their carrying amount required by PAS 28.

The above-mentioned amendment has no impact on the Company's financial statements as of and for the year ended March 31, 2020.

c. Amendments to PAS 19, *Plan Amendment, Curtailment or Settlement*

Clarification that the past service cost is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment but ignoring the effect of the asset ceiling that may arise when the defined benefit plan is in a surplus position.

The above-mentioned amendment has no impact on the Company's financial statements as of and for the year ended March 31, 2020.

d. *Annual Improvements to PFRSs 2014-2016 Cycle*

1. Amendments to PFRS 3 *Business Combination*

Clarification that when an entity obtains control of a business of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

2. Amendments to PFRS 11 *Joint Arrangements*

Clarification that when a party that participates in, but does not have joint control of, a joint operation that is a business joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation.

### 3. Amendments to PAS 12 *Income Taxes*

Clarification that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

### 4. Amendments to PAS 23 *Borrowing Cost*

Clarification that if any specific borrowing remains outstanding after the related assets is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

The above-mentioned amendment has no impact on the Company's financial statements as of and for the year ended March 31, 2020.

### e. Foreign Currency Transactions and Advance Consideration

It clarifies that when an entity pays or receives consideration in advance in a foreign currency, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date of the advance consideration.

This amendment has no impact on the Company's financial statements as of and for the year ended March 31, 2020.

### f. Annual Improvements

#### 1. IFRS 1 First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions of first-time adopters

The amendments delete the short-term exemptions in IFRS 1 that relate to disclosures about financial instruments (IFRS 7), Employee benefits (IAS 19) and investment entities (IFRS 12 and IAS 27).

#### 2. IAS 28 Investments in Associates and Joint Ventures – Measurements as associates or joint venture at fair value

The amendments clarify that the option for a venue capital organization and other similar entities to measure investments in associates and joint ventures at FVPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture.

In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its accessories and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associates or IE joint venture.

This amendment has no impact on the Company's financial statement as of and for the year ended March 31, 2020.

- g. **PFRS 16, Leases** (effective from January 1, 2020). The new standard will eventually replace PAS 17, Leases.

For leases, 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, noncancelable payments and 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" assets are accounted for similarly to a purchased asset and depreciated or amortized. The lease liability is accounted for, similarly to as, 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 remains the same as 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 basis 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.

The amendment has no impact on the Company's financial statements as of and for the year ended March 31, 2020.



#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### Basic Financial Instruments

The Company recognizes a financial asset and a financial liability only when the Company becomes a party to the contractual provisions of the instruments. When a financial asset or financial liability is recognized initially, the Company measures it at the transaction price and subsequently measures it at amortized cost using the effective interest method.

*Cash.* Cash includes cash on hand and in banks stated at face amount. Cash in banks earn interest at the prevailing bank deposit rates.

*Trade and other receivables.* Trade and other receivables are recognized initially at the transaction price including transaction costs. These are subsequently measured at amortized cost, less any allowance for impairment. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

##### *Refundable Deposits*

Refundable deposits (presented Other Non-Current Assets) are recognized initially at the transaction price. These are subsequently measured at amortized cost using the effective interest method for maturities beyond one year, less any accumulated allowance for impairment. They are included in current assets, except for maturities greater than 12 months after the reporting period which are classified as noncurrent assets. An allowance for impairment of refundable deposits is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The related impairment loss is recognized immediately in profit or loss.

Refundable deposits 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.

*Trade and other payables.* Trade and other payables (excluding statutory payables) are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method.

#### Prepayments and other current asset

Prepayments and other current assets pertain to 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 noncurrent assets.

#### Value-added tax (VAT)

Revenue, expenses and assets are recognized net of the amount of VAT except receivables and payables that are stated with the amount of VAT included. The amount of VAT recoverable from the taxation authority is included as part of "Trade and other payables" account in the statements of financial position.

#### Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period the costs are incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the asset as follows:

<u>Asset</u>	<u>Years</u>
Computer and information technology (IT) equipment	2 to 3 years
Furniture and fixtures	3 to 5 years
Transportation equipment	3 to 5 years

The assets' useful lives and depreciation method are reviewed if there is an indication of a significant change since the last reporting date and adjusted prospectively, if appropriate.

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.

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

### Capital Stock

Capital stock is measured at par value for all shares issued.

### *Preferred shares*

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary dividends thereon are recognized as distribution within equity upon approval by the Company's shareholders.

Preference shares are classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Non-discretionary dividends thereon are recognized as interest expense in profit or loss as accrued.

### Retained Earnings

Retained earnings pertain to cumulative net income or loss, net of any dividend declaration.

### Revenue and Cost Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Revenue and related cost of services are recognized upon rendering of service.

### Leases

*Company as Lessor.* Leases where the Company retains substantially all the risks and benefits of ownership are classified as operating leases. Operating lease payments are recognized as an income in profit or loss using straight-line basis over the lease term.

*Company as Lessee.* Leases where the lessor retains substantially all the risks and benefits of ownership are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss using straight-line basis over the lease term. The right-of-use asset is initially recognised at the commencement day and measured at cost, consisting of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. The provision for the restoration costs is recognised as a separate liability.

### Income Taxes

*Current Tax.* Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

*Deferred Tax.* Deferred tax is recognized on all temporary differences at the reporting date between the carrying amount of the assets and liabilities in the financial statements and their corresponding tax bases. Deferred tax liabilities are recognized for all temporary differences that are expected to increase taxable income in the future. Deferred tax assets are recognized for all temporary differences that are expected to reduce taxable income in the future.

The carrying amount of deferred tax assets is reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable income.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable income (tax loss) of the period in which it expects the deferred tax assets to be realized or the deferred tax liabilities to be settled, on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### Related Party Transactions

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its members.

#### Provisions

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

#### Events after the Reporting Date

Events after the reporting date that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

## 5. SIGNIFICANT ACCOUNTING JUDGMENT AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcome that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

### Judgments

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

### Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *Allowance for Impairment of Trade and Other Receivables*

The Company maintains allowance for impairment of trade and other receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of the factors that affect the collectability of the accounts. These factors include, but are not limited to, the Company's relationship with its clients, client's current credit status and other known market factors. The Company reviews the age and status of receivables and identifies accounts that are to be provided with allowance either individually or collectively. The amount and timing of recorded expenses for any period would differ if the Company made different assumptions or utilized different estimates.

No impairment for allowances was recognized in 2020 and 2019.

*Estimating Useful Lives of Property and Equipment.* The Company estimates the useful lives of property and equipment based on the economic lives of property and equipment. The estimated useful lives of property and equipment are reviewed periodically and updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property and equipment. However, it is possible that future results or operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recording of expenses for any year would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment would increase the recorded expenses and decrease the noncurrent assets.

## 6. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of:

	<u>2020</u>	<u>2019</u>
<b>Financial Assets</b>		
Financial assets measured at face amount	P 510,966,146	P 233,738,642
Financial assets measured at amortized cost less impairment	<u>112,734,687</u>	<u>126,767,908</u>
Total	<u>P 623,700,833</u>	<u>P 360,506,550</u>
<b>Financial Liability</b>		
Financial liability measured at amortized cost	<u>P 13,169,296</u>	<u>P 19,653,361</u>

Financial assets measured at amortized cost less impairment includes trade receivables, due from related parties and security deposit. (see also Notes 7, 8, 11, 15, 17 and 18).

Financial liability measured at amortized cost includes trade payables and due to related parties (see also Notes 12, 15, 17 and 18).

## 7. CASH

This account consists of (see also Note 6):

	<u>2020</u>	<u>2019</u>
Cash on hand	P 12,500	P 12,500
Cash in bank	<u>510,953,646</u>	<u>233,726,142</u>
Total	<u>P 510,966,146</u>	<u>P 233,738,642</u>

Figure shown in the table above represented cash readily available for Company's operation.

The Company maintain cash in bank in Philippine peso and in US dollar. Deposits in US dollar amounted P 479,884,204 and P 187,957,609 converted into peso using prevailing closing rate resulting to unrealized foreign currency exchange loss of P 10,018,574 and loss of P 238,672 for the years 2020 and 2019, respectively (see also Note 16).

Cash deposit in banks generally earns interest based on daily bank deposit rates. Interest income from bank deposits amounted to P 814,935 and P 304,697 in 2020 and 2019, respectively (see also Note 16).

## 8. TRADE AND OTHER RECEIVABLES

This account is broken down as follows:

	<u>2020</u>	<u>2019</u>
Trade (see Notes 6, 17 and 18)	P 96,035,251	P 113,661,468
Advances to officers and employees	1,221,560	109,283
Advances for liquidation	<u>398,456</u>	<u>172,823</u>
Total	<u>P 97,655,267</u>	<u>P 113,943,574</u>

The Company's trade receivables represent non-interest bearing claims of the Company from its customers. Trade receivables are normally collectible within 180 days.

The Company's trade receivables have been reviewed for indications of impairment. Based on management's evaluation, no impairment losses on trade receivables need to be recognized for 2020 and 2019.

## 9. PREPAYMENTS AND OTHER CURRENT ASSETS

As of March 31, this account consists of:

	<u>2020</u>	<u>2019</u>
Prepaid expenses	P 1,220,083	P 1,098,961
Input value added tax (VAT)	<u>13,359</u>	<u>13,642</u>
Total	<u>P 1,233,441</u>	<u>P 1,112,603</u>

Prepaid expenses include advance payments for maintenance, recruitment, medical, rent and insurance (see also Note 19).

## 10. PROPERTY AND EQUIPMENT - Net

Reconciliation of cost and accumulated depreciation as of March 31 is as follows:

	2020		
	Computer and IT Equipment	Furniture and Fixtures	Total
<b>Cost</b>			
Balance at beginning of year	P 86,329,470	P 17,413,121	P 103,742,591
Additions	<u>54,762,223</u>	<u>125,534</u>	<u>54,887,756</u>
Balance at end of year	<u>141,091,692</u>	<u>17,538,655</u>	<u>158,630,347</u>
<b>Accumulated Depreciation</b>			
Balance at beginning of year	74,675,612	16,577,380	91,252,992
Depreciation (see also Notes 13 and 14)	<u>6,829,518</u>	<u>471,634</u>	<u>7,301,152</u>
Balance at end of year	<u>81,505,130</u>	<u>17,049,014</u>	<u>98,554,144</u>
<b>Net Book Value</b>	<u>P 16,689,050</u>	<u>P 489,641</u>	<u>P 60,076,202</u>

	2019		
	Computer and IT Equipment	Furniture and Fixtures	Total
<b>Cost</b>			
Balance at beginning of year	P 79,038,501	P 16,723,779	P 95,762,280
Additions	<u>7,290,969</u>	<u>689,342</u>	<u>7,980,311</u>
Balance at end of year	<u>86,329,470</u>	<u>17,413,121</u>	<u>103,742,591</u>
<b>Accumulated Depreciation</b>			
Balance at beginning of year	68,785,150	16,127,068	84,912,218
Depreciation (see also Notes 13 and 14)	<u>5,890,462</u>	<u>450,312</u>	<u>6,340,774</u>
Balance at end of year	<u>74,675,612</u>	<u>16,577,380</u>	<u>91,252,992</u>
<b>Net Book Value</b>	<u>P 11,653,858</u>	<u>P 835,741</u>	<u>P 12,489,599</u>



Depreciation amounting to P 6,829,518 is charged to cost of services while P 471,634 is charged to general and administrative expenses. Management believes that there is no indication that an impairment loss has occurred on its properties and equipment for the fiscal year-end 2020.

#### 11. RIGHT-OF-USE OF ASSETS

The movement of right-of-use assets are as follows:

	2020	
<b>Cost</b>		
Adjustment due to adoption of PFRS 16	P	42,897,512
March 31, 2020		42,897,512
<b>Accumulated Amortization</b>		
Amortization		-
March 31, 2020		-
<b>Carrying Amount</b>		
March 31, 2020	P	42,897,512

The Company recognized right-of-use assets for leases of computer and IT equipment and furniture and fixtures. The leases typically run for a period of 3 years. No leases contain an option to renew at the end of the lease term and are being subjected to reviews to reflect current market rentals.

#### 12. REFUNDABLE RENT DEPOSITS

Rent deposits as of March 31, 2020 and 2019 is P 12,481,908 and P 9,935,207, respectively. These deposits were made required by the lease agreement and to be released from the date the leased premises is turned over (see also Notes 6, 17 and 18). Refundable rent deposit is presented as "other non-current assets" in the statements of financial position.

### 13. TRADE AND OTHER PAYABLES

This account is broken down as follows:

	<u>2020</u>		<u>2019</u>
Trade (see also Notes 6, 17 and 18)	P 10,298,468	P	2,098,768
Accrued expenses	10,511,583		5,082,462
13 <sup>th</sup> Month	3,569,426		3,495,696
Withholding tax payable (see also Note 19)	2,394,456		2,764,893
Statutory liabilities	1,986,916		1,528,942
Sick leave encashment payable	1,611,678		1,543,292
Output value added tax (VAT) (see also Note 19)	267,259		158,426
Unearned income	<u>120,000</u>		<u>120,000</u>
 Total	 <u>P 30,639,786</u>	 P	 <u>16,792,479</u>

Statutory Contributions include Social Security System (SSS), Philippine Health Insurance Corporation (PHIC), and Home Development Mutual Fund (HDMF) payable.

Security deposit pertains to advance deposits received from the lessees.

Unearned income pertains to advance payments made from customers from previous years that was earned during the current year.

### 14. COST OF SERVICES

Break down of this account is as follows:

	<u>2020</u>		<u>2019</u>
Salaries and benefits	P 229,511,924	P	259,213,762
Professional fees	57,224,269		47,533,219
Rent (see also Note 5)	27,065,029		22,597,323
Utilities and communication	18,434,660		16,613,760
Depreciation (see also Note 10)	<u>6,829,518</u>		<u>5,890,462</u>
 Total	 <u>P 342,048,792</u>	 P	 <u>351,848,526</u>

## 15. GENERAL AND ADMINISTRATIVE EXPENSES

This account is broken down as follows:

	<u>2020</u>		<u>2019</u>
Salaries and allowances	P 16,661,783	P	25,136,923
Transportation and travel	15,399,856		12,608,163
Professional fee	9,307,542		7,705,333
Medical	7,353,953		7,043,755
Common area charges	6,019,164		5,663,418
Repairs and maintenance	3,385,619		4,865,856
Security services	2,910,866		2,062,392
Office supplies	2,380,790		4,068,173
Representation	2,223,888		4,332,794
Janitorial services	1,552,301		1,604,269
Taxes and licenses (see also Note 19)	1,088,153		2,033,533
Rent (see also Note 5)	732,469		615,789
Communication, light and water	569,567		546,344
SSS, PHIC, HDMF contribution	562,758		434,464
Depreciation (see also Note 10)	471,634		450,312
Insurance	299,325		468,074
Postage and courier	51,799		-
Miscellaneous	<u>119,368</u>		<u>739,744</u>
 Total	 <u>P 71,090,835</u>	P	 <u>80,379,336</u>

## 16. RELATED PARTY TRANSACTIONS

The Company has the following transactions with the related parties:

	Amount of Transactions		Outstanding Balances	
	2020	2019	2020	2019
Due from related parties	(P 291,614)	P 726,797	P 2,597,513	P 2,889,127
Due to related parties	9,946	5,477,540	2,870,828	2,860,882
Due from (to) related parties	(P 301,560)	P 4,750,743	(P 273,315)	P 28,245

Advances from related parties are used for working capital requirements and operations of the Company and are unsecured, non-interest bearing and expected to be settled/received within the next fiscal year (see also Notes 6, 17 and 18).

## 17. INCOME TAXES

The Company is registered with the Philippine Economic Zone Authority (PEZA). Under Section 24 of Republic Act No. 7916, no national and local taxes shall be imposed on registered business enterprises within the Economic Zone (ECOZONE). In lieu of the said taxes, a five percent (5%) tax on gross income shall be paid by all registered business enterprises within the economic zone and shall be directly remitted as follows: three percent (3%) to the National Government, one percent (1%) to the local government units affected by the declaration of the ECOZONE in proportion to their population, land area, and equal sharing factors; and one percent (1%) for the establishment of a development fund to be utilized for the development of municipalities outside and contiguous to each ECOZONE.

On January 15, 2019, the Company received Letter of Authority (LOA) No. 19-ERD-ITE/SC/FE-0122 valid until March 31, 2020 which grants the Company's request for authority to contract parts/sub-processes of its Business Process Outsourcing (BPO) operations, particularly Human Resource Operation (HRO) support services and Specialized Services Support to its Parent provided that such services does not exceed 25% of the total cost of the total/complete services of the Company for BPO to its foreign and domestic clients. Revenues and income from said sub-contracted services shall be subject to the Regular Corporate Income Tax (RCIT). Therefore, revenues of the Company will be subject to both preferential and regular tax rate.

Reconciliation of income tax expense based on statutory and regular tax rate.

	<u>2020</u>		
	<u>Special</u>	<u>Regular</u>	<u>Total</u>
Net income before tax	P 273,954,154	P 2,160,099	P 276,114,253
Add/(Deduct): Permanent/ Temporary difference			
Interest income already subject to final tax (see also Note 7)	-	( 814,935)	( 814,935)
Administrative expenses	71,090,835	-	71,090,835
Effects of IFRS 16	2,983,391		
Unrealized foreign exchange loss (see also Note 7)	<u>10,018,574</u>	<u>-</u>	<u>10,018,574</u>
Taxable income	358,091,669	1,345,164	359,436,834
Tax rate	<u>5%</u>	<u>30%</u>	
<b>Income tax expense</b>	<b><u>P 17,904,583</u></b>	<b><u>P 403,549</u></b>	

The Company is subject to 5% preferential income tax rate under the incentives given under R.A 7916 which is also known as Special Economic Zone Act of 1995.

Under the law, the 5% income tax on gross income shall be allocated as follows: (a) 3% to the national government; and (b) 2% to the Local Government Unit (LGU) where the enterprise is located: The details of income tax due or overpayment are as follows:

	<u>2020</u>
Income tax due to BIR (3% of income tax)	P 11,146,299
Less: Creditable withholding tax for the year	( 4,600)
Income tax payments from the previous quarter	<u>( 9,679,720)</u>
<b>Income tax due to BIR</b>	<b><u>P 1,461,979</u></b>
	<u>2020</u>
Share of other government agencies (2% of income tax)	P 7,161,832
Less: Income tax payments	<u>( 5,300,865)</u>
<b>Income tax due to other government agencies</b>	<b><u>P 1,860,968</u></b>

## 18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks which results from use of its financial instruments.

The Company is also exposed to financial risk through its financial assets and financial liabilities. The most important components of these financial risks are credit risk, liquidity risk, and market risk.

### Market risk or Price Risk

The Company's exposure to price risk arises from the fluctuations in the cost and availability of cost of revenue as well as the cost of administrative and operating expenses.

### Interest Rate Risk

The Company's exposure to the risk for changes in market interest rates relates primary to the Company's obligation. The Company has trade and other payables and due to related parties under current liabilities during the year which are non-interest bearing. Therefore, the Company is not subject to interest rate risk.

### Credit Risk

Credit risk refers to the possibility that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties. The receivable balances are regularly monitored. Trade receivables are normally collected thirty (30) days from the date of recognition of revenue or billing date. Credit limits are set in the system and a regular review of these limits is being done by management. Since the Company trades only with recognized third parties, there is no requirement of collateral on its receivables.

The table below provides the gross maximum exposure of the Company:

	<u>2020</u>
Cash	P 510,966,146
Trade receivables	97,655,267
Refundable security deposit	12,481,908
Due from related parties	<u>2,597,513</u>
 Total	 <u><b>P 623,700,834</b></u>

As part of the Company's policy, bank deposits are only maintained with reputable financial institutions. Cash, excluding cash on hand, pertains to cash in bank which is insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P 500,000 for every depositor per banking institution.

Trade receivables are collectible by the Company from its customers after 30 days from billing date.

Refundable security deposits are deposits made to counterparties which are owners of various developed properties and establishments, thus, are deemed reputable entities with good credit standings.

None of the financial assets are secured by collateral or other credit enhancements.

The aging analysis of financial assets as of March 31, 2020 shows:

	March 31, 2020						
	Age Analysis of Past Due but not Impaired						Total
	Neither Past Due nor Impaired	<30 Days	30-60 Days	61-90 Days	91-120 Days	Past Due and Impaired	
Cash (see also Notes 6, 7 and 18)	P 510,966,146	P -	P -	P -	P -	P -	P 510,966,146
Trade Receivables (see also Notes 6, 8 and 18)	97,655,267	-	-	-	-	-	97,655,267
Refundable security deposit see also Notes 6, 11 and 18)	12,481,908	-	-	-	-	-	12,481,908
Due from related parties (6, 15 and 18)	2,597,513	-	-	-	-	-	2,597,513
<b>Total financial assets</b>	<b>P623,700,834</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>	<b>P623,700,834</b>

#### Liquidity Risk

Prudent liquidity risk management implies sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to dynamic nature of the underlying business, the Company aims to maintain flexibility in funding by keeping committed credit lines available.

The Company also ensures that there are sufficient, available and approved working capital lines that it can draw from anytime. It maintains an adequate cash and cash equivalents in the event of unforeseen interruption of its cash collections. The table below summarizes the maturity profile of the Company's financial liabilities at March 31, 2020:

	<b>March 31, 2020</b>			
	On Demand	Within Six Months up to One Year	More than One Year but less than Five Years	Total
Trade payables (see also Notes 6, 12 and 18)	P 10,298,468	P -	P -	P 10,298,468
Due to related parties (see also Notes 6, 15 and 18)	2,870,828	-	-	2,870,828
<b>Total financial liabilities</b>	<b><u>P 13,169,296</u></b>	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P 13,169,296</u></b>

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of each reporting period.

## 19. CATEGORIES, FAIR VALUES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### Carrying Amounts and Fair Values by Category

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.

	Notes	<b>2020</b>	
		Carrying value	Fair value
<b>Financial Assets</b>			
Cash	6,7,18	P 510,966,146	P 510,966,146
Trade receivables	6,8,18	97,655,267	97,655,267
Refundable security deposit	6,11,18	12,481,908	12,481,908
Due from related parties	6,15,18	<u>2,597,513</u>	<u>2,597,513</u>
<b>Total</b>		<b><u>P 623,700,834</u></b>	<b><u>P 623,700,834</u></b>
<b>Financial Liabilities</b>			
Trade payables	6,12,18	P 10,298,468	P 10,298,468
Due to related parties	6,15,18	<u>2,870,828</u>	<u>2,870,828</u>
<b>Total</b>		<b><u>P 13,169,296</u></b>	<b><u>P 13,169,296</u></b>



Management considers that the carrying amounts of all financial assets and liabilities approximate their fair values as these financial instruments have short-term durations.

#### Fair Value Hierarchy

In accordance with PFRS 13, the fair value of the financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can assess at the measurement date;
- 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 asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represents actual and regularly occurring market transactions on an arm's length basis.

As of March 31, 2020, the Company has no financial assets or financial liabilities that are measured at fair value.

#### Offsetting of Financial Assets and Financial Liabilities

The Company has not set-off financial instruments in 2020 and does not have relevant offsetting arrangements. Currently, all other financial assets and financial liabilities are settled on a gross basis; 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 approval by both parties. As of March 31, 2020, there are no financial assets and financial liabilities which can be potentially offset to the extent of their corresponding outstanding balances.

20. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

**Revenue Regulations No. 15-2010**

The information for March 31, 2020 as required by the above regulations is presented below:

Output and Input value-added tax (VAT)

The Company being a PEZA registered enterprises enjoys certain privileges under the tax code which includes zero rating of VAT on its export sale of services and as long it maintains the seventy percent (70%) to thirty percent (30%) ratio of export sales to local sales in accordance with PEZA rules and regulations which coincides with the tax rules and regulations. The Company was able to comply with the required ratio for year 2020.

		<u>2020</u>
Output VAT (see also Note 12)	P	267,259
Less: Input VAT (see also Note 9)		<u>13,359</u>
<b>Net VAT Payable</b>	<b>P</b>	<b><u>253,900</u></b>

Withholding taxes

Withholding tax payable as at March 31, 2019 is as follows (see also Note 12):

		<u>2020</u>
On Expanded	P	3,012,750
Less: Remittances		<u>2,663,975</u>
<b>Amount to be remitted for March 31, 2020</b>	<b>P</b>	<b><u>348,775</u></b>

		<u>2020</u>
On Compensation	P	16,650,816
Less: Remittances		<u>16,243,885</u>
<b>Amount to be remitted for March 31, 2020</b>	<b>P</b>	<b><u>406,930</u></b>

		<u>2020</u>
Final withholding tax	P	20,253,880
Less: Remittances		<u>18,615,129</u>
<b>Amount to be remitted for March 31, 2020</b>	<b>P</b>	<b><u>1,638,751</u></b>

Final withholding tax paid pertains to professional fees rendered by the Parent and other international suppliers to the Company.

#### All other local and national taxes

The Company has paid taxes and licenses amounted to P 1,088,153 pertaining to registration with SEC, BIR and local government unit (see also Note 14).

	<u>2020</u>
<b>National taxes</b>	
Annual registration fee	P 500
<b>Local taxes</b>	
PEZA application fee	1,046,083
SEC filing fee	<u>41,570</u>
<b>Total</b>	<b><u>P 1,088,153</u></b>

#### Tax assessments and cases

The Company has no outstanding tax assessments and tax cases as at March 31, 2020.

#### Revenue Regulations No. 2-2014

The BIR issued RR No. 2-2014 which prescribes the new form that will be used for income tax filing covering and starting with periods ending December 31, 2014 and onwards. This recent RR requires schedules of taxable revenues and other non-operating income, costs of sales and services, and itemized deductions.

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 March 31, 2020 statement of total comprehensive income.

#### Taxable Revenue

As at March 31, 2020, the Company earned taxable revenue amounting to P 639,932,800 and P 58,569,434 under special and regular rate, respectively.

#### Deductible Cost of Services

The Company's cost of services for the year amounted to P 281,841,131 and P 57,224,269 under special and regular rate, respectively (see also Notes 5, 10, 14 and 16).