HCL TECHNOLOGIES PHILIPPINES, INC.

(A Wholly Owned Subsidiary of HCL EAS Ltd.)

FINANCIAL STATEMENTS
March 31, 2020
(With Comparative Figures for 2019)

With Independent Auditors' Report

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REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
HCL Technologies Philippines, Inc.
Net Cube Center, 3rd Avenue corner 30th Street
E-Square Zone, Bonifacio Global City
Taguig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of HCL Technologies Philippines, Inc. (a wholly owned subsidiary of HCL EAS Ltd.) (the “Company”), which comprise the statement of financial position as at March 31, 2020, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, including significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Other Matter

The accompanying financial statements of the Company as at and for the year ended March 31, 2019 were audited by another auditor who expressed an unqualified opinion on those statements on June 20, 2019.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 20 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

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PTR No. MKT 8116760
  Issued January 2, 2020 at Makati City

September 17, 2020
Makati City, Metro Manila

HCL TECHNOLOGIES PHILIPPINES, INC.
(A Wholly Owned Subsidiary of HCL EAS Ltd.)

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2020
(With Comparative Figures for 2019)

	Note	**2020**	2019
ASSETS			
Current Assets			
Cash in banks	*17*	**P162,278,607**	P54,548,976
Trade and other receivables	*4, 11, 17*	**841,083,189**	789,327,026
Prepayments and other current assets	*5*	**128,840,939**	87,414,689
Total Current Assets		**1,132,202,735**	931,290,691
Noncurrent Assets			
Property and equipment - net	*6*	**130,739,755**	78,481,730
Right-of-use assets - net	*15*	**362,314,528**	-
Software costs - net	*7*	**364,698**	-
Deferred income tax assets - net	*12*	**23,734,106**	7,317,938
Other noncurrent assets	*8*	**126,016,257**	40,487,316
Total Noncurrent Assets		**643,169,344**	126,286,984
		P1,775,372,079	P1,057,577,675
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and other current liabilities	*9, 11, 17*	**P409,304,559**	P351,074,262
Income tax payable		**16,186,168**	-
Lease liabilities - current portion	*15*	**109,588,212**	-
Total Current Liabilities		**535,078,939**	351,074,262
Noncurrent Liabilities			
Retirement benefit liability	*16*	**9,298,189**	3,121,263
Unearned revenue	*13*	**81,959,115**	-
Lease liabilities - noncurrent portion	*15*	**265,572,619**	-
Total Noncurrent Liabilities		**356,829,923**	3,121,263
Total Liabilities		**891,908,862**	354,195,525
Equity			
Capital stock	*10*	**271,684,300**	271,684,300
Additional paid-in capital		**86,405**	86,405
Retained earnings		**612,561,495**	428,720,092
Remeasurement gain on retirement benefit	*16*	**(868,983)**	2,891,353
Total Equity		**883,463,217**	703,382,150
		P1,775,372,079	P1,057,577,675

See Notes to the Financial Statements.

HCL TECHNOLOGIES PHILIPPINES, INC.
(A Wholly Owned Subsidiary of HCL EAS Ltd.)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED MARCH 31, 2020
(With Comparative Figures for 2019)

	Note	**2020**	2019
REVENUES	*13*	**P2,031,325,093**	P1,847,476,268
COST OF SERVICES	*14*	**1,685,853,204**	1,567,650,351
GROSS PROFIT		**345,471,889**	279,825,917
EXPENSES			
Salaries and other benefits		**53,469,936**	45,951,150
Legal and professional fees		**29,031,265**	32,660,834
Taxes and license fees		**4,870,397**	7,832,993
Repairs and maintenance		**1,644,778**	947,384
Travel		**1,086,306**	1,307,964
Communication		**320,517**	379,310
Selling expenses		**260,818**	192,924
Rental		**-**	1,650,000
Recruitment and training		**-**	5,000
Provision for (reversal of) expected credit losses	*4*	**(659,360)**	5,473,827
Others		**8,394,047**	1,966,242
		98,418,704	98,367,628
		247,053,185	181,458,289
OTHER INCOME (CHARGES)			
Interest income		**18,715**	2,616,589
Interest expense on short-term loan	*11*	**(337,541)**	-
Foreign exchange gain (loss) - net		**4,299,182**	(4,920,796)
Interest expense on lease liabilities	*15*	**(33,845,757)**	-
		(29,865,401)	(2,304,207)
INCOME BEFORE INCOME TAX		**217,187,784**	179,154,082
PROVISION FOR (BENEFIT FROM) INCOME TAX			
Current		**49,602,301**	(4,688,873)
Deferred		**(16,255,920)**	(3,938,800)
	12	**33,346,381**	(8,627,673)
NET INCOME		**183,841,403**	187,781,755
OTHER COMPREHENSIVE INCOME			
Other comprehensive income not to be reclassified to profit or loss in the subsequent periods			
Remeasurement gain (loss) on retirement benefit	*16*	**(3,920,584)**	2,719,064
Deferred income tax effect		**160,248**	-
Net Other Comprehensive Income (Loss)		**(3,760,336)**	2,719,064
TOTAL COMPREHENSIVE INCOME		**P180,081,067**	P190,500,819

See Notes to the Financial Statements.

HCL TECHNOLOGIES PHILIPPINES, INC.
(A Wholly Owned Subsidiary of HCL EAS Ltd.)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31, 2020
(With Comparative Figures for 2019)

	Capital Stock (Note 10)	**Additional Paid-in Capital**	**Remeasurement Gain (Loss) on :etirement Benefit** (Note 16)	**Retained Earnings** (Note 10)	**Total**
Balances at March 31, 2018	P271,684,300	P86,405	P172,289	P240,938,337	P512,881,331
Net income for the year	-	-	-	187,781,755	187,781,755
Other comprehensive income	-	-	2,719,064	-	2,719,064
Total comprehensive income for the year	-	-	2,719,064	187,181,755	190,500,819
Balances at March 31, 2019	271,684,300	86,405	2,891,353	428,720,092	703,382,150
Net income for the year	-	-	-	183,841,403	183,841,403
Other comprehensive loss	-	-	(3,760,336)	-	(3,760,336)
Total comprehensive income (loss) for the year	-	-	(3,760,336)	183,841,403	180,081,067
Balances at March 31, 2020	**P271,684,300**	**P86,405**	**(P868,983)**	**P612,561,495**	**P883,463,217**

See Notes to the Financial Statements.

HCL TECHNOLOGIES PHILIPPINES, INC.
(A Wholly Owned Subsidiary of HCL EAS Ltd.)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2020
(With Comparative Figures for 2019)

	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P217,187,784**	P179,154,082
Adjustments for:			
Depreciation on right-of-use asset	*14*	**146,284,152**	-
Depreciation and amortization expense	*6, 7, 14*	**37,340,497**	23,022,395
Interest expense on lease liabilities	*15*	**33,845,757**	-
Interest expense on short-term loan	*11*	**337,541**	-
Loss on disposal of property and equipment	*6*	**66,700**	10,417
Interest income		**(18,715)**	(2,616,589)
Provision for (reversal of) expected credit losses	*4*	**(659,360)**	5,473,827
Retirement benefit costs	*16*	**(3,920,584)**	2,555,818
Unrealized foreign exchange loss (gain) - net		**(4,667,578)**	95,212
Operating income before working capital changes		**425,796,194**	207,695,162
Increase (decrease) in:			
Trade and other receivables		**(50,426,967)**	(478,648,111)
Prepayments and other current assets		**(49,025,047)**	(6,246,443)
Increase in accounts payable and other current liabilities		**187,430,292**	233,599,459
Net cash flows provided by (used in) operations		**513,774,472**	(43,599,933)
Interest received		**18,715**	2,616,589
Taxes paid		**(58,189,672)**	(34,607,316)
Net cash from provided by (used in) operating activities		**455,603,515**	(75,590,660)
CASH FLOWS FROM INVESTING ACTIVITIES			
Software cost	*7*	**(466,931)**	-
Refundable deposits and other noncurrent assets		**(85,745,365)**	(23,188,263)
Purchase of property and equipment	*6*	**(89,562,989)**	(60,470,503)
Net cash flows used in investing activities		**(175,775,285)**	(83,658,766)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities including interest	*15*	**(171,761,058)**	-
Interest paid on short term loan	*11*	**(337,541)**	-
Net cash flows used in financing activities		**(172,098,599**	-
NET INCREASE (DECREASE) IN CASH IN BANKS		**107,729,631**	(159,249,426)
CASH IN BANKS AT BEGINNING OF YEAR		**54,548,976**	213,798,402
CASH IN BANKS AT END OF YEAR		**P162,278,607**	P54,548,976

See Notes to the Financial Statements.

HCL TECHNOLOGIES PHILIPPINES, INC.
(A Wholly Owned Subsidiary of HCL EAS Ltd.)

NOTES TO THE FINANCIAL STATEMENTS
(With Comparative Figures for 2019)

1. Reporting Entity

HCL Technologies Philippines, Inc. (the "Company"), a wholly owned subsidiary of HCL EAS Ltd. (the "Parent Company"), a company incorporated in and under the laws of United Kingdom, was registered with the Philippine Securities and Exchange Commission (SEC) on November 24, 2010. It was established to engage and specialize in the business of design, development, manufacture, maintenance, import, export, licensing and/or sub-licensing, as the case may be, of software and hardware owned or authorized by the Company, any of its affiliated, controlled or controlling companies, or third parties, necessary or related to rendering of information technology and software development, maintenance and consultancy services in Philippines and/or abroad, including, but not limited to, software-led information technology solutions, software as a service, cloud computing, remote infrastructure management, research and development services, business process outsourcing, network or data center management, client server services, and any and all allied activities and/or technological evolutions thereof. The Company's ultimate parent company is HCL Technologies Limited, a company incorporated in India.

The Company's registered office address is Net Cube Center, 3rd Avenue corner 30th Street, E-Square Zone, Bonifacio Global City, Taguig City.

<u>Registration with the Philippine Economic Zone Authority (PEZA)</u>
Sunnymede IT Center, Quezon City (2nd Floor)
On May 29, 2012, the Company was registered with the PEZA to engage in Business Process Outsourcing (BPO) and Back Office Services. The Company is entitled to incentives under Republic Act (RA) 7916, *the Special Economic Zone Act of 1995, as amended*, and the PEZA IT Guidelines, which include a 4-year corporate Income Tax Holiday (ITH) in Sunnymede IT Center effective from the date of start of commercial operations (SCO). After the lapse of ITH, the Company is subject to a 5% Gross Income Tax (5% GIT) incentive, in lieu of all national and local taxes. The Company started its commercial operations on April 2012 and enjoyed the ITH up to March 31, 2016.

Accordingly, Sunnymede IT Center has been treated as a taxable unit under the 5% GIT after March 31, 2016.

Science Hub, Tower 3, Taguig City (6th Floor)
On March 22, 2013, the PEZA BOD approved the Company's application for the registration of its operations in 6th Floor Science Hub Tower 3, Campus Avenue, Mckinley Hill, Taguig City. The Company is entitled to an ITH from the PEZA-approved date of SCO of January 2014. In 2016, PEZA approved the Company's application for late registration of its operations, subject to subsequent signing of a Supplemental Agreement. The Company is currently working with PEZA to get the Supplemental Agreement signed.

In 2019, since the entitlement to a four-year ITH starting from SCO of January 2014 expired in December 2018, the Science Hub Tower 3 office has been treated as a taxable unit under GIT from January 2019 onwards.

Science Hub, Tower 4, Taguig City (6th Floor)
On January 13, 2015, the PEZA BOD approved the Company's application for the registration of its operations in 6th Floor Science Hub Tower 4, Campus Avenue, Mckinley Hill, Taguig City. On January 18, 2016, the Company signed its Supplemental Agreement with PEZA for its operations in Science Hub Tower 4. The Company's ITH validation is still under final review with PEZA. This unit was treated by the Company as a PEZA unit and have availed ITH from January 2015 onwards.

2. Basis of Preparation

Statement of Compliance
The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRSs which are issued by the Philippine Financial Reporting Standards Council, consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

Details of the Company's accounting policies are included in Note 3.

This is the first set of the Company's annual financial statements in which PFRS 16, *Leases* has been applied.

Basis of Measurement
The financial statements have been prepared on a historical cost basis of accounting except for retirement benefits liability, which is recognized at the present value of the defined benefit obligation.

The accompanying financial statements of the Company were authorized for issue by the Board of Directors on September 17, 2020.

Functional and Presentation Currency
These financial statements are presented in Philippine peso, which is the Company's functional currency and all values are rounded to the nearest peso, except when otherwise stated.

Use of Judgments and Estimates
The preparation of the financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and amounts reported in the financial statements and accompanying notes. The estimates and associated assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as at the date of the financial statements. Actual results could differ from such estimates.

Judgments, estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Judgments
In the process of applying the Company's accounting policies, the management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Determination of Functional Currency
The Company, based on relevant economic substance of the underlying circumstances, has determined its functional currency to be the Philippine Peso. It is the currency in the primary economic environment in which the Company operates and the currency that mainly drives its costs and expenses.

Determination of Term and Discount Rate of Lease Arrangements
Where the Company is the lessee, management is required to make judgments about whether an arrangement contains a lease, the lease term and the appropriate discount rate to calculate the present value of the lease payments.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases entered into by the Company as lessee, management uses the incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses an approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company and makes adjustments specific to the lease.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if it is reasonably certain that the lease will be extended (or not terminated) and, as such, included within lease liabilities.

The Company normally considers in the assessment whether there are significant penalties to terminate, significant remaining value of leasehold improvements and historical lease durations, the costs and business disruption for replacing the leased asset, enforceability of the option, and business and other developments.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the lessee's control. As at March 31, 2020, the Company did not exercise any renewal options from its lease contracts.

Adequacy of Tax Liabilities
In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accrual for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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

Estimation of Impairment Losses on Receivables
The Company uses the expected credit loss (ECL) model in estimating the level of allowance, which includes forecasts of future events and conditions. A credit loss is measured as the present value of all cash shortfalls (the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). The model represents a probability-weighted estimate of the difference over the remaining life of the receivables. The maturity of the Company's receivables is less than one year so the lifetime ECL and the 12-month ECL are similar. In addition, management assessed the credit risk of the receivables as at the reporting date as low, therefore the Company did not have to assess whether a significant increase in credit risk has occurred.

As at and for the years ended March 31, 2020 and 2019, allowance for impairment losses on receivables amounted to P7,139,706 and P7,799,066, respectively (see Note 4).

Estimation of Retirement Benefit Obligation and Costs
The determination of the obligation and cost of retirement benefit is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Actual results that differ from the Company's assumptions are recognized directly in other comprehensive income. While the Company believes that, the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligation.

The retirement benefit liability amounted to P9,298,189 and P3,121,263 as of March 31, 2020 and 2019, respectively (see Note 16).

Recognition of Deferred Tax Assets
The management assesses at each reporting date and recognizes deferred tax assets to the extent of probable future taxable profits and reversing taxable temporary differences that will allow the deferred income tax assets to be utilized.

Management uses judgment and estimates in assessing the probability of future taxable profits. Deferred income tax assets recognized amounted to P54,998,420 and P7,627,639 as of March 31, 2020 and 2019, respectively (see Note 12).

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the changes in accounting policies as explained below.

<u>Adoption of New Standards and Interpretations</u>
The Company has adopted the following new standards and interpretations starting April 1, 2019 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these new standards and interpretations did not have any significant impact on the Company's financial statements. These are as follows:

- PFRS 16 supersedes PAS 17, *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements.

  Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were also introduced.

  The Company applied PFRS 16 using the modified retrospective approach at April 1, 2019. Accordingly, the comparative information presented for the prior year is not restated - i.e. it is presented, as previously reported, under PAS 17 and related interpretations. The disclosure requirements of PFRS 16 have not generally been applied to comparative information.

  The impact of the changes is as follows:

  <u>Definition of a Lease</u>
  Previously, the Company determined at contract inception whether an arrangement contained a lease under IFRIC 4*, Determining Whether and Arrangement contains a Lease.* The Company now assesses whether a contract is or contains a lease based on a definition of a lease, under PFRS 16.

  On transition to PFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied PFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under PAS 17 and IFRIC 4 were not reassessed for whether there is a lease under PFRS 16. Therefore, the definition of lease under PFRS 16 was applied only to contracts entered or changed on or after April 1, 2019.

As a Lessee

Previously, the Company classified its leases as operating leases under PAS 17 wherein leases are classified as operating or finance lease based on its assessment of whether the lease transferred significantly the entire risks and rewards incidental to ownership of the underlying asset to the Company. On transition of these leases, the Company recognizes right-of-use (ROU) assets and lease liabilities - i.e. these leases are on-balance sheet. The lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at April 1, 2019. ROU assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

The Company has tested its ROU assets for impairment on the date of transition and has concluded that there is no indication that the ROU assets are impaired.

The Company uses a number of practical expedients when applying PFRS 16 to leases previously classified as operating leases under PAS 17. In particular, the Company:

- did not recognize ROU assets and liabilities for leases which the lease term ends within 12 months from the date of initial application;

- did not recognize ROU assets and liabilities for leases of low value assets;

- excluded initial direct costs from the measurement of ROU asset at the date of initial application; and

- use hindsight when determining the lease term.

The table below summarizes the impact of transition to PFRS 16 on April 1, 2019.

	Impact of Adopting PFRS 16 at April 1, 2019
ROU assets*	P397,081,092
Lease liabilities	P401,558,544

**Net of accrued lease payments amounting to P4,477,452.*

When measuring lease liabilities for leases that were classified as operating lease, the Company discounted lease payments using the average incremental borrowing rate of 8.22% at April 1, 2019.

	April 1, 2019
Operating lease commitment at March 31, 2019 as disclosed in the Company's financial statements	P471,947,712
Discounted using the incremental borrowing rate at April 1, 2019	P401,558,544
Recognition exemption for:	
▪ short-term leases	-
▪ leases of low-value assets	-
Lease liabilities recognized as at April 1, 2019	P401,558,544

The following table summarizes the impact of adopting PFRS 16 on the Company's statement of financial position as at March 31, 2020 and statement of comprehensive income for the year then ended for each of the line items affected.

Statement of Financial Position

	Amounts Without Adoption of PFRS 16	Adjustments	As Reported
Assets			
ROU - net	P -	P362,314,528	P362,314,528
Deferred tax asset- net	P24,289,634	(P555,528)	P23,734,106
Liabilities			
Lease liabilities	P -	P375,160,831	P375,160,831

Statement of Comprehensive Income

	Amounts Without Adoption of PFRS 16	Adjustments	As Reported
Depreciation expense	P -	P146,284,152	P146,284,152
Interest expense	-	33,845,757	33,845,757
Deferred tax expense	-	555,528	3,853,891
Total effect on net income	P -	P180,685,437	P183,983,800

Statement of Cash Flows

On transition to PFRS 16, the Company has classified:

- Cash payments for the principal portion of lease payments as financing activities;

- Cash payments for the interest portion as financing activities consistent with the presentation of interest payments chosen by the Company;

- Short-term lease payments and payments for leases of low value assets as operating activities.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Company's chosen tax treatment. If it is not probable that the tax authority will accept the Company's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value.

The interpretation also requires the reassessment of judgements and estimates applied if facts and circumstances change - e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

Standards Issued but Not Yet Adopted
A number of new standards effective for annual periods beginning after January 1, 2019. However, the Company has not applied the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

Effective January 1, 2020

- *Amendments to References to Conceptual Framework in PFRS* sets out amendments to PFRS, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:

    - a new chapter on measurement;

    - guidance on reporting financial performance;

    - improved definitions of an asset and a liability, and guidance supporting these definitions; and,

    - clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

    Some standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

    These amendments are effective for annual reporting periods beginning on or after January 1, 2020.

- Definition of Material (Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates, and Errors*). The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the 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 amendments clarify the definition of material and its application by:

    (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence';

    (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;

(c) clarifying that the users to which the definition refers are the primary users of general-purpose financial statements referred to in the Conceptual Framework;

(d) clarifying the explanatory paragraphs accompanying the definition; and

(e) aligning the wording of the definition of material across PFRS and other publications.

The amendments are expected to help entities make better materiality judgements without substantively changing existing requirements.

Current versus Noncurrent Classification

The Company presents assets and liabilities in the statements of financial position based on current/noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and noncurrent liabilities, respectively.

Financial Instruments - Initial Recognition and Subsequent Measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Initial Recognition and Measurement
Financial assets are classified, at initial recognition and as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payment of principal and interest' (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent Measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at FVPL.

Financial Assets at Amortized Cost (Debt Instruments). This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

This category includes the Company's cash in banks, trade and other receivables and refundable deposits and finance lease receivables. The Company has no financial asset designated at FVPL and FVOC.

Impairment of Financial Assets
The Company recognizes an ECL for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset to be in default when contractual payments are generally more than one year past due. However, in certain cases, the Company may also consider internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

Initial Recognition and Measurement
Financial liabilities are classified as measured at amortized cost or FVPL. A financial liability is classified as at FVPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Included under other financial liabilities are the Company's accounts payable and other current liabilities and lease liabilities.

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss. This category generally applies to interest-bearing loans and borrowings.

<u>Derecognition of Financial Instruments</u>
Derecognition of Financial Asset
A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- The Company's rights to receive cash flows from the asset have expired; or

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Derecognition of Financial Liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

<u>Offsetting of Financial Instruments</u>
Financial assets and financial liabilities are offset with the net amount reported in the statements of financial position if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counter parties.

<u>Prepayments</u>
Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the statements of financial position as current asset when the cost of services related to the prepayments are expected to be incurred within one year or the Company's normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

<u>Property and Equipment</u>
Property and equipment are stated at cost, less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes, and any directly attributable cost 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 expense in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Computers	4 - 5
Office equipment	5
Leasehold improvement	Over the period of lease or 4 whichever is shorter

Recognition of depreciation commences when the asset is ready for its intended use.

The useful lives and depreciation method are reviewed annually to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment.

When assets are sold or retired, their cost and accumulated depreciation and any impairment in value are eliminated from the accounts. Any gain or loss resulting from their disposal is included in profit or loss.

Software Costs

Software costs are carried at cost less accumulated amortization and any impairment in value. Software costs are amortized on a straight-line method over the assets' estimated useful lives ranging from one to three years.

Impairment of Non-financial Assets

The carrying value of the non-financial assets of the Company are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of the asset is the greater of fair value less cost to sell and value-in-use. In assessing value-in- use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment loss, if any, is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

Provisions
Provisions are recognized when the Company has a present obligation, either legal or constructive, as a result of a past event, it is probable that the Company will be required to settle the obligation through an outflow of resources embodying economic benefits, and the amount of the obligation can be estimated reliably.

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

Additional Paid-in Capital
Additional paid-in capital pertains to the amount received in excess of the par value of the shares either subscribed, issued, or both. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Retained Earnings
Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration. Retained earnings also include prior period adjustments and the effect of changes in accounting policy as may be required by the standard's transitional provisions.

Revenue
Revenue from contracts with customers is recognized when or as control of a promised goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring those goods or services. To recognize revenues, the following five step approach is applied: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and, (5) recognize revenues when a performance is satisfied. A contract is accounted when it is legally enforceable through executory contracts, there is approval and commitment from all parties, the rights of the parties are identified, payment terms are defined, the contract has commercial substance and collectability of consideration is probable.

Time-and-Material/Volume Based/Transaction Based Contracts
Revenue with respect to time-and-material, volume based and transaction based contracts is recognized at point in time or as the related services are performed through efforts expended, volume serviced transactions are processed etc. that correspond to the value transferred to customer till date which is related to the right of the Company to invoice for services performed.

Fixed Price Contracts
Revenue related to fixed priced contracts where performance obligations and controls are satisfied over a period of time like technology integration, complex network building contracts, enterprise resource planning implementations and applications development are recognized based on progress towards completion of the performance obligation using the cost-to-cost measure of progress i.e. percentage-of-completion (POC) method of accounting. Revenue is recognized based on the cost incurred to date as a percentage of the total estimated costs to fulfil the contract. Any revision in cost to complete would result in increase or decrease in revenue and such changes are recorded in the period in which they are identified. Provision for estimated losses, if any, on contracts-in-progress are recorded in the period in which such losses became probable based on the current contract estimates. Contract losses are determined to be the amount by which the estimated incremental cost to complete exceeds the estimated future revenue that will be generated in the contract and are included in cost of revenues and recorded in other accrued liabilities.

Revenues related to other fixed price contracts in providing maintenance and support services are recognized based on the right to invoice on the services performed for contracts in which the invoicing is representative of the value being delivered.

Revenue from certain activities in transition services in outsourcing arrangements are not capable of being distinct or represent a separate performance obligation. Revenues relating to such transition activities are classified as contract liabilities and subsequently recognized over the period of the arrangement. Direct and incremental cost in relation to such transition activities which are expected to be recoverable under the contract and generates or enhances resources of the Company that will be used in satisfying performance obligation in the future are considered as contract fulfillment costs classified as deferred contract cost and recognized over the period of the arrangement. Certain up-front non-recurring incremental contract acquisition costs and other up-front fees are deferred and amortized to cost or revenue, usually on a straight-line basis over the term of the contract unless revenues are earned, and obligations are fulfilled in a different pattern. The undiscounted future cash flows from the arrangement are periodically estimated and compared with the unamortized portion. If the unamortized costs exceed the undiscounted cash flows, a loss is recognized.

Revenue recognized but not billed to customers is classified either as contract assets or unbilled receivable in the statements of financial position. Contract assets primarily relate to unbilled amounts on the contracts utilizing the cost-to-cost method of revenue recognition and right to consideration is not unconditional. Unbilled receivables represent contracts where right to consideration is unconditional (i.e only passage of time is required before the payment is due).

Revenue from sales-type leases is recognized when risk of loss is transferred to customers and there are no unfulfilled obligations that affect the final acceptance of the arrangement by the client. Interest attributable to sales-type leases is recognized using effective interest method.

<u>Contract Balances</u>
Contract Assets. A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional on the completion performance obligation.

Trade Receivable. A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). This also includes advance billing in accordance with the contract.

Contract Liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration or for which an amount of consideration is due from the customer based on the advance billing recognized under trade receivable. A contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

The Company does enter into transactions with customers where contract liabilities result from consideration being received from the customer prior to the Company satisfying its performance obligations. These contract liabilities are presented in the statements of financial position as unearned revenue.

Cost of Services and Expenses
Cost and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Cost of Services
Cost of services consists of personnel cost, consultancy fees and other directly attributable costs incurred by the Company for the generation of revenue.

General and Administrative Expenses
General and administrative expenses constitute costs incurred in administering the business and these are expensed as incurred.

Leases
The Company has applied PFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under PAS 17 and IFRIC 4. The details of accounting policies under PAS 17 and Philippine Interpretation IFRIC 4 are disclosed separately if they are different from those under PFRS 16, including the impact of changes.

Policy Applicable from April 1, 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for a consideration.

As a Lessee
The Company recognizes ROU assets and lease liabilities at the lease commencement date. The ROU assets are initially measured at cost, which comprises the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove or restore the underlying asset or the site on which it is located, less any incentives received.

The ROU assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU assets or the end of lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property and equipment. In addition, the ROU assets are periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liabilities.

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rates as the discount rate.

Lease payments included in the measurement of the lease liabilities comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liabilities are measured at amortized cost using the effective interest method. This are premeasured if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liabilities are premeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU assets or is recorded in profit or loss if the carrying amount of the ROU assets have been reduced to zero.

As a Lessor
When the Company act as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of underlying asset. If this is the case, the asset is a finance lease; if not, then its an operating lease.

The Company has leased assets under sales-type lease in which it acts as a dealer lessor. A finance lease of an asset by a dealer lessor results in two types of income: initial selling profit and finance income over the lease term. The Company recognizes the finance lease receivable and selling profit or loss for the period at the commencement date of the lease term. Costs incurred in connection with negotiating and arranging a lease are recognized as an expense when the selling profit or loss is recognized. Finance lease receivable is recognized at fair value of the underlying asset sold, or if lower, the present value of the lease payments accruing to the Company as a lessor, discounted using a market rate of interest. The current portion of the finance lease is recognized under “Prepayments and other current assets” account while the noncurrent portion is recognized under “Other noncurrent assets” in the statements of financial position. The difference between the lease payments received and the finance lease receivable is recognized as interest income.

Policy Applicable before April 1, 2019

For contracts entered into before April 1, 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether fulfillment of the arrangement was dependent on the use of a specific asset or assets, and the arrangement had conveyed a right to use the asset.

As a lessee the Company classified leases that retain substantially all of the risks and rewards of ownership as operating leases. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense over the term of the lease.

Foreign Currency

Transactions in foreign currencies are recorded in Philippine peso based on the exchange rates prevailing at the transaction dates. Foreign currency denominated monetary assets and liabilities are retranslated into Philippine peso using the rates of exchange at the reporting date. Exchange gains or losses arising from translation of foreign currency denominated items at rates different from those at which they were previously recorded are recognized in profit or loss.

Related Party Transactions

A related party transaction is a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

Related party relationship exists 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 the financial and operating decisions. Such relationship also exists between and/or among entities under common control with the reporting enterprises and their key management personnel, directors, or its stockholders. Related parties may be individuals or corporate entities. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Employee Benefits

Short-term Benefits

The Company recognizes a liability, net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount because of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Post-Employment Benefits

Retirement Benefit Cost

Under Republic Act (R.A.) No. 7641, where there is no retirement plan or agreement providing for retirement benefits of employees in a company, an employee who has reached the age of 60 or more, but not beyond 65 years, which is the compulsory retirement age, and who has rendered at least five years of service in the said company, may retire and shall be entitled to retirement benefit equivalent to at least one-half of one month salary for every year of service, wherein a fraction of at least six months is considered one year.

The retirement benefit liability recognized in the statements of financial position is the present value of the defined benefit obligation at the reporting date.

The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the define benefit obligation is determined by discounting the estimated future outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity which approximate the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to other comprehensive income in the period in which they arise.

Past service costs are recognized immediately in profit or loss.

Compensated Leave Credits

The Company's net obligation in respect of accumulated leaves is the amount of future benefit that employees have earned in return for their services in the current and prior periods. This benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise. The Company recognizes outstanding provision for leave credits as part of employee benefits under "Accounts payable and other current liabilities" account in the statements of financial position.

Income Taxes

Income tax expense represents the current tax expense and deferred tax expense.

Under the Company's registration with the PEZA pursuant to the provisions of R.A. No. 7916, *The Special Economic Zone Act of 1995*, the Company is subject to 5% final tax on gross income from PEZA-registered activities in lieu of payment of national and local taxes.

Uncertainties related to taxes that are not income taxes are recognized and measured in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* unless they are dealt with specifically in another standard.

If there is uncertainty about an income tax treatment, then the Company considers whether it is probable that a tax authority will accept the Company's tax treatment included in its tax filing. The underlying assumption in the assessment is that a tax authority will examine all amounts reported and will have full knowledge of all relevant information.

Current Tax
The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using 5% of gross income earned from registered activities. For income other than its registered activities, tax rate is 30% or exempt when the activities are included under income tax holiday.

Deferred Tax
Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are generally recognized for all deductible temporary differences to the extent it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Events After End of the Reporting Period
Post year-end events that provide additional information about the Company’s position at the balance sheet date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

4. Trade and Other Receivables

	Note	**2020**	2019
Billed trade receivables:			
Related parties	*11, 17*	**P370,336,087**	P532,705,223
Third parties	*17*	**318,467,913**	221,186,284
Unbilled trade receivables:			
Related parties	*11, 17*	**92,435,388**	2,728,187
Third parties	*17*	**49,936,637**	16,800,965
Contract asset		**-**	2,097,374
Other receivables		**17,046,870**	21,608,059
		848,222,895	797,126,092
Less: Allowance for expected credit losses	*17*	**7,139,706**	7,799,066
		P841,083,189	P789,327,026

Billed trade receivables are noninterest bearing and are generally on 30 to 120 days credit term.

Unbilled trade receivables pertain to receivables in which all conditions based on the contracts are already met or performed however, the billings are not yet issued to the customers as of March 31, 2020.

Contract asset pertains to unbilled receivable on fixed price contracts using the cost-to-cost method of revenue recognition.

The allowance for expected credit losses pertains to trade receivables from third parties. Movements in the allowance for doubtful accounts follow:

	2020	2019
Beginning of the year	**P7,799,066**	P2,325,239
Provision (reversal) for expected credit losses	**(659,360)**	5,473,827
	P7,139,706	P7,799,066

5. Prepayments and Other Current Assets

	Note	**2020**	2019
Input VAT - net		**P38,043,473**	P32,220,391
Refundable deposits - current portion	*15, 17*	**19,237,189**	5,967,651
Financial lease receivables - current portion	*8, 15*	**18,651,832**	-
Prepaid insurance		**18,250,268**	17,371,793
Deferred contract costs - current portion	*8, 13*	**10,148,607**	1,198,805
Prepaid tax		**-**	6,736,640
Others		**24,509,570**	23,919,409
		P128,840,939	P87,414,689

Deferred input VAT pertains to input VAT to be recognized upon issuance of official receipts of the Company's suppliers.

Prepaid insurance pertains to payment made in advance for health and life insurance of the employees and business insurance.

Finance lease receivables pertain to the amount to be received by the Company for leasing servers, laptops and desktop to customers under a finance lease arrangement (see Note 15). Amounts to be received after 12 months from the report date is classified as noncurrent (see Note 8).

Deferred contract cost pertains to knowledge transfer costs during the transition phase of the contract which is amortized over the terms of contracts. Amounts that will be amortized beyond 12 months are classified as noncurrent (see Note 8).

Others pertain to prepaid taxes in which the creditable withholding tax certificates are being awaited from the customers, inventories and various prepayments of immaterial amounts.

6. Property and Equipment

The movements in this account are as follows:

		2020			
	Note	**Computers**	**Office Equipment**	**Leasehold Improvements**	**Total**
Cost					
At April 1		**P141,032,463**	**P15,413,537**	**P5,990,747**	**P162,436,747**
Additions		**84,344,963**	**3,549,471**	**1,668,555**	**89,562,989**
Retirement		**(19,862,752)**	**-**	**-**	**(19,862,752)**
At March 31		**205,514,674**	**18,963,008**	**7,659,302**	**232,136,984**
Accumulated Depreciation and Amortization					
At April 1		**71,431,717**	**9,327,330**	**3,195,970**	**83,955,017**
Depreciation and amortization	*14*	**33,961,542**	**2,336,287**	**940,435**	**37,238,264**
Retirement		**(19,796,052)**	**-**	**-**	**(19,796,052)**
At March 31		**85,597,207**	**11,663,617**	**4,136,405**	**101,397,229**
Carrying Amount		**P119,917,467**	**P7,299,391**	**P3,522,897**	**P130,739,755**

		2019			
	Note	Computers	Office Equipment	Leasehold Improvements	Total
Cost					
At April 1		P82,823,682	P13,188,025	P5,990,747	P102,002,454
Additions		58,244,991	2,225,512	-	60,470,503
Retirement		(36,210)	-	-	(36,210)
At March 31		141,032,463	15,413,537	5,990,747	162,436,747
Accumulated Depreciation and Amortization					
At April 1		52,041,450	7,109,349	2,386,348	61,537,147
Depreciation and amortization	*14*	19,416,060	2,217,981	809,622	22,443,663
Retirement		(25,793)	-	-	(25,793)
At March 31		71,431,717	9,327,330	3,195,970	83,955,017
Carrying Amount		P69,600,746	P6,086,207	P2,794,777	P78,481,730

7. Software Licenses

The movements in this account are as follows:

	Note	**2020**	2019
Cost			
At April 1		**P4,767,638**	P4,767,638
Addition		**466,931**	**-**
At March 31		**5,234,569**	4,767,638
Accumulated Amortization			
At April 1		**4,767,638**	4,188,906
Amortization	*14*	**102,233**	578,732
At March 31		**4,869,871**	4,767,638
Carrying Amount		**P364,698**	P -

8. Other Noncurrent Assets

This account consists of:

	Note	**2020**	2019
Deferred contract costs	*5, 13*	**P48,980,727**	P1,759,441
Finance lease receivable - net of current portion	*15*	**36,242,858**	-
Refundable deposits - net of current portion	*15, 17*	**32,660,189**	36,279,067
Capital work in progress		**4,828,802**	674,474
Prepaid expenses - noncurrent portion		**2,603,504**	861,671
Deposits		**700,177**	912,663
		P126,016,257	P40,487,316

9. Accounts Payable and Other Current Liabilities

This account consists of:

	Note	**2020**	2019
Unearned revenue*	*11, 13*	**P142,083,718**	P203,495
Due to related parties	*11, 17*	**99,165,969**	218,729,026
Employee benefits	*17*	**84,716,381**	67,402,143
Accrued expenses	*17*	**64,278,980**	40,247,481
Accounts payable	*17*	**18,559,868**	24,327,569
Other current liabilities		**499,643**	164,548
		P409,304,559	P351,074,262

** includes unearned revenue from related party amounting to P112,265,364 and nil as at March 31, 2020 and 2019, respectively.*

Employee benefits pertain to accruals for leave encashment, performance bonus, 13th month salary and provision for separated employee.

Accrued expenses pertain to provision for project expenses, provision for communication link, electricity, legal professional and repair maintenance.

Unearned revenue pertains to the current portion of the advance payment received from customers. Services which are expected to be completed for more than twelve (12) months after the reporting date are recognized as “Unearned revenue” under noncurrent liability in the statements of financial position.

10. Equity

The Company’s capital stock consists of the following:

	Number of Shares	**Amount**
Authorized at P100 par value	**4,300,000**	**P430,000,000**
Issued and outstanding	**2,716,843**	**271,684,300**

Retained Earnings
In accordance with Section 42 of the Revised Corporation Code of the Philippines (the "Code"), stock corporations are prohibited from retaining surplus profits in excess of one hundred percent (100%) of their paid-in capital, except:

- When justified by definite corporate expansion projects or programs approved by the BOD; or

- When the Corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not yet been secured; or

- When it can be clearly shown that such retention is necessary under special circumstances, such as when there is a need for reserve for probable contingencies.

The Company's retained earnings as at March 31, 2020 and 2019 amounted to P612,561,495 and P428,720,092, respectively.

As at March 31, 2020 and 2019, the unrestricted retained earnings of the Company is still in excess of the paid-in capital by P313,949,627 and P156,949,387, respectively, after preparing the reconciliation in accordance with SEC Memorandum Circular No. 11, series of 2008, *Guidelines on the Determination of Retained Earnings Available for Dividend Declaration*. Management plans to discuss the excess retained earnings for the year 2020 in the next BOD meeting.

11. Related Party Transactions

In the normal course of business, the Company has the following significant transactions and outstanding account balances with its related parties:

		Amount/Volume		**Outstanding Balance Receivable (Payable)**		
Related Party	***Note***	**March 31, 2020**	March 31, 2019	**March 31, 2020**	March 31, 2019	**Terms and Conditions**
Ultimate Parent Company						
Revenue	*a*	**P869,594,765**	P737,054,682	**P172,166,957**	P358,019,024	Noninterest-bearing, unsecured; no impairment
Consultancy	*b*	**159,136,031**	54,698,876	**(186,755,612)**	(28,353,791)	Noninterest-bearing, unsecured
Under Common Control						
Revenue	*a*	**149,596,587**	471,241,826	**43,306,475**	152,013,524	Noninterest-bearing, unsecured; no impairment
Consultancy	*b*	**68,723,599**	99,917,605	**(5,625,010)**	(5,618,334)	Noninterest-bearing, unsecured
Other advances	*c*	**-**	172,523,663	**-**	(172,523,663)	Noninterest-bearing, unsecured
Loans	*d*	**102,592,000**	-	**-**	-	Interest bearing; Unsecured
Interest on loans	*d*	**337,541**	-	**-**	-	
Transfer to payable	*e*	**-**	6,230,903	**-**	(6,230,903)	Noninterest-bearing, unsecured
Refundable deposit	*f*	**-**	-	**(9,650,660)**	-	
Other Affiliates						
Revenue	*a*	**365,724,714**	53,561,907	**247,298,043**	25,400,862	Noninterest-bearing, unsecured; no impairment
Consultancy	*b*	**26,585,171**	28,454,090	**(9,400,051)**	(6,002,335)	Noninterest-bearing, unsecured
Trade receivable - related party				**P462,771,475**	P535,433,410	
Due to related parties				**(P211,431,333)**	(P218,729,026)	

a. The Company has Master Service Agreement with its ultimate parent company for the Company to provide software and information technology services to the customers of the ultimate parent company and the various entities under common control. The agreement shall continue until terminated by either party in case the other party is in breach of the terms of the agreement or at the option of the counterparty upon prior written notice.

b. Related parties rendered consulting services to the Company under the normal course of business. Consulting charge is recorded as part of "Cost of services" account in the statements of comprehensive income.

c. The Company obtained a noninterest bearing advances from HCL America, Inc., an entity under common control. As at March 31, 2020 and 2019, the advances from HCL America, Inc. amounted to nil and P172,523,663, respectively.

d. The Company had a credit line with HCL Technologies UK Ltd. up to maximum amount of £4.0 Million. As at March 31, 2020 and 2019, the Company did not obtain any loan from the credit line.

   The Company had a credit line with HCL Singapore PTE Ltd. up to maximum amount of SGD 8.0 Million. The loan had an interest rate of Libor + 100 bps per annum calculated from the date the loan was credited to the Company's bank account. The loan had a term of one year. The Company obtained a USD2 million (P102,600,000) loan from the credit facility on June 10, 2019 and paid such loan in full on July 15, 2019. The Company has nil outstanding loans as of March 31, 2020 and 2019. Interest expense as of March 31, 2020 and 2019 amounted to P337,541 and nil, respectively.

e. As at March 31, 2019, an entity under common control paid expenses on behalf of the Company amounting to P6,230,903. The amount was paid in 2020.

f. Compensation of key management personnel of the Companies consists of directors' fee amounting to P660,000 for the years ended March 31, 2020 and 2019.

   All related party transactions are to be settled in cash.

12. Income Taxes

a. The current income tax in 2020 and 2019 pertains to RCIT.

b. Reconciliation between the current income tax computed at the statutory income tax rate and the current income tax as shown in the statements of comprehensive income is as follows:

	2020	2019
Income before income tax	**P217,187,784**	P179,154,082
Income tax provision at statutory income tax rate	**P65,156,335**	P53,746,224
Additions to (reductions in) income tax resulting from income tax effects of:		
Nondeductible expense	**3,093,134**	14,235,219
Nontaxable income	**(438,214)**	-
Reversal of provision related to previous year	**(3,355,668)**	(41,584,270)
Effect of the difference between RCIT and GIT rates	**(12,862,364)**	(4,926,219)
Gross income exempt under ITH	**(18,246,842)**	(30,098,627)
Total income tax expense	**P33,346,381**	(P8,627,673)

Deferred income tax assets - net are attributable to the following:

2020	***Note***	**Net Balance at April 1**	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Balance at March 31**
Accrued personnel expenses		**P4,529,998**	**P9,039,525**	**P -**	**P13,569,523**
Provision for expenses	*12*	**-**	**8,187,007**	**-**	**8,187,007**
Allowance for impairment losses on receivables		**2,346,772**	**(1,261,368)**	**-**	**1,085,404**
Retirement benefit liability		**750,869**	**536,583**	**160,248**	**1,447,700**
Lease liability		**-**	**30,708,786**	**-**	**30,708,786**
Unrealized foreign exchange loss (gain)		**(309,701)**	**309,701**	**-**	**-**
ROU		**-**	**(31,264,314)**	**-**	**(31,264,314)**
Deferred tax assets - net		**P7,317,938**	**P16,255,920**	**P160,248**	**P23,734,106**

2019	Net Balance at April 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at March 31
Accrued personnel expenses	P2,969,977	P1,560,021	P -	P4,529,998
Allowance for impairment losses on receivables	697,572	1,649,200	-	2,346,772
Retirement benefit liability	(15,876)	766,745	-	750,869
Unrealized foreign exchange loss (gain)	(272,535)	(37,166)	-	(309,701)
Deferred tax assets - net	P3,379,138	P3,938,800	P -	P7,317,938

Deferred tax assets - net as at March 31, 2020 are estimated to be settled as follows:

	2020
To be settled within 12 months	**P17,310,880**
To be settled after more than 12 months	**6,423,226**
	P23,734,106

13. Revenue

Set out below is the disaggregation of the Company's revenues for the year ended March 31:

	2020	2019
Types of Services		
Software development services	**P1,036,486,876**	P676,045,992
Business process outsourcing (BPO)	**994,838,217**	1,171,430,276
Total revenue from contracts with customers	**P2,031,325,093**	P1,847,476,268

Software development services include software services & IT infrastructure management services. Within software services, the Company provides application development and maintenance, enterprise application, next generation Software As A Service application services and engineering and Research and Development services to several global customers. Infrastructure management services involve managing customer's IT assets effectively.

Business process outsourcing services include the traditional contact center & help desk services and the next generation services around platform BPO and Business Process As A Service delivered through a global delivery model.

Types of Revenue Recognition		
Fixed price contract (over time)	**P1,503,189,569**	P1,211,414,660
Time-and-material (point in time)	**528,135,524**	636,061,608
Total revenue from contracts with customers	**P2,031,325,093**	P1,847,476,268

The following table provides information about contract assets, deferred contract cost and deferred revenues from contracts with customers.

	Note	**2020**	2019
Contract assets	*4*	**P -**	P2,097,374
Deferred contract cost	*5, 8*	**59,129,334**	2,958,246
Unearned revenue	*9*	**224,042,833**	203,495

14. Cost of Services

	Note	**2020**	2019
Personnel costs		**P1,012,830,795**	P991,314,122
Consultancy fee	*11*	**268,755,456**	252,490,897
Amortization of ROU assets	*3, 15*	**146,284,152**	-
Inventories		**50,258,931**	143,145
Depreciation and amortization	*6, 7*	**37,340,497**	23,022,395
Travel		**36,282,690**	18,126,877
Communication		**20,347,341**	11,457,733
Utilities		**18,125,322**	16,285,299
Repairs and maintenance		**12,921,574**	25,162,258
Recruitment and training		**11,748,161**	11,979,920
Rent		**-**	137,539,433
Other expenses		**70,958,285**	80,128,272
		P1,685,853,204	P1,567,650,351

Other expenses pertain to office supplies and other direct costs of services.

Details of personnel costs follow:

	Note	2020	2019
Salaries and wages		**P648,253,265**	P637,488,103
Benefits		**222,547,089**	219,526,116
Bonuses		**26,866,245**	47,071,301
Retirement benefit cost	*16*	**2,256,342**	2,555,818
Others		**112,907,854**	84,672,784
		P1,012,830,795	P991,314,122

15. Leases

Company as a Lessee
The Company entered into various long term leases with a term ranging from three to five years renewable under such terms and conditions as may be agreed upon by both parties. The Company did not apply any renewal option on its lease contracts. Details are as follows:

Sunnymede IT Center, Quezon City
The Company entered into a Facility Lease Service Agreement (FLSA) on September 9, 2011 with a third party for its leased facility. The lease is for a period of three years renewable upon mutual agreement of the parties. On February 11, 2014, the Company signed an amendment to the lease agreement requiring them to pay an additional security deposit of P5,091,106 for the additional seats rented. On October 9, 2014, the Company renewed its FLSA for a period of three years commencing from October 1, 2014 and terminating on September 30, 2017. The lease was further renewed on October 16, 2017 for another three-year period commencing on October 1, 2017 and terminating on September 30, 2020. The monthly rental rate of P7,189 per seat is payable every fifth day of each month.

Science Hub Tower 3, Taguig City (6th Floor)
In 2013, the Company entered into another lease agreement covering certain office equipment and facilities. The lease is for a period of 60 months starting June 1, 2013 and can be extended beyond the 60 months subject to mutual agreement between the parties. During the 60 months lease period, the first 36 months shall be considered as lock in period wherein either party shall not be entitled to terminate the lease. In 2018, the Company renewed the lease agreement from June 1, 2018 and terminating on May 31, 2023. The leased shall be locked in for a period of 12 months starting June 1, 2018. The termination notice is 3 months included in the lock in period of 12 months. Escalation of five percent (5%) per year is effective starting June 1, 2019.

Science Hub Tower 4, Taguig City (6th Floor)
In April 2014, the Company entered into a sublease agreement covering a new site for the expansion of its operations. The sublease is for a period of five years (expires in February 2019) and can be extended until December 31, 2019. Any further renewal of the agreement beyond the extended term shall be on mutual agreement. During the five-year lease period, the first 48 months shall be considered as lock in period wherein either of the parties shall not be entitled to terminate the lease. On February 4, 2019, the Company renewed the lease for another five years commencing on March 1, 2019 and terminating on February 29, 2024. The leased shall be locked in for a period of 12 months starting March 1, 2019. The termination notice is 3 months included in the lock in period of 12 months. Escalation of five percent (5%) per year is effective starting March 1, 2019.

SM Aura, Mckinley Parkway, Taguig City
In November 2014, the Company entered into a sublease agreement covering a new site for the expansion of its operations. The sublease is for 60 months commencing on November 1, 2014 and terminating on October 31, 2019, renewable upon mutual consent of the parties. Neither of the parties can terminate the sublease agreement during the first 24 months of the lease. The Company did not renew the lease agreement upon its expiration on October 31, 2019.

Science Hub Tower 2, Taguig City (6th Floor)
In April 2018, the Company entered into another lease agreement covering certain office equipment and facilities. The lease is for a period of 36 months starting May 1, 2018 and terminating on April 30, 2021 renewable subject to mutual agreement between the parties.

Science Hub Tower 3, Taguig City (5th Floor)
On January 8, 2019, the lessor, the Company and State Street HCL Services (Philippines), Inc. (SSPI), an entity under common control, entered into an addendum to the Facility Utilization Service Agreement, wherein the SSPI assigned all its rights and obligations on the lease of the SSPI's office facility located in the 5th Floor, Science Hub tower 3, Taguig City to the Company. Security deposit amounting to P9,650,660 was not refunded by SSPI but was transferred to the account of Company (see Note 11).

The lease is for a period of 36 months starting September 1, 2019 and terminating on August 31, 2022 renewable subject to mutual agreement between the parties.

Cyber Sigma, Taguig City (20th Floor)
In September 2018, the Company entered into another lease agreement covering certain office equipment and facilities. The lease is for a period of 24 months starting September 1, 2018 and terminating on August 31, 2020 renewable at the option of the Company for another 3 years.

The total security deposits presented as part of "Prepayments and other current assets" and "Refundable deposits" in the statements of financial position amounted to P51,897,378 and P42,246,718 as at March 31, 2020 and 2019, respectively (see Notes 5 and 8).

Previously, these leases were classified as operating leases under PAS 17.

In 2019, as a result of the adoption of PFRS 16, the Company recognized ROU assets and lease liabilities for these leases as shown below.

ROU Assets
The movements as at March 31, 2020 are as follows:

	Note	2020
Balance at April 1		**P397,081,092**
Addition		**111,517,588**
Amortization	*15*	**(146,284,152)**
Balance at March 31	*3*	**P362,314,528**

Lease Liabilities
The movements in lease liabilities as at March 31, 2020 are as follows:

	Note	Amount
Balance at the beginning	*3*	**P401,558,544**
Accretion of interest expense		**33,845,757**
Addition		**111,517,588**
Repayments		**(171,761,058)**
Net carrying value	*3*	**375,160,831**
Current portion		**109,588,212**
Noncurrent portion		**P265,572,619**

	2020
Maturity Analysis - Contractual Undiscounted Cash Flows	
Less than one year	**P146,646,847**
One to five years	**293,870,881**
Total undiscounted lease liabilities at March 31 2020	**440,517,728**
Imputed Interest	**(50,833,797)**
Total lease liabilities	**389,683,931**
Less: Prepaid	**14,523,100**
Lease liabilities balance as at March 31, 2020	**P375,160,831**

Leases under PAS 17	2019
Due within one year	P133,959,340
Due beyond one year but less than five years	337,988,372
	P471,947,712

There is no short-term lease for the years ended March 31, 2020 and 2019.

Company as a Lessor

As a Lessor
The Company also entered into an agreement for the lease of laptops and computers. The lease term is 3.5 years from September 01, 2019 to March 31, 2023, which is subject to renewal upon the written agreement with the lessee based on such terms and conditions as may be acceptable.

The maturity analysis of the undiscounted lease receivables as at March 31 is as follows:

	2020
Maturity Analysis - Contractual Undiscounted Cash Flows	
Not more than one year	**P20,621,405**
One to two years	**37,744,018**
Total undiscounted lease receivables	**58,365,423**
Unearned interest income	**(3,470,733)**
Net investment in the lease	**P54,894,690**

16. Retirement Benefits

The Company does not have an established retirement plan and only conforms to the minimum regulatory benefits under the Retirement Pay Law (Republic Act No. 7641) which is of the defined benefit type. As at March 31, 2020 and 2019, the actuarial valuations were prepared by an independent actuary using the projected unit credit method.

The following tables summarize the components of net retirement benefit cost recognized in the statements of comprehensive income and the amounts recognized in the statements of financial position as at March 31, 2020 and 2019. The latest actuarial valuation report was obtained as of March 31, 2020.

The components of retirement benefit costs, which were charged to operations, are as follows:

	Note	**2020**	2019
Current service cost		**P2,059,078**	P2,296,013
Interest cost		**197,264**	259,805
	14	**P2,256,342**	P2,555,818

The movements in the retirement benefit liability of the Company are as follows:

	2020	2019
Beginning of the year	**P3,121,263**	P3,284,509
Current service cost	**2,059,078**	2,296,013
Interest expense	**197,264**	259,805
Actuarial loss (gain)	**3,920,584**	(2,719,064)
End of the year	**P9,298,189**	P3,121,263

The assumptions used to determine retirement benefits costs of the Company as of March 31 are as follows:

	2020	2019
Discount rate	**5.07%**	6.32%
Salary increase rate	**4.10%**	3.10%
Average expected remaining working life in years	**28**	28.5

Assumptions regarding future mortality and disability experiences are based on the 1994 U.S. Group Annuity Mortality (GAM) Table, Male and Female, and the 1952 Disability Table (Society of Actuaries), respectively.

The weighted average duration of the defined benefit obligation is 14.8 years and 13.2 years as at March 31, 2020 and 2019, respectively.

The maturity analysis of the undiscounted benefit payments at March 31 is as follows:

	2020	2019
1 year and less	**P -**	P -
More than 1 year to 5 years	**5,110,155**	2,461,873
More than 5 years to 10 years	**7,493,389**	4,674,916

The sensitivity of the defined benefit obligation as at March 31 to changes in the principal assumptions is as follows:

	Impact on Defined Benefit Obligation		
	Changes in Assumption	**Increase in Assumption**	**Decrease in Assumption**
2020			
Discount rate	**1.00%**	**(P1,502,638)**	**P1,247,391**
Salary increase rate	**1.00%**	**1,502,165**	**(1,269,050)**
2019			
Discount rate	1.00%	(445,880)	375,682
Salary increase rate	1.00%	456,269	(389,914)

The above sensitivity analyses are based in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the PUC method at the end of the reporting period) has been applied as when calculating the pension benefit liability recognized within the statements of financial position.

17. Financial Risk Management and Capital Management

Financial Risk Management Objectives and Policies
The Company's activities expose it to a variety of risks, which include foreign currency risk, credit risk, and liquidity risk. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance.

Foreign Currency Risk. The Company operates domestically but its revenue and other borrowings are denominated in foreign currency and is exposed to foreign currency risk with respect to US dollar (US$) and Euro (EUR). To manage the foreign currency risk, the Company converts the foreign currency collections into Peso within a short period of time.

The Company's foreign currency-denominated financial instruments as of March 31, 2020 and 2019 are as follows:

	2020		
	Currency	**Amount in Foreign Currency**	**Peso Equivalent**
Cash in bank	**US$**	**1,860,836**	**P94,325,777**
Receivables	**EUR**	**22,645**	**1,255,665**
			P95,581,442

	2019		
	Currency	Amount in Foreign Currency	Peso Equivalent
Cash in bank	US$	497,888	P26,165,993

The applicable closing rate used to determine the Peso equivalent of the Company’s foreign currency-denominated financial assets and liabilities are as follows:

Currency	**2020**	2019
US$	**P50.69**	P52.50
EUR	**55.45**	59.04

The following tables show the effect on income before income tax of reasonably possible changes in foreign currency rates. There is no other impact on the Company’s equity other than those already affecting the income.

	March 31, 2020	
Currency	**Change in Rate**	**Effect on Income before Income Tax Increase (Decrease)**
US$	**3.00%**	**P2,829,997**
	(3.00%)	**(2,829,997)**
EUR	**6.00%**	**69,957**
	(6.00%)	**(69,957)**

	March 31, 2019	
Currency	Change in Rate	Effect on Income before Income Tax Increase (Decrease)
US$	+2.00%	P523,320
	(2.00%)	(523,320)

Credit Risk. The Company has no significant exposure to credit risk because its customers are required to pay 30 days after billing. With respect to credit risk arising from the other financial assets of the Company, which comprise mainly of cash in banks and refundable deposits, the Company’s exposure to credit risk arises mainly from the default of the counterparty.

The maximum credit exposure of the Company on its financial assets is equal to their carrying values as of March 31, 2020 and 2019. These financial assets are not supported by collateral from the counterparties

The following table shows an aging analysis of the Company’s financial assets as of March 31, 2020 and 2019:

	2020						
	Neither Past Due nor Impaired	**Past Due but not Impaired 31 - 60 Days**	**61 - 90 Days**	**91 - 120 Days**	**>121 Days**	**Impaired Financial Assets**	**Total**
Cash in banks	**P162,278,607**	**P -**	**P -**	**P -**	**P -**	**P -**	**P162,278,607**
Trade receivables	**455,203,116**	**80,648,940**	**70,448,759**	**111,607,845**	**106,127,659**	**7,139,706**	**831,176,025**
Refundable deposits	**51,897,378**	**-**	**-**	**-**	**-**	**-**	**51,897,378**
	P669,379,101	**P80,648,940**	**P70,448,759**	**P111,607,845**	**P106,127,659**	**P7,139,706**	**P1,045,352,010**

	2019						
	Neither Past Due nor Impaired			Past Due but not Impaired		Impaired	
		31 - 60 Days	61 - 90 Days	91 - 120 Days	Due nor Impaired	31 - 60 Days	61 - 90 Days
Cash in banks	P54,548,976	P -	P -	P -	P -	P -	P54,548,976
Trade receivables	362,135,107	154,915,087	157,844,879	22,107,408	68,619,112	7,799,066	773,420,659
Refundable deposits	42,246,718	-	-	-	-	-	42,246,718
	P458,930,801	P154,915,087	P157,844,879	P22,107,408	P68,619,112	P7,799,066	P870,216,353

Expected Credit Loss

Cash in Banks

Impairment on cash in banks has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash in banks have low credit risk based on the external credit ratings of the counterparties and any ECL is expected to be immaterial.

Trade Receivables

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic environment. The Company did not provide ECL for its receivables from related parties since there is a very remote likelihood of default because there is no known significant financial difficulty of counterparties and no probability that the counterparties will enter bankruptcy based from the available financial information.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at March 31, 2020 and 2019.

2020	**Weighted-average Loss Rate**	**Gross Carrying Amount**	**Loss Allowance**	**Credit-Impaired**
Current	**0.00%**	**P455,203,115**	**P -**	No
31 to 60 days past due	**0.00%**	**80,648,940**	**-**	No
Over 61 days past due	**2.42%**	**295,323,970**	**7,139,706**	Yes
		P831,176,025	**P7,139,706**	

2019	Weighted-average Loss Rate	Gross Carrying Amount	Loss Allowance	Credit-Impaired
Current	0.00%	P362,135,107	P -	No
31 to 60 days past due	0.00%	154,915,087	-	No
Over 61 days past due	3.04%	256,370,465	7,799,066	Yes
		P773,420,659	P7,799,066	

Refundable Deposits

Based on historical experience and forecast of future economic conditions the refundable deposits are expected to be recovered upon the termination of the lease terms. The application of the expected credit loss on the refundable deposits of the Company does not have a material impact on the Company's financial statements. The Company measure the impairment loss on its rental and guarantee deposits using the 12-month expected loss basis.

The table below shows the credit quality per class of financial assets which are not impaired:

	2020		
	High Grade	**Standard Grade**	**Total**
Current Assets			
Cash in banks	**P162,278,607**	**P -**	**P162,278,607**
Receivables - trade	**-**	**824,036,319**	**824,036,319**
Refundable deposit	**-**	**51,897,378**	**51,897,378**
Total	**P162,278,607**	**P875,933,697**	**P1,038,212,304**

	2019		
	High Grade	Standard Grade	Total
Current Assets			
Cash in banks	P54,548,976	P -	P54,548,976
Receivables - trade	-	765,621,593	765,621,593
Refundable deposit	-	42,246,718	42,246,718
Total	P54,548,976	P807,868,311	P862,417,287

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

High grade includes cash in banks and short-term investment which are deposited in reputable banks. High grade receivables (trade and non-trade) pertains to receivables that always pay on time or even before the maturity date.

Standard grade receivables pertain to receivables collected on their due dates provided that they were followed up by the Company. Standard grade refundable deposits pertain to unsecured rental deposit related to the Company's lease commitment collectible at the end of the lease term.

Liquidity Risk: Prudent liquidity risk management implies maintaining sufficient cash. The Company aims to maintain flexibility in funding by keeping committed credit lines available.

The tables below summarize the maturity profile of the Company's financial liabilities based on contractual undiscounted cash payments and the maturity profile of the Company's financial assets that will be used to finance the maturing liabilities:

	March 31, 2020			
	On Demand	**Less than One Year**	**Over One Year**	**Total**
Financial Liabilities				
Accounts payable and other liabilities:				
Trade	**P -**	**P18,555,870**	**P3,998**	**P18,559,868**
Accrued expenses	**-**	**147,462,793**	**1,532,568**	**148,995,361**
Due to related parties	**-**	**211,431,333**	**-**	**211,431,333**
	P -	**P377,449,996**	**P1,536,566**	**P378,986,562**

	March 31, 2019			
	On Demand	Less than One Year	Over One Year	Total
Financial Liabilities				
Accounts payable and other liabilities:				
Trade	P -	P24,167,955	P159,614	P24,327,569
Accrued expenses	-	95,611,140	12,038,484	107,649,624
Due to related parties	-	218,479,495	249,531	218,729,026
	P -	P338,258,590	P12,447,629	P350,706,219

Capital Management

The Company's objective when managing capital is to increase the value of shareholders. Management sets strategies for the Company with the objective of establishing a versatile and resourceful financial management and capital structure.

The Company's Financial Controller, with close coordination from its Parent Company, has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company has not been subjected to externally imposed capital requirements. No major changes were made in the Company's capital management in 2020 and 2019.

Fair Value of Financial Instruments

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

Current Financial Assets and Liabilities. Due to the short-term nature of the transactions, the carrying values of cash in banks, receivables, current portion of refundable deposits, accounts payable and other liabilities and due to related parties approximate their fair values.

Noncurrent Financial Assets. The carrying amount of noncurrent portion of refundable deposits approximates it fair value as the effect of discounting is not considered material.

18. Provisions and Contingencies

Provisions

Provisions consist of probable claims against the Company under certain contracts with customers for failure to meet certain service level requirements. The timing of the cash outflows of these provisions is uncertain as it depends upon the outcome of company negotiations, which are currently ongoing. No provisions were recognized in 2020 and 2019.

Contingencies

The Company is involved in various labor cases. Management, in consultation with its legal counsel, believes that the Company does not have present obligation arising from these cases, or any adverse resolution would not have significant impact on the financial statements.

19. Other Matter

On March 8, 2020, under Proclamation 922, the President of the Philippines (the "President") has declared a state of public health emergency due to the spread of the Corona Virus Disease 2019 (COVID-19) in the country. As of report date, the country is still under various types of community quarantine to prevent the spread of COVID 19.

The Company is still uncertain whether and in what extent the crisis will have a negative impact on the sector in which the Company operates. The Management is fully aware of the possible consequences and monitors the situation daily. The extent of the impact will depend on future developments, including the duration and spread of the outbreak and related governments or other regulatory actions.

20. Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue (BIR)

In addition to the disclosure mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the financial statements, which were prepared in accordance with PFRSs. Following are the tax information/disclosures required for the taxable year ended March 31, 2020:

A. VAT

		Amount
1.	Output VAT	**P25,219,733**
	Basis of the Output VAT:	
	Vatable receipts	**P210,164,438**
	Exempt receipts	**-**
	Zero rated receipts	**1,729,040,531**
	Total	**P1,939,204,969**
2.	Input VAT	
	Beginning of the year	**P16,950,562**
	Current year's domestic purchases:	
	a. Goods for resale/manufacture or further processing	**800,742**
	b. Goods other than for resale or manufacture	**-**
	c. Services lodged under other accounts	**14,531,018**
	d. Importation of goods other than capital goods	**1,483,174**
	Input tax deferred on capital goods exceeding P1 million	**(3,155,018)**
	Balance at the end of the year	**P30,610,478**

B. Withholding Taxes

	Amount
Expanded withholding taxes	**P2,248,432**
Final withholding taxes	**-**
	P2,248,432

C. All Other Taxes (Local and National)

	Amount
Other taxes paid during the year recognized as "Taxes and licenses" account under Expenses	
Business tax	**P4,841,663**
BIR annual registration	**-**
Others	**25,000**
	P4,866,663

D. Tax Assessments and Tax Cases

On September 28, 2018, the Company received a letter of authority from the BIR for the taxable fiscal period from April 1, 2016 to March 31, 2017 for all internal revenue taxes. On July 17, 2020, the Company had received Notice of Informal Conference from the BIR. The liability was finalized on August 26, 2020 wherein the Company paid P32 million (including interest and penalties).

There are no other outstanding tax assessments and tax cases as of March 31, 2020.

Information on amounts of custom duties, tariff fees, excise taxes and documentary stamp taxes is not applicable since there are no transactions that the Company would be subjected to these taxes in 2020.

C O V E R   S H E E T

For

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 0 1 9 1 3 8

COMPANY NAME

HCL TECHNOLOGIES PHILIPPINES, INC. (A Wholly Owned Subsidiary of HCL EAS Ltd.)

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

Net Cube Center, 3rd Avenue corner 30th Street E-Square Zone, Bonifacio Global City Taguig City

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
	810-0281	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
6	Last Monday of September	March 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Rajesh Gupta	gupta-rajesh@hcl.com	-	+9958535310

CONTACT PERSON's ADDRESS

HCL Technologies, Lotus Business Park, Tower B, Third Floor,
Noida-Sec-127 Noida 201304 (U.P.)

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.