HCL Technologies Philippines, Inc.

(A Wholly Owned Subsidiary of HCL EAS Ltd.)

Financial Statements
March 31, 2019 and 2018

and

Independent Auditor's Report

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SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
HCL Technologies Philippines, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of HCL Technologies Philippines, Inc., (the Company) which comprise the statements of financial position as at March 31, 2019 and 2018, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our 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.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Evaluate the appropriateness of 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 19 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 information is the responsibility of the management of HCL Technologies Philippines, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Erwin A. Paigma

Erwin A. Paigma
Partner
CPA Certificate No. 0118576
SEC Accreditation No. 1736-A (Group A),
January 24, 2019, valid until January 23, 2022
Tax Identification No. 944-093-568
BIR Accreditation No. 08-001998-137-2018,
December 17, 2018, valid until December 16, 2021
PTR No. 7332595, January 3, 2019, Makati City

June 20, 2019

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

STATEMENTS OF FINANCIAL POSITION

	March 31	
	2019	2018
ASSETS		
Current Assets		
Cash in banks	**₱54,548,976**	₱213,798,402
Trade and other receivables (Notes 4 and 10)	**789,327,026**	316,429,331
Prepayments and other current assets (Note 5)	**87,414,689**	73,569,449
Total Current Assets	**931,290,691**	603,797,182
Noncurrent Assets		
Property and equipment (Note 6)	**78,481,730**	40,465,307
Software costs (Note 7)	**–**	578,732
Deferred income tax assets - net (Note 11)	**7,317,938**	3,379,138
Refundable deposits (Note 14)	**36,279,067**	15,881,761
Other noncurrent assets	**4,208,249**	1,459,788
Total Noncurrent Assets	**126,286,984**	61,764,726
TOTAL ASSETS	**₱1,057,577,675**	₱665,561,908
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 8 and 10)	**₱351,074,262**	₱117,698,676
Income tax payable	**–**	31,697,392
Total Current Liabilities	**351,074,262**	149,396,068
Noncurrent Liability		
Retirement benefits liability (Note 15)	**3,121,263**	3,284,509
Total Liabilities	**354,195,525**	152,680,577
Equity		
Capital stock (Note 9)	**271,684,300**	271,684,300
Additional paid-in capital	**86,405**	86,405
Remeasurement gain on retirement benefits	**2,891,353**	172,289
Retained earnings	**428,720,092**	240,938,337
Total Equity	**703,382,150**	512,881,331
TOTAL LIABILITIES AND EQUITY	**₱1,057,577,675**	₱665,561,908

See accompanying Notes to Financial Statements.

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

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended March 31	
	2019	2018
REVENUE (Notes 10 and 12)	**₱1,847,476,268**	₱970,623,837
COST OF SERVICES (Note 13)	**1,567,650,351**	852,861,275
GROSS PROFIT	**279,825,917**	117,762,562
EXPENSES		
Salaries and other benefits (Note 15)	**45,951,150**	39,008,980
Legal and professional fees	**32,660,834**	15,359,014
Taxes and license fees	**7,832,993**	8,726
Provision for expected credit losses	**5,473,827**	1,474,958
Rental	**1,650,000**	–
Travel	**1,307,964**	478,483
Repairs and maintenance	**947,384**	411,495
Communication	**379,310**	458,706
Selling	**192,924**	228,369
Recruitment and training	**5,000**	8,000
Others - net	**1,966,242**	815,550
	98,367,628	58,252,281
	181,458,289	59,510,281
OTHER INCOME (CHARGES)		
Interest income	**2,616,589**	15,111
Foreign exchange gain (loss) - net	**(4,920,796)**	7,147,474
	(2,304,207)	7,162,585
INCOME BEFORE INCOME TAX	**179,154,082**	66,672,866
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 11)		
Current	**(4,688,873)**	2,371,771
Deferred	**(3,938,800)**	5,397,078
	(8,627,673)	7,768,849
NET INCOME	**187,781,755**	58,904,017
OTHER COMPREHENSIVE INCOME		
Other comprehensive income not to be reclassified to profit or loss in the subsequent periods:		
Remeasurement gain (loss) on retirement benefits (Note 15)	**2,719,064**	(2,038,523)
	2,719,064	(2,038,523)
TOTAL COMPREHENSIVE INCOME	**₱190,500,819**	₱56,865,494

See accompanying Notes to Financial Statements.

HCL TECHNOLOGIES PHILIPPINES, INC.
(A Wholly Owned Subsidiary of HCL EAS Ltd.)
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock	Additional Paid-in Capital	Remeasurement Gain on Retirement (Note 15)	Retained Earnings	Total
BALANCES AT MARCH 31, 2017	**₱271,684,300**	**₱86,405**	**₱2,210,812**	**₱182,034,320**	**₱456,015,837**
Net income for the year	–	–	–	58,904,017	58,904,017
Other comprehensive loss	–	–	(2,038,523)	–	(2,038,523)
Total comprehensive income for the year	–	–	(2,038,523)	58,904,017	56,865,494
BALANCES AT MARCH 31, 2018	**₱271,684,300**	**₱86,405**	**₱172,289**	**₱240,938,337**	**₱512,881,331**
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	187,781,755	190,500,819
BALANCES AT MARCH 31, 2019	**₱271,684,300**	**₱86,405**	**₱2,891,353**	**₱428,720,092**	**₱703,382,150**

See accompanying Notes to Financial Statements.

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

STATEMENTS OF CASH FLOWS

	Years Ended March 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱179,154,082**	₱66,672,866
Adjustments for:		
Depreciation and amortization expense (Notes 6, 7 and 13)	**23,022,395**	18,548,406
Unrealized foreign exchange loss (gain) - net	**95,213**	(241,465)
Loss on disposal of property and equipment	**10,417**	–
Movement in retirement benefits liability (Note 15)	**2,555,818**	529,167
Interest income	**(2,616,589)**	(15,111)
Operating income before working capital changes	**202,221,336**	85,493,863
Increase (decrease) in:		
Trade and other receivables	**(473,174,285)**	71,402,596
Prepayments and other current assets	**(6,246,443)**	(6,758,342)
Increase in accounts payable and other current liabilities	**233,599,459**	14,100,746
Net cash flows provided by (used in) operations	**(43,599,933)**	164,238,863
Taxes paid	**(34,607,316)**	(3,679,617)
Interest and bank charges paid	**–**	(2,890,124)
Interest received	**2,616,589**	15,111
Net cash flows provided by (used in) operating activities	**(75,590,660)**	157,684,233
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment (Note 6)	**(60,470,503)**	(9,544,975)
Refundable deposits and other noncurrent assets	**(23,188,263)**	6,341,414
Net cash flows used in investing activities	**(83,658,766)**	(3,203,561)
NET INCREASE (DECREASE) IN CASH IN BANKS	**(159,249,426)**	154,480,672
CASH IN BANKS AT BEGINNING OF YEAR	**213,798,402**	59,317,730
CASH IN BANKS AT END OF YEAR	**₱54,548,976**	₱213,798,402

See accompanying Notes to Financial Statements.

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

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

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.

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

On September 8, 2015, the Board of Directors (BOD) approved the Company's change in accounting period from fiscal year ending June 30 to fiscal year ending March 31. The Company filed with the Philippine SEC the amended by-laws in connection with the change in accounting period, which was approved by the Philippine SEC on October 19, 2015. The Company, likewise, filed with the Bureau of Internal Revenue (BIR) the request for change in accounting period, which was approved on May 17, 2016.

The accompanying financial statements of the Company were authorized for issue by the BOD on June 20, 2019.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The accompanying financial statements of the Company have been prepared under the historical cost basis and are presented in Philippine peso, which is the Company's functional and presentation currency. All amounts are rounded off to the nearest peso, except when otherwise indicated.

Statement of Compliance

The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial years, except that the Company has adopted the following new accounting pronouncements starting April 1, 2018:

- PFRS 9, *Financial Instruments* – PFRS 9 replaces Philippine Accounting Standards (PAS) 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  The Company applied PFRS 9 prospectively, with an initial application date of April 1, 2018. The Company has not restated the comparative information, which continues to be reported under PAS 39.

  a) *Classification and measurement*

     Under PFRS 9, financial assets are subsequently measured at fair value through profit or loss (FVPL), amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

     The assessment of the Company's business models was made as of the date of initial application, April 1, 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

     The classification and measurement requirements of PFRS 9 did not have a significant impact on the Company. The following are the changes in the classification of the Company's financial assets:

     - Cash in banks, trade and other receivables and refundable deposits previously classified as loans and receivables as at March 31, 2018 are held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured as "Debt instruments at amortized cost" beginning April 1, 2018.

     Given the nature of the Company's financial assets, the measurement category of financial assets remains the same as it was under PAS 39. The accounting for the Company's financial liabilities remains largely the same as it was under PAS 39.

  b) *Impairment*

     The adoption of PFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Company to record an allowance for ECLs for all debt instruments not held at FVPL. The adoption of PFRS 9 ECL approach, however, did not materially impact the recognized impairment on the Company's financial assets.

- PFRS 15, *Revenue from Contracts with Customers* - PFRS 15 supersedes PAS 18, *Revenue,* PAS 11, *Construction Contracts* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to customers.

  The five-step model is as follows:

  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 revenue as the entity satisfies a performance obligation.

  PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

  The Company adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of April 1, 2018. The Company undertook a comprehensive analysis of all its revenue previously accounted under PAS 18 to account for the impact of the new revenue recognition standard based on a review of the contractual terms with the primary focus being to understand whether the timing and amount of revenue recognized could differ under PFRS 15. The adoption of the new standard did not change the timing of revenue recognition and the amount of revenue to be recognized.

The Company also adopted the following amendments and interpretations which did not have significant impact on the financial statements:

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts*
- Amendments to PAS 28, *Investments in Associates and Joint Ventures*, *Measuring an Associate or Joint Venture at Fair Value* (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)
- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

<u>Standards Issued but not yet Effective</u>
Pronouncements issued but not yet effective are listed in the following section. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company intends to adopt these pronouncements when they become effective.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- Annual Improvements to PFRSs 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

- PFRS 16, *Leases* - PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Company is currently assessing the impact of adopting this standard.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Current versus Noncurrent Classification
The Company presents assets and liabilities in the statement 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 liabilities, respectively.

Cash in banks
Cash in banks earns interest at the respective bank deposit rates.

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.

a. Financial Assets

Effective April 1, 2018

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and 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 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.

a. *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. The Company has no financial asset designated at FVPL and FVOCI.

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).

For trade and other 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.

High grade cash in banks are placed, invested or deposited in reputable banks in the Philippines in terms of resources and profitability. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

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.

Effective prior to April 1, 2018

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as financial assets at FVPL, loans and receivables, held-to-maturity investments (HTM), available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVPL, transaction costs that are attributable to the acquisition of the financial asset.

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.

The Company has no AFS financial asset, HTM investments and financial assets at FVPL as at March 31, 2018.

Subsequent Measurement. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the EIR method, less impairment. 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 in interest income in the profit or loss. The losses arising from impairment are recognized in profit or loss.

Impairment of Financial Assets. The Company assesses, at each financial reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred "loss event") has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortized cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment

and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is recognized in profit or loss.

b. Financial liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities include accounts payable and other current liabilities which is classified as loans and borrowings.

The Company has no financial liabilities at FVPL or derivative liabilities designated as hedging instruments.

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.

Derecognition of Financial Instruments

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, or (b) the Company has neither transferred nor retained 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.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset with the net amount reported in the statement 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 counterparties.

Other Current Assets

Input tax. Input tax represents value-added tax (VAT) paid to suppliers that can be claimed as credit against the Company's VAT liabilities. Input tax is recognized as part of "Other current assets" until applied against the output tax.

Prepaid tax. Prepaid tax is carried at cost less any impairment in value. Prepaid taxes consist mainly of tax credits that can be used by the Company in the future.

Prepayments
Prepayments include expenses already paid but not yet incurred. These are measured at amortized cost less any impairment loss.

Property and Equipment
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 income 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:

Asset	Number of Years
Computers	4 to 5
Office equipment	5
Leasehold Improvement	Over the period of lease or 4 years, whichever is shorter

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

The useful lives and depreciation method are reviewed periodically 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 Property and Equipment and Software Costs
The carrying value of property and equipment and software costs is 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.

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.

Revenue
Prior to the adoption of PFRS 15, revenue is recognized when the risks and rewards have transferred to the buyer, it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably.

Upon adoption of PFRS 15, revenue from contracts with customers is recognized when control of the 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 those goods or services, excluding amounts collected on behalf of third parties.

The Company derives revenues primarily from software development services and business process outsourcing services. Revenue is recognized when persuasive evidence of an arrangement exists, services have been rendered, the fee is determinable and collectability is reasonably assured.

The following specific recognition criteria must also be met before revenue is recognized:

Software development services. Revenues from software development services comprise income from time-and-material, fixed price and recurring fixed billing contracts. Revenue with respect to time-and-material contracts is recognized as the related services are performed. Revenue with respect to fixed price contracts and fixed time frame contracts is recognized in accordance with the proportionate performance method. The input (efforts expended) method has been used to measure progress towards completion, as there is a direct relationship between input and productivity.

Provisions for estimated losses on outstanding contracts are recorded in the period in which such losses become probable based on the current contract estimates.

Business process outsourcing. Revenues from business process outsourcing services are derived from both time-based and unit-priced contracts. Revenue is recognized as the related services are performed in accordance with the specific terms of the contracts with the customer.

There were no changes in the recognition criteria upon adoption of PFRS 15.

Contract Balances

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.

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).

Cost of Services and Expenses
Cost of services and expenses are recognized in profit or loss upon utilization of the materials or completion of the services provided or at the date they are incurred.

Leases
Operating lease expenses are recognized in the statement of comprehensive income on a straight-line basis over the lease term.

Foreign Currency-denominated Transactions and Translations
Transactions denominated in foreign currency are recorded using the prevailing exchange rate at transaction dates. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at the end of reporting period. Foreign currency gains and losses are credited to or charged against current operations.

Income Taxes
Current income tax. Current income tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Deferred income tax. Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and net operating loss carryover (NOLCO), but only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from MCIT and NOLCO can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

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

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 under the following conditions: (a) the Company has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made.

Retirement Benefits 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 benefits 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.

Retirement benefits liability, as presented in the statement of financial position, is the aggregate of the present value of the defined benefit obligation reduced by the fair value of plan assets, if any, adjusted for the effect of limiting a net defined benefit asset to the asset ceiling, each at the end of the reporting period. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method. The retirement benefit costs comprise of the service cost and net interest on the net defined benefit liability or asset. Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, any difference in the interest income and actual return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

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.

3. Significant Accounting Judgments and Estimates

The preparation of the Company's financial statements in conformity with PFRS requires management to make judgments that affect the amounts reported in the financial statements and related notes at the end of each reporting date. The estimates and assumptions used in the financial statements are based upon management's evaluation of the relevant facts and circumstances that are believed to be reasonable as of the date of the financial statements. Actual results could differ from

these estimates. The effect of any change in estimates is reflected in the financial statements as it becomes reasonably determinable.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, 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 Peso. It is the primary economic environment in which the Company operates and the currency that mainly drives its costs and expenses.

Classification of Leases - Company as Lessee. The Company has operating lease agreements for the space and equipment used in the business process outsourcing operations and for office spaces. The Company has determined that the risks and rewards of ownership of the underlying properties have been retained by the lessors. Accordingly, the leases are accounted for as operating leases (see Note 14).

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:

Estimating Allowance for Doubtful Account Prior to April 1, 2018. Provisions are made for accounts specifically identified to be doubtful of collection. The level of allowance is evaluated by management based on factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Company's relationship with its debtors, the debtors' payment behavior, the age of receivables and known market factors.

Estimating Expected Credit Losses Starting April 1, 2018

a. *Definition of Default and Credit-Impaired Financial Assets.* Upon adoption of PFRS 9, the Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

   - *Quantitative Criteria*. The borrower is generally more than one year past due on its contractual payments, which is consistent with the Company's definition of default.

   - Qualitative Criteria. The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

     a. The borrower is experiencing financial difficulty or is insolvent;
     b. The borrower is in breach of financial covenant(s); or
     c. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the probability of default (PD), loss given default (LGD) and exposure at default (EAD) throughout the Company's ECL calculation.

b. *Simplified Approach for Trade and Other Receivables*. The Company uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every financial reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

c. *Macro-economic Forecasts and Forward-looking Information.* Macro-economic forecasts are determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost and effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company takes into consideration different macro-economic variables to ensure correlation between internal rates and outside factors. Regression analysis was used to objectively determine which variables to use.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past two years.

The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

Estimation of Retirement Benefits Obligation and Costs. The determination of the obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions are described in Note 15 and include, among others, discount rates and future salary increase rate. Actual results that differ from the Company's assumptions are recognized directly in statement of 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 benefits liability amounted to ₱3,121,263 and ₱3,284,509 as of March 31, 2019 and 2018, respectively (see Note 15).

Recognition of Deferred Income Tax Assets. The management assesses at each reporting date and recognizes deferred income 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 ₱7,627,639 and ₱3,667,549 as of March 31,2019 and 2018, respectively (see Note 11).

4. Trade and Other Receivables

	2019	2018
Trade receivables		
Third parties	**₱237,987,249**	₱49,148,526
Related parties (Note 10)	**535,433,410**	261,822,610
Contract asset	**2,097,374**	–
Other receivables	**21,608,059**	7,783,434
	797,126,092	318,754,570
Less: allowance for expected credit losses	**7,799,066**	2,325,239
	₱789,327,026	₱316,429,331

Trade receivables are noninterest bearing and are generally on 117 to 119 days credit term.

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:

	2019	2018
Beginning of the year	**₱2,325,239**	₱850,281
Provision for expected credit losses	**5,473,827**	1,474,958
	₱7,799,066	₱2,325,239

5. Prepayments and Other Current Assets

	2019	2018
Prepaid insurance and other expenses	**₱36,917,223**	₱25,546,904
Input VAT - net	**32,220,391**	27,149,655
Refundable deposits (Note 14)	**5,967,651**	18,809,013
Prepaid tax	**6,736,640**	–
Advances to suppliers	**2,039,016**	10,200
Unbilled knowledge transfer costs	**1,198,805**	1,349,765
Inventories	**432,806**	127,100
Other current assets	**1,902,157**	576,812
	₱87,414,689	₱73,569,449

6. Property and Equipment

	2019			
	Computers	**Office Equipment**	**Leasehold Improvements**	**Total**
Cost				
At April 1	**₱82,823,682**	**₱13,188,025**	**₱5,990,747**	**₱102,002,454**
Acquisitions	**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				
At April 1	**52,041,450**	**7,109,349**	**2,386,348**	**61,537,147**
Depreciation (Note 13)	**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**
Net Book Value	**₱69,600,746**	**₱6,086,207**	**₱2,794,777**	**₱78,481,730**

	2018			
	Computers	Office Equipment	Leasehold Improvements	Total
Cost				
At April 1	₱75,071,867	₱11,978,263	₱5,407,349	₱92,457,479
Acquisitions	7,751,815	1,209,762	583,398	9,544,975
At March 31	82,823,682	13,188,025	5,990,747	102,002,454
Accumulated Depreciation				
At April 1	37,296,005	5,050,605	1,416,976	43,763,586
Depreciation (Note 13)	14,745,445	2,058,744	969,372	17,773,561
At March 31	52,041,450	7,109,349	2,386,348	61,537,147
Net Book Value	₱30,782,232	₱6,078,676	₱3,604,399	₱40,465,307

7. Software Costs

	2019	2018
Cost	**₱4,767,638**	₱4,767,638
Accumulated Amortization		
Beginning of the period	**4,188,906**	3,414,061
Amortization (Note 13)	**578,732**	774,845
End of the period	**4,767,638**	4,188,906
Net Book Value	**₱–**	₱578,732

8. Accounts Payable and Other Current Liabilities

	2019	2018
Accounts payable	**₱24,327,569**	₱5,752,076
Accrued employee benefits	**67,402,143**	54,066,086
Accrued expenses	**27,059,347**	25,492,690
Accrued rental expense	**7,692,445**	1,440,227
Accrued repairs and maintenance	**5,495,689**	2,390,340
Due to related parties (Note 10)	**218,729,026**	27,931,356
Unearned revenue	**203,495**	381,487
Other current liabilities	**164,548**	244,414
	₱351,074,262	₱117,698,676

9. Capital Stock

The Company's capital stock consists of the following:

	Number of shares	Amount
Authorized at ₱100 par value	4,300,000	₱430,000,000
Issued and outstanding	2,716,843	271,684,300

10. Related Party Transactions

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely its legal form.

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	**2019**	2018	**March 31, 2019**	March 31, 2018	Terms and conditions
Ultimate Parent Company					
HCL Technologies Limited					
Revenue	**₱737,054,682**	₱21,247,479	**₱358,019,024**	₱10,160,143	Noninterest-bearing, unsecured
Consultancy	**54,698,876**	11,690,690	**(28,353,791)**	(14,616,133)	Noninterest-bearing, unsecured
Under common control					
HCL America, Inc.					
Revenue	**262,448,050**	669,868,247	**72,999,116**	163,434,125	Noninterest-bearing, unsecured

(Forward)

Related Party	Amount/Volume		Outstanding Balance Receivable (Payable)		Terms and conditions
	2019	2018	**March 31, 2019**	March 31, 2018	
Consultancy	**₱70,595,412**	₱3,690,744	**₱–**	₱–	Noninterest-bearing, unsecured
Other advances	**172,523,663**	–	**(172,523,663)**	–	Noninterest-bearing, unsecured
HCL Great Britain Limited					
Revenue	**–**	6,521,062	**–**	6,436,586	Noninterest-bearing, unsecured
Consultancy	**–**	2,208,516	**–**	–	Noninterest-bearing, unsecured
HCL Technologies UK Limited					
Revenue	**28,795,630**	819,368	**15,022,372**	819,368	Noninterest-bearing, unsecured
Axion Solutions Ltd.					
Revenue	**–**	10,164	**–**	41,983	Noninterest-bearing, unsecured
					Unsecured
HL Singapore Pte. Ltd.					
Revenue	**2,828,739**	–	**2,816,197**	11,430,573	Noninterest-bearing, unsecured
Consultancy	**12,664,191**	**–**	**(5,618,334)**	–	
State Street HCL Services					
Revenue	**9,083,862**	15,600,129	**168,122**	5,485,105	Noninterest-bearing, unsecured
Consultancy	**–**	–	–	(1,279,755)	Noninterest-bearing, unsecured
Transfer to Payable	**6,230,903**	–	**(6,230,903)**	**–**	
HCL Axon Technologies Inc.					
Revenue	**84,740,621**	128,717,476	**51,248,008**	36,637,598	Noninterest-bearing, unsecured
HCL Technologies Australia					
Revenue	**12,290,250**	12,460,195	**4,352,632**	20,501,955	Noninterest-bearing, unsecured
Consultancy	**27,680**	291,971	**–**	(302,502)	Noninterest-bearing, unsecured
HCL Technologies Denmark					
Revenue	**29,046,320**	33,581,042	**5,407,077**	3,217,711	Noninterest-bearing, unsecured
Other Affiliates					
Revenue	**53,561,907**	6,624,038	**25,400,862**	3,657,463	Noninterest-bearing, unsecured
Consultancy	**28,454,090**	16,571,862	**(6,002,335)**	(11,732,966)	Noninterest-bearing, unsecured
Trade receivable – related party			**₱535,433,410**	₱261,822,610	
Due to related parties			**218,729,026**	27,931,356	

Short-term Loan
The Company had a credit line with HCL Technologies UK Ltd. up to maximum amount of £ 4.0 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. As of March 31, 2019, loan receivable including accrued interest to HCL Technologies UK Ltd. amounted to ₱nil. Interest income amounted to ₱1,428,566 for the year ended March 31, 2019.

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 has nil outstanding loan as of March 31, 2019. Meanwhile, interest receiavble as of March 31, 2019 amounted to ₱1,158,605.

Master Service Agreements
The Company has Master Service Agreements with various entities under common control and its ultimate parent company for the Company to provide software and information technology services to the customers of the counterparty. The agreements 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.

Key Management Personnel
There are no payments to the key management personnel of the Company.

11. Income Taxes

a. The current income tax in 2019 and 2018 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:

	2019	2018
Income tax provision at statutory income tax rate	**₱53,746,224**	₱20,001,857
Additions to (reductions in) income tax resulting from income tax effects of:		
Reversal of provision related to previous years	**(41,584,270)**	–
Gross income exempt under ITH	**(30,098,627)**	(11,116,118)
Effect of the different between statutory income tax rate of 30% and 5% gross income tax	**(4,926,219)**	–
Nondeductible operating expenses	**1,768,532**	–
Expenses claimed as deduction for which no deferred tax asset was recognized in prior year	–	(255,084)
Deficiency taxes and others	**12,466,687**	(861,806)
Total income tax expense	**(₱8,627,673)**	₱7,768,849

c. The Company's deferred income tax assets are as follows:

	2019	2018
Deferred income tax asset on:		
Unpaid personnel expenses	**₱4,529,998**	₱2,969,977
Provision for doubtful debts	**2,346,772**	697,572
Movement in retirement liability	**750,869**	–
	7,627,639	3,667,549
Deferred income tax liability on:		
Movement in retirement benefits liability	–	(15,876)
Unrealized foreign exchange gain - net	**309,701**	(272,535)
Net deferred income tax asset	**₱7,317,938**	₱3,379,138

12. Revenue

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

	2019	2018
Types of services		
Business process outsourcing	**₱1,171,430,276**	₱729,424,350
Software development services	**676,045,992**	241,199,487
Total revenue from contracts with customers	**₱1,847,476,268**	₱970,623,837
Timing of revenue recognition		
Transferred over time	**₱1,211,414,660**	₱636,527,859
Transferred at a point in time	**636,061,608**	334,095,978
Total revenue from contracts with customers	**₱1,847,476,268**	₱970,623,837

13. Cost of Services

	2019	2018
Personnel costs	**₱991,314,122**	₱614,571,926
Consultancy fee	**252,490,897**	29,214,804
Rental (Note 14)	**137,539,433**	111,159,967
Depreciation and amortization (Notes 6 and 7)	**23,022,395**	18,548,406
Repairs and maintenance	**25,162,258**	6,639,611
Travel	**18,126,877**	7,519,097
Utilities	**16,285,299**	12,037,036
Recruitment and training	**11,979,920**	13,802,069
Communication	**11,457,733**	12,309,375
Other expenses	**80,271,417**	27,058,984
	₱1,567,650,351	₱852,861,275

Details of personnel costs follow:

	2019	2018
Salaries and wages	**₱637,488,103**	₱388,514,803
Benefits	**219,526,116**	144,183,629
Bonuses	**47,071,301**	37,902,042
Retirement benefits cost (Note 15)	**2,555,818**	529,167
Others	**84,672,784**	43,442,285
	₱991,314,122	₱614,571,926

14. Leases

The Company entered into a seat lease agreement in September 2011 with a third party for its business process outsourcing operations. The lease is for a period of three years renewable at the option of the Company. The monthly rental rate of US$238 per seat is payable every month in advance. In February 2014, the Company signed an amendment to the lease agreement requiring them to pay an additional security deposit of ₱5,091,106 for the additional seats rented. In October 2014, the Company renewed its seat lease agreement for a period of three years and for another three-year period in October 2017. The monthly rental rate of ₱7,189 per seat is payable every fifth day of each month. As of March 31, 2019 and 2018, the total security deposit on this lease amounted to ₱13,269,539.

The Company also has an existing operating lease arrangement with a third party for the use of certain office space at a monthly rate of ₱3,987. The lease is for a period of one year, renewable upon mutual agreement by both parties. As of March 31, 2019 and 2018, the total security deposit on this lease amounted to ₱15,948.

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. 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. On March 31, 2019, the lease has been extended until May 31, 2023. The Company paid security deposits amounting to ₱9,520,830 after signing the agreement. As of March 31, 2019 and 2018, the security deposits on this lease amounted to ₱9,520,830.

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. As of March 31, 2019 and 2018, the security deposits on this lease amounted to ₱9,242,235.

In November 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 and renewable upon mutual consent of the sublessor and the sublessee. Neither the sublessor nor the sublessees can terminate the sublease agreement during the first 24 months of the lease. As of March 31, 2019 and 2018, the security deposits on this lease amounted to ₱1,740,000.

In May 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. The Company is also required to post security deposits amounting to ₱2,596,464 payable after signing of the agreement. As of March 31, 2019, the security deposits on this lease amounted to ₱2,596,464.

In August 2018, the Company entered into another lease agreement covering certain office equipment and facilities. The lease is for a period of 36 months starting August 6, 2018. The Company is also required to post security deposits amounting to ₱2,060,550 payable after signing of the agreement. As of March 31, 2019, the security deposits on this lease amounted to ₱2,060,550.

In September 2018, the Company entered into another lease agreement covering certain office equipment and facilities. The lease is for a period of 12 months starting September 10, 2018. The Company is also required to post security deposits amounting to ₱2,151,152 payable after signing of the agreement. As of March 31, 2019, the security deposits on this lease amounted to ₱2,151,152.

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. The Company is also required to post security deposits amounting to ₱1,650,000 payable after signing of the agreement. As of March 31, 2019, the security deposits on this lease amounted to ₱1,650,000.

Related rental expense under these lease agreements amounted to ₱137,539,433 and ₱111,159,967 for the year ended March 31, 2019 and 2018, respectively (see Note 13). Future minimum rental commitments are as follows:

	2019	2018
Within one year	**₱133,959,340**	₱77,035,453
Later than 1 year but not later than 5 years	**337,988,372**	43,634,990
	₱471,947,712	₱120,670,443

As of March 31, 2019, the total security deposits on the foregoing leases presented as part of "Prepayments and other current assets" and "Refundable deposits" in the statements of financial position amounted to ₱5,967,651 (₱18,809,013 in 2018) and ₱36,279,067 (₱15,881,761 in 2018), respectively.

15. Retirement Benefits

The Company provides for estimated retirement benefits to be paid under R.A. No. 7641 to all its regular employees.

The following tables summarize the components of net retirement benefits cost recognized in the statements of comprehensive income and the amounts recognized in the statements of financial position as at March 31, 2019 and 2018. The latest actuarial valuation report was obtained as of March 31, 2019.

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

	2019	2018
Current service cost	**₱2,296,013**	₱492,145
Interest cost	**259,805**	37,022
	₱2,555,818	₱529,167

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

	2019	2018
Beginning of the year	**₱3,284,509**	₱716,819
Current service cost	**2,296,013**	492,145
Interest expense	**259,805**	37,022
Remeasurement loss (gain)	**(2,719,064)**	2,038,523
End of the year	**₱3,121,263**	₱3,284,509

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

	2019	2018
Discount rate	**6.32%**	7.91%
Salary increase rate	**3.10%**	4.50%

16. Financial Instruments

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$), GBP 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, 2019 and 2018 are as follows:

	2019		
	Currency	**Amount in Foreign Currency**	**Peso Equivalent**
Cash in bank	**US$**	**497,888**	**₱26,165,993**

	2018		
	Currency	Amount in Foreign Currency	Peso Equivalent
Cash in bank	US$	3,840,307	₱200,464,012
Receivables	EUR	213	13,734
	US$	18,604	971,126

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	**March 31, 2019**	March 31, 2018
US$	**52.50**	₱52.20
EUR	**59.04**	64.36

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, 2019	
Currency	**Change in Rate**	**Effect on Income Before Income Tax**
US$	+2.00%	**₱522,782**
	(2.00%)	**(522,782)**

	March 31, 2018	
Currency	Change in Rate	Effect on Income Before Income Tax
US$	+2.00%	₱4,028,703
	(2.00%)	(4,028,703)
EUR	+2.00%	275
	(2.00%)	(275)

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, 2019 and 2018. 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, 2019 and 2018:

	2019						
		Past Due But Not Impaired					
	Neither Past Due Nor Impaired	**31 - 60 days**	**61 - 90 days**	**91 - 120 days**	**>121 days**	**Impaired Financial Assets**	**Total**
Cash in banks	**₱54,548,976**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱54,548,976**
Receivables							
Trade	**362,135,107**	**154,915,087**	**157,844,879**	**22,107,408**	**68,619,112**	**7,799,066**	**773,420,659**
Other receivables	**1,923,568**	**3,171,540**	**4,721,369**	**372,464**	**2,299,626**	**–**	**12,488,567**
Refundable deposits	**42,246,718**	**–**	**–**	**–**	**–**	**–**	**42,246,718**
Total	**₱460,854,369**	**₱158,086,627**	**₱162,566,248**	**₱22,479,872**	**₱70,918,738**	**₱7,799,066**	**₱882,704,920**

	2018						
		Past Due But Not Impaired					
	Neither Past Due Nor Impaired	31 - 60 days	61 - 90 days	91 - 120 days	>121 days	Impaired Financial Assets	Total
Cash in banks	₱213,798,402	₱–	₱–	₱–	₱–	₱–	₱213,798,402
Receivables							
Trade	128,090,093	125,567,876	3,833,875	5,102,007	46,052,046	2,325,239	310,971,136
Other receivables	103,918	658,902	381,552	145,413	1,880,395	–	3,170,180
Refundable deposits	34,690,774	–	–	–	–	–	34,690,774
Total	₱376,683,187	₱126,226,778	₱4,215,427	₱5,247,420	₱47,932,441	₱2,325,239	₱562,630,492

Credit Quality per Class of Financial Asset. The table below shows the credit quality by class of financial asset based on the Company's credit rating system as at March 31, 2019 and 2018:

	2018				2017
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total	Total
			(In Thousands)		
High grade	**₱98,758,357**	**₱–**	**₱–**	**₱98,758,357**	₱248,489,176
Standard grade	–	**778,110,160**	–	**778,110,160**	311,816,078
Default	–	–	**7,799,066**	**7,799,066**	2,325,239
Gross carrying amount	**98,758,357**	**778,110,160**	**7,799,066**	**884,667,583**	562,630,493
ECL	–	–	**7,799,066**	**7,799,066**	2,325,539
Carrying amount	**₱98,758,357**	**₱778,110,160**	**₱–**	**₱876,868,517**	₱560,304,954

The credit quality of financial assets is managed by the Company using "High Grade," and "Standard Grade" as internal credit ratings. The credit quality of the financial assets was determined as follows:

- High Grade – accounts with customers and other parties with good credit standing and with a history of no delay in payments.
- Standard Grade – accounts with customers having unpredictable and irregular payment behavior.
- Default – accounts that have been identified as individually impaired are provided with allowance for expected credit lossess

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 payments and the maturity profile of the Company's financial assets that will be used to finance the maturing liabilities:

	March 31, 2019			
	On Demand	Less than One Year	Over One Year	Total
Financial Liabilities				
Accounts payable and other liabilities				
Trade	**₱–**	**₱24,167,955**	**₱159,615**	**₱24,327,570**
Accrued expenses	**–**	**95,611,140**	**12,038,484**	**107,649,624**
	–	**119,779,095**	**12,198,099**	**131,977,194**
Due to related parties	**–**	**218,479,495**	**249,531**	**218,729,026**
	–	**338,258,590**	**12,447,630**	**350,706,220**

(Forward)

	March 31, 2019			
	On Demand	**Less than One Year**	**Over One Year**	**Total**
Financial Assets				
Cash in banks	**₱54,548,976**	**₱–**	**₱–**	**₱54,548,976**
Receivables				
Trade receivables	**–**	**762,865,284**	**2,756,309**	**765,621,593**
Other receivables	**–**	**12,300,487**	**188,080**	**12,488,567**
	54,548,976	**775,165,771**	**2,944,389**	**832,659,136**
	₱54,548,976	**₱436,907,181**	**(₱9,503,241))**	**₱481,952,916**

	March 31, 2018			
	On Demand	Less than One Year	Over One Year	Total
Financial Liabilities				
Accounts payable and other liabilities				
Trade	₱–	₱5,752,076	₱–	₱5,752,076
Accrued expenses	–	83,389,343	–	83,389,343
	–	89,141,419	–	89,141,419
Due to related parties	–	27,931,356	–	27,931,356
	–	117,072,775	–	117,072,775
Financial Assets				
Cash in banks	213,798,402	–	–	213,798,402
Receivables				
Trade receivables	–	308,645,897	–	308,645,897
Other receivables	–	3,170,181	–	3,170,181
	213,798,402	311,816,078	–	525,614,480
	₱213,798,402	₱194,743,303	₱–	₱408,541,705

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 fair values of the refundable deposits as of March 31, 2019 and 2018 amounting to ₱39,902,186 and ₱31,128,656, respectively, have been calculated by discounting the expected future cash flows at the prevailing interest rates for instruments with similar maturities. Fair values of these financial instruments were classified under the Level 2 fair value hierarchy. The carrying value of these deposits amounted to ₱42,246,718 and ₱34,690,774 as of March 31, 2019 and 2018, respectively.

17. Registration with Philippine Economic Zone Authority (PEZA)

The Company's Sunnymede IT Center operation was registered with PEZA on May 29, 2012 and was entitled to the incentives under the amended Republic Act (R.A.) No. 7916. Per registration agreement between PEZA and HCL Technologies Philippines Inc., the date of the Company's Start of Commercial Operations (SCO) is April 2012. As the Company was entitled to a four-year Income Tax Holiday (ITH) starting from the date of SCO, the ITH has ended on March 31, 2016. Accordingly, Sunnymede IT Center has been treated as a taxable unit under Gross Income Tax (GIT) in all the years post 2016.

In 2013, the Company applied for PEZA registration of its operations in Science Hub Tower 3 office which got approved by PEZA BOD on March 22, 2013. The Company is entitled to an ITH from the PEZA-approved date of start of commercial operations 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. As of March 31, 2017, since the Company has not yet signed its Supplemental Agreement with PEZA for its operations in Science Hub Tower 3, this office was treated as a non-PEZA facility and taxable unit in 2017. In 2018, the Company, having met all the conditions required under PEZA agreement, was in the process of getting the approval from PEZA and accordingly, the Science Hub Tower 3 office was again treated as a unit under ITH and a non-taxable unit in 2018.

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.

On January 13, 2015, the BOD of PEZA approved the Company's application for registration of its Science Hub Tower 4 operations. On January 18, 2016, the Company signed its Supplemental Agreement with PEZA for its operations in Science Hub Tower 4. Per supplemental agreement between PEZA and the Company, the incentives of the Science Hub Tower 4 operations include a four-year ITH premised on the Company's use of new equipment amounting to ₱20.4 million that have not been used by nor merely transferred from another information technology Company in the Philippines. The Company shall secure a written verification or confirmation from PEZA of its compliance with the said requirements. In 2017, since the Company had not met the minimum investment criteria and was still in the process of securing such verification or confirmation from PEZA, the Science Hub Tower 4 office was been treated as a taxable unit in 2017. However, in 2018, the Company, having met the minimum investment criteria in November 2017 for Science Hub Tower 4 operations, has treated Science Hub Tower 4 facility as a unit under ITH and a non-taxable unit in 2018.

In 2019, since the Company's application for ITH validation with PEZA is still under verification, the Company has treated its operations of Science Hub Tower 4 as PEZA registered operations covered under ITH.

The total tax benefits availed in 2019 amounted to ₱36.0 million (see Note 11).

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 was recognized in 2019 and 2018.

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. Supplementary Information Required Under Revenue Regulations 15-2010

In compliance with RR 15-2010 issued on November 25, 2010, mandating all taxpayers to disclose information on taxes, duties and license fees paid and accrued during the taxable year, summarized below are the taxes paid and accrued by the Company for the year ended March 31, 2019:

a. The Company declared output VAT amounting to ₱37,323,503, which is based on the 12% of the net receipts of ₱3,11,029,191.

The output VAT on the Company's sale of services are based on actual collections received hence, the basis may not be the same as revenue accrued in the statement of comprehensive income. The Company also has revenues under the PEZA operations that are subject to zero-rated VAT.

Movements in input VAT follow:

Balance at April 1	₱27,149,656
Input Tax-Current purchases	42,394,167
Claimed against output VAT	(37,323,503)
Balance, March 31	₱32,220,320

b. Taxes and license fees paid are as follows:

Tax penalties and surcharges	₱7,781,7800
Business taxes and permits	51,193
	₱7,832,993

c. Withholding taxes paid and accrued by the Company are as follows:

	Paid	Accrued	Total
Final withholding taxes	₱1,423,988	₱402,277	₱1,826,264

d. The Company is not involved in any tax assessments and tax cases as at March 31, 2019.