



ALLSECTECH
MANILA, INC.

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, 2021 and 2020, 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.

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

RAVI VISHWANATH NARAYANASWAMY
President and Chairman

DENNIS T. ESTAVILLO
Treasurer

Signed this 29th day of July 2021.

ETP and Associates Co.

Unit 1712, 38 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 year ended March 31, 2021 on which we have rendered our report dated July 29, 2021.

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

PIR No. 8646758

Issued on April 12, 2021 at Makati City

BIR Accreditation No. 08-0C4163-0C1-2021

Valid until January 27, 2024

Firm's BIR Accreditation No. 08-006417-000-2020

Valid until November 10, 2023

Firm's BOA Accreditation No. 6003

Valid until November 22, 2021

July 29, 2021

ALLSECTECH MANILA, INC.
*(A Wholly-Owned Subsidiary of
Allsec Technologies Ltd.)*
(A PEZA Registered Enterprise)
Audited Financial Statements
MARCH 31, 2021 and 2020

ETP and Associates Co.

Unit 1712, 98 Cityland Herrera Tower V.A. Rufino St. Salcedo Village, Brgy. Dal-Atr, 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, 2021 and 2020 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 presents fairly, in all material respects, the financial position of the Company as at March 31, 2021 and 2020 and its financial performance and its cash flows for the 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.


- 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.

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 23 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

PTR No. 8646758

Issued on April 12, 2021 at Makati City

BIR Accreditation No. 08-004153-001-2021

Valid until January 27, 2024

Firm's BIR Accreditation No. 08-005417-000-2020

Valid until November 10, 2023

Firm's BOA Accreditation No. 6003

Valid until November 22, 2021

July 29, 2021

ALLSECTECH MANILA, INC.
(A Wholly-Owned Subsidiary Of Allsec Technologies Ltd.)
STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2021 AND 2020
(Amounts in Philippine Peso)



<u>A S S E T S</u>	<u>Notes</u>	<u>2021</u>	<u>2020</u>
CURRENT ASSETS			
Cash	6,17,18,19	P 767,947,210	P 510,556,146
Trade and other receivables	7,24,19,29	34,173,352	85,804,729
Due from related parties	16,18,19	23,008,811	14,958,051
Prepayments and other current assets	8,10,18,19	10,871,634	1,220,683
Total Current Assets		<u>776,000,007</u>	<u>612,439,008</u>
NON-CURRENT ASSETS			
Property and equipment - net	9,12,13,14	34,295,894	60,075,202
Other non-current assets	8,10,18,19	95,075	12,481,908
Total Non-Current Assets		<u>34,390,969</u>	<u>72,558,110</u>
TOTAL ASSETS		<u>P 810,390,976</u>	<u>P 684,997,118</u>
 <u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Trade and other payables	11,18,19,20	P 14,983,586	P 30,676,428
Income tax payable	17	4,377,944	3,322,946
Lease liability - current	9,12,13	21,727,374	-
Due to related parties	16,18,19	-	2,870,828
Total Current Liabilities		<u>41,088,904</u>	<u>36,820,201</u>
NON-CURRENT LIABILITIES			
Retirement liability	13,15	7,438,799	-
Lease liability - non-current	9,12,13	-	45,880,903
Total Non-Current Liabilities		<u>7,438,799</u>	<u>45,880,903</u>
Total Liabilities		<u>48,527,703</u>	<u>82,701,104</u>
EQUITY			
Capital stock		81,250,000	81,250,000
Retained earnings		680,613,273	521,045,014
Total Equity		<u>761,863,273</u>	<u>602,295,014</u>
TOTAL LIABILITIES AND EQUITY		<u>P 810,390,976</u>	<u>P 684,997,118</u>

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, 2021 AND 2020
(Amounts in Philippine Peso)

	Notes	2021	2020
REVENUES			
Call center operation		P 412,105,939	P 460,699,597
Other outsourcing services		59,090,696	181,127,027
Realized foreign exchange loss	6,17	(4,116,539)	(1,993,825)
Unrealized foreign exchange loss	6,17	(26,576,558)	(10,018,571)
Total Revenues	20	<u>480,503,537</u>	<u>628,914,226</u>
COST OF SERVICES	9,13,15,20	<u>251,732,697</u>	<u>318,557,510</u>
GROSS PROFIT		218,770,841	261,356,716
GENERAL AND ADMINISTRATIVE EXPENSES	2,3,13,14,15,20	<u>74,545,564</u>	<u>71,135,860</u>
OPERATING INCOME		144,225,277	220,221,366
OTHER INCOME			
Sub-contracted services		38,409,088	58,569,434
Interest Income	6,17	454,195	814,935
Total		<u>38,863,283</u>	<u>59,384,369</u>
INCOME BEFORE INTEREST AND TAXES		<u>183,088,560</u>	<u>279,605,735</u>
FINANCE COST	12	<u>2,143,755</u>	<u>3,491,282</u>
INCOME BEFORE INCOME TAX EXPENSE		180,944,805	276,114,453
INCOME TAX EXPENSE	17	<u>21,128,595</u>	<u>18,308,133</u>
NET INCOME		159,816,110	257,806,320
OTHER COMPREHENSIVE LOSS	13,15	<u>248,351</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME		<u>P 159,567,259</u>	<u>P 257,806,320</u>

See Accompanying Notes to Financial Statements.

ALLSECTECH MANILA, INC.
(A Wholly-Owned Subsidiary Of Ailsec Technologies Ltd.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED MARCH 31, 2021 AND 2020
(Amounts in Philippine Peso)

	2021	2020
CAPITAL STOCK		
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
RETAINED EARNINGS		
Balance at beginning of year	521,046,014	253,239,694
Net income during the year	17 159,816,110	257,806,320
Balance at end of year	680,862,124	521,046,014
OTHER COMPREHENSIVE INCOME		
Remeasurement loss on pension liability	13,15 248,851	-
TOTAL EQUITY	P 761,963,273	P 502,226,014

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, 2021 AND 2020
(Amounts in Philippine Peso)

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax expense	17	P 180,944,805	P 276,114,453
Adjustments for:			
Depreciation and amortization	9,12,13,14	34,700,448	30,699,795
Interest income	6,17	(454,195)	(814,933)
Operating income before changes in working capital balances		215,191,058	305,999,315
Changes in:			
Trade and other receivables	7,14,18,19	51,722,377	16,235,507
Due from related parties	16,18,19	(8,650,760)	201,614
Prepayments and other current assets	9,10,18,19	(9,651,551)	(120,838)
Trade and other payables	11,18,19,20	(15,642,842)	7,204,555
Lease liabilities	9,12,13	21,727,374	45,830,903
Income tax payable	17	1,054,997	-
Due to related parties	16,18,19	(2,870,828)	9,945
Net cash generated from operations		251,879,826	375,553,800
Income tax paid	17	(21,128,595)	(18,308,133)
Interest received	6,17	454,195	814,933
Net Cash Flows From Operating Activities		232,205,326	358,060,600
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	9,12,13,14	(8,920,140)	(78,286,398)
Decrease (increase) in refundable deposits	8,10,18,19	12,336,833	(2,546,701)
Net Cash Flows Used In Investing Activities		3,456,693	(80,833,099)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from retirement liability	13,15	7,438,799	-
Payment of lease liability	9,12,13	(45,830,903)	(2,546,701)
Net Cash Flow Used In Financing Activities		(38,442,104)	(2,546,701)
NET INCREASE IN CASH		193,281,064	277,227,904
CASH AT BEGINNING OF YEAR	6,17,18,19	519,966,145	233,738,642
CASH AT END OF YEAR	6,17,18,19	P 707,947,210	P 510,966,146

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, 2021 and 2020

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 March 17, 2007.

The Company benefits from the following available incentives for the year 2021:

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, 2021 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".

Status of operations amidst COVID 19

In March 2020, the World Health Organization characterized the novel coronavirus ("COVID-19") as a global pandemic and extraordinary actions have been taken by international, federal, state, provincial and local governmental authorities to contain and combat the spread of COVID-19 in regions throughout the world. The COVID-19 outbreak and related public health measures, including orders to shelter-in-place, travel restrictions and mandated business closures, have adversely affected workforces, organizations, consumers, economies, and financial markets globally leading to an economic downturn and increased market volatility. The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration of the outbreak, impact on the Company's customers and its sales cycles, and impact on the Company's employees. The economic downturn and uncertainty caused by the COVID-19 outbreak and the measures undertaken to contain its spread have negatively affected the Company's the ability to generate sales from services. The Company continues to evaluate the current and potential impact of the COVID-19 outbreak on its business, results of operations financial statements.

As of the date of issuance of the financial statements, the Company is not aware of any additional events or circumstances which would require it to update its estimates, judgements, or revise the carrying value of its assets or liabilities, other than the COVID-19 pandemic. These estimates may change, as new events occur and additional information is obtained, and such changes will be recognized in the financial statements as soon as they become known. Actual results could differ from these estimates and any such differences may be material to the Company's financial statements.

Approval of financial statements

The financial statements as at and for the years ended March 31, 2021 and 2020 were approved and authorized for issuance by the Board of Directors (BOD) on July 29, 2021.

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 Company has total assets of P 810,390,975 meeting criteria no. 1. 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 PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS)

Amendments to the Philippine Financial Reporting Standards (PFRS) Effective January 1, 2021

The International Accounting Standards Board (IASB) has published 'Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

This amendment has no impact on the Company's financial statement as of and for the years ended March 31, 2021 and 2020, respectively.

Amendments to the Philippine Financial Reporting Standards (PFRS) Effective January 1, 2020

a. Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The amendments clarify issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis.

Changes includes modification of specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

These are mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform. They are not intended to provide relief from any other consequences arising from interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required).

The amendment also requires specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments.

This amendment has no impact on the Company's financial statements as of and for the years ended March 31, 2021 and 2020.

b. Amendments to IFRS 3, Business Combinations

The amendments in Definition of a Business (Amendments to PFRS 3) clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. They narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs, add guidance and illustrative examples to help entities assess whether a substantive process has been acquired, remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, and add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

This amendment has no impact on the Company's financial statements as of and for the years ended March 31, 2021 and 2020.

c. Amendments to IAS 1 and IAS 8, Definition of Material

The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' stating that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The new definition of material and the explanatory paragraphs are contained in IAS 1 Presentation of Financial Statements. The definition of material in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors has been replaced with a reference to IAS 1.

This amendment has no impact on the Company's financial statement as of and for the years ended March 31, 2021 and 2020.

d. Revised Conceptual Framework

The International Accounting Standards Board (IASB) has published its revised 'Conceptual Framework for Financial Reporting'. Included are revised definitions of an asset and a liability as well as new guidance on measurement and derecognition, presentation and disclosure. The new Conceptual Framework does not constitute a substantial revision of the document as was originally intended when the project was first taken up in 2004. Instead the IASB focused on topics that were not yet covered or that showed obvious shortcomings that needed to be dealt with.

This amendment has no impact on the Company's financial statement as of and for the years ended March 31, 2021 and 2020.

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

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.

This amendment has no impact on the Company's financial statement as of and for the years ended March 31, 2021 and 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.

This amendment has no impact on the Company's financial statement as of and for the years ended March 31, 2021 and 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.

This amendment has no impact on the Company's financial statement as of and for the years ended March 31, 2021 and 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.

This amendment has no impact on the Company's financial statement as of and for the years ended March 31, 2021 and 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.

The above-mentioned amendment has no impact on the Company's financial statements as of and for the years ended March 31, 2021 and 2020, respectively.

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 venture 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.

The above-mentioned amendment has no impact on the Company's financial statements as of and for the years ended March 31, 2021 and 2020, respectively.

- g. 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, noncancelable 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" 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 above-mentioned amendment has no impact on the Company's financial statements as of and for the years ended March 31, 2021 and 2020 respectively.

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 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.

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 finance leases. Finance 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 lessee retains obtains the right to control the use of an identified asset for a period of time in exchange for consideration, where the control is conveyed when lessee both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use. Lessee will recognize the right-of-use (ROU) asset and amortized over the lease term, and record lease liability and amortized over the net of interest and payment.

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.

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

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.

Contingencies

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

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.

Finance Leases - Company as Lessee. The lessee retains obtains the right to control the use of an identified asset for a period of time in exchange for consideration, where the control is conveyed when lessee both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use. Accordingly, these leases are accounted for as finance leases.

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. 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.

An increase in the Company's allowance for impairment of receivables will increase the Company's recorded expenses and will decrease current assets.

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.

6. CASH

This account consists of (see also Notes 18 and 19):

	<u>2021</u>	<u>2020</u>
Cash on hand	P 12,500	P 12,500
Cash in bank	<u>707,934,710</u>	<u>510,953,646</u>
Total	<u>P 707,947,210</u>	<u>P 510,966,146</u>

The Company maintain cash in bank in Philippine peso and in US dollar. Deposits in US dollar amounted P 683,395,052 and P 479,884,204 converted into peso using prevailing closing rate resulting to unrealized foreign currency exchange loss of P 26,576,558 and P 10,018,574 for the years 2021 and 2020, respectively (see also Note 17).

Cash deposit in banks generally earn interest based on daily bank deposit rates. Interest income from bank deposits amounted to P454,193 and P 814,935 in 2021 and 2020, respectively (see also Note 17).

7. TRADE AND OTHER RECEIVABLES - Net

This account is broken down as follows (see also Notes 18 and 19):

	<u>2021</u>	<u>2020</u>
Trade	P 33,538,229	P 84,274,713
Allowance for impairment (see also Note 14)	<u>52,352</u>	<u>-</u>
Net	33,485,877	84,274,713
Advances to officers and employees	336,703	1,221,560
Advances for liquidation	<u>349,772</u>	<u>398,456</u>
Total	<u>P 34,172,352</u>	<u>P 85,894,729</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 following is the schedule of allowance for doubtful accounts:

	<u>2021</u>	<u>2020</u>
Beginning balance	P -	P -
Provision during the year (see also Note 14)	<u>52,352</u>	<u>-</u>
 Total	 <u>P 52,352</u>	 <u>P -</u>

The Company's trade receivables have been reviewed for indications of impairment. Based on management's evaluation, impairment losses on trade receivables amounted to P 52,352 and nil for the years 2021 and 2020, respectively. This account is recorded under Miscellaneous account in General and Administrative Expenses in Statements of Total Comprehensive Income.

8. PREPAYMENTS AND OTHER CURRENT ASSETS

As of March 31, this account consists of:

	<u>2021</u>	<u>2020</u>
Refundable deposit – current (see also Notes 10, 18 and 19)	P 9,845,631	P -
Rent	207,386	157,895
Insurance	131,234	69,366
Others	<u>687,383</u>	<u>992,822</u>
 Total	 <u>P 10,871,634</u>	 <u>P 1,220,083</u>

Others include advance payments for maintenance, recruitment and medical.

9. PROPERTY AND EQUIPMENT - Net

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

Cost	Computer and IT Equipment	Furniture and Fixtures	Leasehold Improvement	Right-of-Use Asset	Total
Balances as at March 31, 2019	P 86,329,470	P 17,413,121	P 44,163,953	-	P 147,906,544
Additions during 2020	<u>11,864,710</u>	<u>125,534</u>	-	<u>66,296,154</u>	<u>78,286,398</u>
Balances as at March 31, 2020	P 98,194,180	P 17,538,655	P 44,163,953	P 66,296,154	P 226,192,942
Additions during 2021	<u>8,610,972</u>	<u>309,168</u>	-	-	<u>8,920,140</u>
Balances as at March 31, 2021	<u>106,805,152</u>	<u>17,847,823</u>	<u>44,163,953</u>	<u>66,296,154</u>	<u>235,113,082</u>
Accumulated depreciation					
Balances as at March 31, 2019	74,615,612	16,577,380	44,163,953	-	135,416,945
Depreciation during 2020	<u>6,829,518</u>	<u>471,634</u>	-	<u>23,398,643</u>	<u>30,699,795</u>
Balances as at March 31, 2020	P 81,505,130	P 17,049,014	P 44,163,953	P 23,398,643	P 166,116,740
Depreciation during 2021	<u>10,813,116</u>	<u>488,690</u>	-	<u>23,398,643</u>	<u>34,700,449</u>
Balances as at March 31, 2021	<u>92,318,246</u>	<u>17,537,704</u>	<u>44,163,953</u>	<u>46,797,286</u>	<u>200,817,189</u>
Net Book Value					
Balances as at March 31, 2020	P <u>16,689,050</u>	P <u>489,641</u>	P -	P <u>42,897,511</u>	P <u>60,076,202</u>
Balances as at March 31, 2021	P <u>14,486,906</u>	P <u>310,119</u>	P -	P <u>19,498,869</u>	P <u>34,295,894</u>

Depreciation for computer and IT equipment is (see also Note 13) charged to cost of services while furniture and fixture (see also Note 14) and amortization of right-of-use (ROU) asset is charged to cost of services. Management believes that there is no indication that an impairment loss has occurred on its properties and equipment for the fiscal year-end 2021.

10. REFUNDABLE RENT DEPOSITS

Movements of this account is shown below:

	<u>2021</u>	<u>2020</u>
Refundable rent deposit – current (see also Notes 8, 18 and 19)	P 9,845,631	P -
Refundable rent deposit – non-current	<u>95,075</u>	<u>12,481,908</u>
Total	<u>P 9,940,706</u>	<u>P 12,481,908</u>

The deposits were made required by the lease agreement and to be released from the date the leased premises is turned over.

11. TRADE AND OTHER PAYABLES

This account is broken down as follows:

	<u>2021</u>	<u>2020</u>
Trade (see also Notes 18 and 19)	P 1,660,386	P 10,298,468
Accrued expenses (see also Notes 18 and 19)	9,214,233	15,692,687
Withholding Tax (see also Note 20)	1,441,117	2,394,456
Statutory contributions	2,143,830	1,986,916
Value added tax (VAT) (see also Note 20)	191,515	253,901
Unearned income	<u>332,505</u>	<u>-</u>
Total	<u>P 14,983,586</u>	<u>P 30,626,428</u>

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

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

12. LEASE LIABILITY

Philippine Financial Reporting Standards (PFRS) 16 defines lease as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Further, the standard clarifies that the control is conveyed where the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use.

Upon lease commencement, a lessee recognizes a right-of use (ROU) asset and a lease liability. ROU asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Adjustments may also be required for lease incentives, payments at or prior to commencement and restoration obligations or similar.

During the year 2020, the Company adopted the standard and record ROU asset amounted to P 66,296,154, then amortized from the lease commencement date to the end of the lease's term and computed lease liability amounted to P 66,296,154 and is reduced by the net of annual payment and implicit rate of 9%.

Movement of ROU asset is computed below (see also Notes 9 and 13):

	<u>2021</u>	<u>2020</u>
Beginning of the year	P 42,897,511	P 66,296,154
Depreciation and amortization	<u>23,398,643</u>	<u>23,398,643</u>
End of the year	<u>P 19,498,869</u>	<u>P 42,897,511</u>

Computation of lease liability is illustrated as follows:

	<u>2021</u>	<u>2020</u>
Beginning of the year	P 45,880,903	P 66,296,154
Add: Interest	2,143,755	3,491,282
Less: Lease payment	<u>25,297,284</u>	<u>23,906,533</u>
End of the year	<u>P 21,727,374</u>	<u>P 45,880,903</u>

Classification of lease liability is shown:

	<u>2021</u>	<u>2020</u>
Lease liability - current	P 21,727,374	P -
Lease liability - non-current	<u>-</u>	<u>45,880,903</u>
Total	<u>P 21,727,374</u>	<u>P 45,880,903</u>

13. COST OF SERVICES

Break down of this account is as follows:

	<u>2021</u>	<u>2020</u>
Salaries and benefits	P 193,209,019	P 229,511,924
Professional fees	16,127,593	57,224,269
Utilities and communication	15,097,863	18,434,660
Depreciation and amortization (see also Notes 9 and 12)	34,211,759	30,228,161
Rent	-	3,158,496
Retirement (see also Note 15)	<u>3,086,463</u>	<u>-</u>
Total	<u>P 261,732,697</u>	<u>P 338,557,510</u>

14. GENERAL AND ADMINISTRATIVE EXPENSES

This account is broken down as follows:

	<u>2021</u>	<u>2020</u>
Salaries and allowances	P 15,648,320	P 12,029,515
Professional fee	10,286,009	9,307,542
Transportation and travel	8,631,175	15,399,856
Rent	7,153,835	732,469
Medical	7,138,975	7,353,953
Common area charges	6,019,164	6,019,164
Communication, light and water	3,892,160	569,567
Security services	3,410,374	2,910,860
Janitorial services	2,250,240	1,552,301
Repairs and maintenance	2,160,025	3,385,619
Representation	1,995,343	1,598,536
Recruitment	1,553,872	5,246,552
Taxes and licenses (see also Note 20)	1,464,781	1,088,153
Office supplies	1,161,934	2,380,790
SSS, PHIC, HDMF contribution	601,515	562,758
Depreciation (see also Note 9)	488,690	471,635
Insurance	323,102	299,325
Retirement (see also Note 15)	203,485	-
Miscellaneous (see also Note 7)	<u>162,565</u>	<u>226,749</u>
Total	<u>P 74,545,564</u>	<u>P 71,135,350</u>

Miscellaneous pertains to impairment (see also Note 7) and other miscellaneous expenses.

15. RETIREMENT BENEFIT PLAN

The actuarial valuations of present value of the defined benefit obligation was performed as of April 7, 2021 by an independent actuary. The present value of the benefit obligation and the related current service cost were measured using the projected unit credit method.

The reconciliation of the present value of the defined benefit obligation and the fair value of the plan assets to the recognized liability presented as retirement benefit obligation in the statements of financial position is as follows (see also Note 13):

	<u>2021</u>	<u>2020</u>
Present value of defined benefit obligations	P 7,438,799	P -
Less: Fair value of plan assets	<u>-</u>	<u>-</u>
Unfunded defined benefit plan	<u>P 7,438,799</u>	<u>P -</u>

The movements in the defined benefit obligations are shown below:

	<u>2021</u>	<u>2020</u>
Liability at beginning of the year	P -	P -
Transition liability (asset) recognized	5,599,629	-
Interest cost	285,581	-
Current service cost	1,304,738	-
Plan assets	-	-
Benefit paid from plan assets	-	-
Actuarial (gain) or loss:		
Changes in financial assumptions	(127,054)	-
Experience	<u>375,905</u>	<u>-</u>
Liability at the end of the year	<u>P 7,438,799</u>	<u>P -</u>

The retirement expense recognized in profit or loss consists of (see also Note 13):

	<u>2021</u>	<u>2020</u>
Current service cost	P 1,304,738	P -
Interest cost	285,581	-
Transition liability (asset) recognized	<u>5,599,629</u>	<u>-</u>
Retirement expense	<u>P 7,189,948</u>	<u>P -</u>

The principal assumptions used to determine retirement benefits obligation of the Company are as follows:

	<u>2021</u>	<u>2020</u>
Discount rate	5.20%	-
Expected rate of salary increases	5.00%	-

16. RELATED PARTY TRANSACTIONS

The Company has the following transactions with the related parties:

	<u>Amount of Transactions</u>		<u>Outstanding Balances</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Due from related parties	P 8,650,760	P -	P 23,008,811	P 14,358,051
Due to related parties	(2,870,828)	-	-	2,870,828
Due from (to) related parties	<u>P 11,521,588</u>	<u>P -</u>	<u>P 23,008,811</u>	<u>P 11,487,223</u>

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 18 and 19).

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 ECCZONE 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, 2021, the Company received Letter of Authority (LOA) No. 19-ERD-ITE/SC/FE-0122 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.

The National Internal Revenue Code (NIRC) of 1997 particularly sections 294 and 295 was amended by Republic Act (RA) No. 11534 or otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) which provides the following changes affecting financial statements for the year ended March 31, 2021.

1. Reduction of Regular Corporate Income Tax (RCIT) from 30%.
 - a. For domestic corporations with net taxable income less than and equal to P 5,000,000 and total assets less than and equal to P 100,000,000 exclusive of Land, the transitory rate is 22.50%.
 - b. For domestic corporations which exceeds net taxable income and total assets provided in (a), the transitory rate is 26.25%.
2. Reduction of Minimum Corporate Income Tax (MCIT) from 2% to a transitory rate of 1.23%.
3. Enhanced Net Operating Loss Carry Over (NOLCO)
 - a. The net operating loss of the registered project or activity during the first three (3) years from the start of commercial operation, which had not been previously offset as deduction to gross income, may be carried over as a deduction from gross income within next five (5) consecutive taxable years immediately following the year of such loss.

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

	<u>2021</u>		
	<u>Special</u>	<u>Regular</u>	<u>Total</u>
Net income before tax	129,410,009	30,560,424	159,970,433
Add/(Deduct): Permanent/ Temporary difference			
Administrative expenses	106,599,298		106,599,298
Interest income already subject to final tax (see also Note 6) (454,193)		(454,193)
Unrealized foreign exchange loss (see also Note 6)	<u>26,576,558</u>	<u>-</u>	<u>26,576,558</u>
Taxable income	262,131,672	30,560,424	292,692,096
Tax rate	<u>5%</u>	<u>26.25%</u>	<u>5% / 26.25%</u>
Income tax expense	<u>13,106,584</u>	<u>8,022,111</u>	<u>21,128,695</u>

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 and as follows: (a) 3% to the national government; and (b) 2% to the Local Government Unit (LGU) where the enterprise is located.

The computation of the Company tax due is as follows:

	<u>2021</u>
Income tax expense	P 21,128,695
Less: Share of other government agency	(5,242,634)
Creditable withholding tax for the year	(7,139)
Income tax payments from the previous quarter	<u>(12,660,895)</u>
Income tax still due	<u>P 3,218,027</u>

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>2021</u>
Cash (see also Note 6)	P 707,947,210
Trade receivables (see also Note 7)	34,172,352
Refundable security deposit (see also Note 8)	9,845,631
Due from related parties (see also Note 15)	<u>23,008,811</u>
Total	<u>P 774,974,004</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, 2021 shows:

	March 31, 2021									
	Neither Past Due nor Impaired	Age Analysis of Past Due but not Impaired				Fast Due and Impaired	Total			
		<30 Days	30-60 Days	61-90 Days	91-120 Days					
Cash (see also Notes 6, 7 and 15)	P 707,947,210	P -	P -	P -	P -	P -	P 707,947,210			
Trade Receivables (see also Notes 7, 14 and 19)	34,172,352	-	-	-	-	-	34,172,352			
Refundable security deposit (see also Notes 6, 11 and 18)	9,845,631	-	-	-	-	-	9,845,631			
Due from related parties (see also Note 16)	23,008,811	-	-	-	-	-	23,008,811			
Total financial assets	<u>P 774,974,004</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 774,974,004</u>			

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, 2021:

	March 31, 2021			
	On Demand	Within Six Months up to One Year	More than One Year but less than Five Years	Total
Trade payables (see also Notes 11 and 19)	<u>P 11,207,124</u>	<u>P -</u>	<u>P -</u>	<u>P 11,207,124</u>

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.

		2021	
	Notes	Carrying value	Fair value
Financial Assets			
Cash	5,17,18 P	707,947,210 P	707,947,210
Trade receivables	7,14,18	34,172,352	34,172,352
Refundable security deposit	8,18	9,845,631	9,845,631
Due from related parties	16,18	<u>23,008,811</u>	<u>23,008,811</u>
Total		<u>P 774,974,004</u>	<u>P 774,974,004</u>

	Notes	2021	
		Carrying value	Fair value
Financial Liabilities			
Trade payables	11,19	P 11,207,124	P 11,207,124

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, 2021, 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 2021 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, 2021, 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, 2021 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 2021.

	<u>2021</u>
Output VAT	P 3,005,669
Less: Input VAT	<u>1,216,261</u>
VAT Payable	1,789,409
Less: Remittance	<u>1,597,894</u>
VAT still due (see also Note 11)	<u>P 191,515</u>

Withholding taxes

Withholding tax payable as at March 31, 2020 is as follows (see also Note 11):

	<u>2021</u>
On Expanded	P 2,614,687
Less: Remittances	<u>2,426,824</u>
Total	<u>P 196,277</u>

	<u>2021</u>
On Compensation	P 8,184,992
Less: Remittances	<u>7,379,293</u>
Total	<u>P 805,699</u>

	<u>2021</u>
Final withholding tax	P 8,791,846
Less: Remittances	<u>8,344,291</u>
Total	<u>P 447,555</u>

All other local and national taxes

The Company has paid taxes and licenses as shown below (see also Note 12):

	<u>2021</u>
Annual registration fee	P 500
PEZA application fee	<u>1,464,281</u>
 Total	 <u>P 1,464,781</u>

Tax assessments and cases

The Company has no outstanding tax assessments and tax cases as at March 31, 2021.

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 March 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, 2021 statement of total comprehensive income.

Taxable Revenue

As at March 31, 2021, the Company earned taxable revenue amounting to P 545,489,185 and P 38,409,088 under special and regular rate, respectively.

Deductible Cost of Services

The Company's cost of services for the year amounted to P 252,797,089 and P 7,848,564 under special and regular rate, respectively (see also Notes 9, 13, and 15).

Abigail Algara

From: Dennis Taberna Estavillo
Sent: Thursday, August 26, 2021 4:04 PM
To: Abigail Algara
Subject: TRW: Your BIR AFS eSubmission uploads were received

From: eafs@bir.gov.ph [mailto:eafs@bir.gov.ph]
Sent: Wednesday, 25 August 2021 11:58 PM
To: Dennis Taberna Estavillo
Cc: Dennis Taberna Estavillo
Subject: Your BIR AFS eSubmission uploads were received

It originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and

Hi ALLSECTECH MANILA, INC.,

Valid files

- EAFS231757245TCRTY032021-01.pdf
- EAFS231757245RPPTY032021.pdf
- EAFS231757245ITRTY032021.pdf
- EAFS231757245AFSTY032021.pdf
- EAFS231757245OTHTY032021.pdf

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- <None>

Transaction Code: **AFS-0-PW42RYZP0NYTYV4XVNXRYXWRT0M1MS34P2**
Submission Date/Time: **Aug 25, 2021 11:57 PM**
Company TIN: **231-757-245**

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