HCL Technologies Philippines, Inc.

(A Wholly Owned Subsidiary of HCL EAS Ltd.)

Financial Statements
March 31, 2017 and 2016

and

Independent Auditor's Report

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

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. (a wholly owned subsidiary of HCL EAS Ltd.), which comprise the statements of financial position as at March 31, 2017 and 2016, and statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended March 31, 2017 and nine months ended March 31, 2016, 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, 2017 and 2016, and its financial performance and its cash flows for the year ended March 31, 2017 and nine months ended March 31, 2016 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.

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

Our audits were conducted for the purpose of forming an opinion on the 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.

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PTR No. 5908710, January 3, 2017, Makati City

August 14, 2017

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

STATEMENTS OF FINANCIAL POSITION

	March 31, 2017	March 31, 2016
ASSETS		
Current Assets		
Cash in banks	**₱59,317,730**	₱5,363,244
Trade and other receivables (Notes 4 and 10)	**387,758,751**	617,608,655
Prepayments and other current assets (Note 5)	**66,811,107**	68,071,555
Total Current Assets	**513,887,588**	691,043,454
Noncurrent Assets		
Property and equipment (Note 6)	**48,693,893**	49,065,835
Software costs (Note 7)	**1,353,577**	2,128,423
Deferred income tax assets (Note 12)	**8,776,216**	6,875,532
Other noncurrent assets (Note 14)	**23,454,482**	37,739,449
Total Noncurrent Assets	**82,278,168**	95,809,239
TOTAL ASSETS	**₱596,165,756**	₱786,852,693
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans (Notes 10 and 11)	**₱–**	₱293,520,012
Accounts payable and other current liabilities (Notes 8 and 10)	**106,416,995**	110,102,016
Provisions (Note 18)	**10,867**	10,867
Income tax payable	**33,005,238**	34,825,293
Total Current Liabilities	**139,433,100**	438,458,188
Noncurrent Liability		
Retirement benefits liability (Note 15)	**716,819**	1,538,279
Total Liabilities	**140,149,919**	439,996,467
Equity		
Capital stock (Note 9)	**271,684,300**	271,684,300
Additional paid-in capital	**86,405**	86,405
Remeasurement gains on retirement benefits- net of deferred income tax effect	**2,210,812**	856,270
Retained earnings	**182,034,320**	74,229,251
Total Equity	**456,015,837**	346,856,226
TOTAL LIABILITIES AND EQUITY	**₱596,165,756**	₱786,852,693

See accompanying Notes to Financial Statements.

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED MARCH 31, 2017
AND THE NINE MONTHS ENDED MARCH 31, 2016

	2017 (One Year)	2016 (Nine Months, Note 2)
REVENUE (Note 10)	**₱962,140,222**	₱708,044,049
COST OF SERVICES (Note 13)	**759,222,571**	594,228,229
GROSS PROFIT	**202,917,651**	113,815,820
EXPENSES		
Salaries and other benefits (Notes 13 and 15)	**29,468,843**	13,218,749
Legal and professional fees	**12,139,326**	12,509,574
Taxes and license fees	**5,040,388**	562,604
Travel	**3,165,241**	5,201,217
Selling	**1,076,205**	147,369
Communication	**456,050**	1,204,163
Repairs and maintenance	**24,957**	59,452
Recruitment and training	**19,303**	8,000
Others – net	**108,142**	3,459,106
	51,498,455	36,370,234
	151,419,196	77,445,586
OTHER INCOME (CHARGES)		
Financing charges (Note 10)	**(1,554,610)**	(2,637,820)
Interest income	**6,322**	4,707
Foreign exchange gain and others	**2,102,472**	6,481,070
	554,184	3,847,957
INCOME BEFORE INCOME TAX	**151,973,380**	81,293,543
PROVISION FOR INCOME TAX (Note 12)		
Current	**46,649,511**	16,504,594
Deferred	**(2,481,200)**	394,670
	44,168,311	16,899,264
NET INCOME	**107,805,069**	64,394,279
OTHER COMPREHENSIVE INCOME		
Other comprehensive income not to be reclassified to profit or loss in the subsequent periods:		
Remeasurement gains on retirement benefits (Note 15)	**1,935,058**	660,038
Deferred income tax effect	**(580,516)**	(162,984)
	1,354,542	497,054
TOTAL COMPREHENSIVE INCOME	**₱109,159,611**	₱64,891,333

See accompanying Notes to Financial Statements.

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31, 2017
AND THE NINE MONTHS ENDED MARCH 31, 2016

	Capital Stock	Additional Paid-in Capital	Remeasurement Gains on Retirement Benefits - Net of Deferred Income Tax Effect (Note 15)	Retained Earnings (Deficit)	Total
BALANCES AT JULY 1, 2015	**₱271,684,300**	**₱86,405**	**₱359,216**	**₱9,834,972**	**₱281,964,893**
Net income for the year	–	–	–	64,394,279	64,394,279
Other comprehensive income	–	–	497,054	–	497,054
Total comprehensive income for the period	–	–	497,054	64,394,279	64,891,333
BALANCES AT MARCH 31, 2016	**271,684,300**	**86,405**	**856,270**	**74,229,251**	**346,856,226**
Net income for the year	–	–	–	107,805,069	107,805,069
Other comprehensive Income	–	–	1,354,542	–	1,354,542
Total comprehensive income for the year	–	–	1,354,542	107,805,069	109,159,611
BALANCES AT MARCH 31, 2017	**₱271,684,300**	**₱86,405**	**₱2,210,812**	**₱182,034,320**	**₱456,015,837**

See accompanying Notes to Financial Statements.

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2017
AND THE NINE MONTHS ENDED MARCH 31, 2016

	2017 (One Year)	2016 (Nine Months, Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱151,973,380**	₱81,293,543
Adjustments for:		
Depreciation and amortization expense (Notes 6, 7 and 13)	**17,302,137**	10,935,539
Unrealized foreign exchange gain - net	**2,132,904**	(7,718,417)
Interest expense	**1,554,610**	2,637,820
Retirement benefits costs (Note 15)	**1,113,598**	945,631
Interest income	**(6,322)**	(4,707)
Operating income before working capital changes	**174,070,307**	88,089,409
Increase (decrease) in:		
Trade and other receivables	**229,974,113**	(223,746,412)
Prepaid expenses and other current assets	**1,260,448**	(18,902,345)
Accounts payable and other current liabilities	**(4,635,148)**	15,033,754
Net cash used in/ flow from operations	**400,669,720**	(139,525,594)
Taxes paid	**(48,469,566)**	(28,643)
Interest and bank charges paid	**(864,633)**	(1,230,473)
Interest received	**6,322**	4,707
Net cash flows from (used in) operating activities	**351,341,843**	(140,780,003)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of:		
Property and equipment (Note 6)	**(16,155,350)**	(14,727,440)
Software cost (Note 7)	–	(2,950,413)
Deposits	**14,928,710**	2,647,178
Net cash flows provided by (used in) investing activities	**(1,226,640)**	(15,030,675)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of short-term loans (Note 11)	**208,605,000**	632,002,447
Short-term loan payments	**(504,765,717)**	(488,204,489)
Net cash flows provided (used in) by financing activities	**(296,160,717)**	143,797,958
NET INCREASE (DECREASE) IN CASH IN BANKS	**53,954,486**	(12,012,720)
CASH IN BANKS AT BEGINNING OF PERIOD	**5,363,244**	17,375,964
CASH IN BANKS AT END OF PERIOD	**₱59,317,730**	₱5,363,244

See accompanying 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 change in accounting period took effect last March 31, 2016.

The accompanying financial statements of the Company were authorized for issue by the BOD on August 14, 2017.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

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

The financial statements as of and for the year ended March 31, 2017 were prepared because of the change in the Company's accounting period (see Note 1). The amounts presented for the period ended March 31, 2016 in the statements of comprehensive income, changes in equity and cash flows and the related notes are for nine months while the amounts presented for the year ended March 31, 2017 are for one year, and accordingly, are not comparable.

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 year except for the adoption of the following amendments effective beginning April 1, 2016.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures*, *Investment Entities: Applying the Consolidation Exception*

  These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

  These amendments are not applicable to the Company since the Company is not an investment entity nor does the Company have investment entity associates or joint ventures.

- Amendments to PFRS 11, *Joint Arrangements*, *Accounting for Acquisitions of Interests in Joint Operations*

  The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3 *Business Combination*), to apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

  These amendments do not have any impact on the Company as there has been no interest acquired in a joint operation during the period.

- PFRS 14, *Regulatory Deferral Accounts*

  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

  Since the Company is an existing PFRS preparer, this standard would not apply.

- Amendments to PAS 1, *Presentation of Financial Statements*, *Disclosure Initiative*

  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They clarify the following:

  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  - That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  The Company opted not to change the current presentation, therefore, this standard will not apply.

- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets*, *Clarification of Acceptable Methods of Depreciation and Amortization*

  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

  These amendments are applied prospectively and do not have any impact to the Company, given that the Company is not using a revenue-based method to depreciate or amortize its property and equipment and intangible assets.

- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*

  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

  The amendments do not have any impact on the Company as the Company does not have any bearer plants.

- Amendments to PAS 27, *Separate Financial Statements*, *Equity Method in Separate Financial Statements*

  The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

  These amendments are not applicable to the Company.

- Annual Improvements to PFRSs 2012 - 2014 Cycle

  The adoption of the amendments below did not have a significant impact on the financial statements of the Company.

  - Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*

    The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

  - Amendment to PFRS 7, *Financial Instruments: Disclosures, Servicing Contracts*

    PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

  - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

    This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

  - Amendment to PAS 19, *Employee Benefits*, *Discount Rate: Regional Market Issue*

    This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- Amendment to PAS 34, *Interim Financial Reporting*, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*

  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Standards issued but not yet effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements to have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*

  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

  Application of amendments will result in additional disclosures in the 2018 financial statements of the Company.

- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

Effective beginning on or after January 1, 2018

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

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying* PFRS 9*, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021. The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

  The Company is assessing the potential effect of the amendments on its financial statements.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

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

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

  This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented

as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

  The Company is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

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

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Cash
Cash includes cash in bank which earns interest at the respective bank deposit rates.

Financial Assets and Financial Liabilities
The Company recognizes a financial asset or financial liability in the statement of financial position when it becomes a party to the contractual provision of the instrument.

Financial assets within the scope of PAS 39 are classified as either financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity investments (HTM), or available-for-sale (AFS) financial assets, as appropriate. Financial liabilities, on the other hand, are

classified as either financial liabilities at FVPL or other financial liabilities, as appropriate. The Company determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, reevaluates this designation at each financial year end.

Financial assets and financial liabilities are recognized initially at fair value. Directly attributable transaction costs, if any, are included in the initial measurement of financial assets and financial liabilities, except for financial instruments measured at FVPL.

All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

As of March 31, 2017 and 2016, the Company's financial assets and financial liabilities consist of financial instruments measured at amortized cost. The Company's financial assets include cash in banks, trade and other receivables and deposits, while financial liabilities include accounts payable and accrued expenses, short-term loan, and other current liabilities.

"Day 1" difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and the fair value (a "Day 1" difference) in the statement of comprehensive income. In cases where data which is not observable is used, the difference between the transaction price and model value is only recognized in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short-term or that it has designated as an AFS financial asset. Such assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

The Company has classified its cash in banks, trade receivables, advances to employees and refundable deposits included under "Other current assets" and "Other noncurrent assets" as loans and receivables as of March 31, 2017 and 2016 (see Note 16).

Other financial liabilities
Other financial liabilities are liabilities that are neither held-for-trading nor designated as FVPL upon the inception of the liability. These are initially recognized at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization for any related premium, discount and any directly attributable transaction costs.

Gains and losses are recognized in the statement of comprehensive income when these other financial liabilities are derecognized, as well as through the amortization process.

Other financial liabilities (or portions of other financial liabilities) are included in current liabilities when they are expected to be settled within 12 months from the reporting date or the Company does not have an unconditional right to defer settlement of the liabilities for at least 12 months from the reporting date. Otherwise, these are classified as noncurrent liabilities.

Other financial liabilities include short-term loan, accounts payable and accrued expenses and due to related parties.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of similar financial assets) is derecognized when:

- the contractual right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of ownership of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of ownership of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognized when the obligation under the liability has been discharged, cancelled or has expired.

Where 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the parent company statement of comprehensive income.

Impairment of Financial Assets

The Company assesses at the end of each reporting date whether a financial asset or group of financial assets is impaired.

Financial assets carried at amortized cost

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. The Company reviews the age and status of the financial assets and evaluates on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the customer, the customer's payment behavior, and other known market factors. Financial 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.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Objective evidence of impairment include, but are not limited to, bankruptcy or insolvency on the part of the customer and adverse changes in the economy. The Company provides an allowance when it is probable that the financial asset will not be collected in the future. The amount of loss is recognized in the statement of comprehensive income. The financial assets, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery.

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 the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and 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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

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.

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:

	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

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.

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.

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. 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).

Contingencies
The Company, in its normal course of business, is involved in various legal cases. Based on management's and its counsel's assessment, the Company does not have a present obligation arising from a past event and/or the likely outcome and estimated potential outflow cannot be reasonably determined as of this time or that the ultimate outcome, if ever unfavorable, will not have significant impact on the Company's financial statements (see Note 18).

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:

Impairment of trade and other receivables
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. As of March 31, 2017 and 2016, the carrying amount of the Company's trade and other receivables amounted to ₱387,758,751 and ₱617,608,655, respectively (see Note 4 and 10).

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 rate increase. Actual results that differ from the Company's assumptions are recognized directly in profit or loss. 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 ₱716,819 and ₱1,538,279 as of March 31, 2017 and 2016, respectively (see Note 15).

Provisions
The Company provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle the said obligations. Management exercises judgment in assessing the probability of the Company becoming liable. An estimate of the provision is based on known information at the end of reporting date. The amount of provision is being reassessed at least on an annual basis to consider new and relevant information. Provisions recognized amounted to ₱169,961 and ₱146,866 as of March 31, 2017 and 2016, respectively (see Note 18).

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 ₱8,950,842 and ₱8,889,985 as of March 31, 2017 and 2016, respectively (see Note 12).

4. Trade and Other Receivables

	2017	2016
Trade receivables		
Third parties	**₱89,502,150**	₱39,486,981
Related parties (Note 10)	**287,337,341**	567,902,066
Other receivables	**11,769,541**	10,219,608
	388,609,032	617,608,655
Less allowance for doubtful accounts	**850,281**	–
	₱387,758,751	₱617,608,655

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

	2017	2016
Beginning of the period	**₱–**	₱1,110,759
Provision made during the period	**850,281**	(1,110,759)
	₱850,281	₱–

5. Prepayments and Other Current Assets

	2017	2016
Prepaid insurance and other expenses	**₱24,360,045**	₱40,526,042
Input VAT – net	**27,206,440**	23,363,067
Unbilled knowledge transfer costs	**1,327,813**	3,519,350
Inventories	**591,122**	–
Advances to suppliers	**10,200**	633,096
Deposits (Note 14)	**13,285,487**	–
Lease deposit	**30,000**	30,000
	₱66,811,107	₱68,071,555

Unbilled knowledge transfer costs pertain to salaries and training costs incurred during the transition phase of service agreements with certain customers. These costs are recoverable through billing to the customer. The noncurrent portion of the unbilled knowledge transfer costs amounting to nil and ₱3,248,745 as of March 31, 2017 and 2016, respectively, is presented under "Other noncurrent assets" in the statements of financial position.

6. Property and Equipment

	2017			
	Computers	**Office Equipment**	**Leasehold Improvements**	**Total**
Cost				
At April 1	**₱66,020,909**	**₱8,081,730**	**₱2,199,490**	**₱76,302,129**
Acquisitions	**9,050,958**	**3,896,533**	**3,207,859**	**16,155,350**
At March 31	**75,071,867**	**11,978,263**	**5,407,349**	**92,457,479**
Accumulated Depreciation				
At April 1	**23,659,018**	**3,064,311**	**512,965**	**27,236,294**
Depreciation (Note 13)	**13,636,987**	**1,986,294**	**904,011**	**16,527,292**
At March 31	**37,296,005**	**5,050,605**	**1,416,976**	**43,763,586**
Net Book Value	**₱37,775,862**	**₱6,927,658**	**₱3,990,373**	**₱48,693,893**

	2016			
	Computers	Office Equipment	Leasehold Improvements	Total
Cost				
At July 1	₱54,521,255	₱5,551,999	₱1,501,435	₱61,574,689
Acquisitions	11,499,654	2,529,731	698,055	14,727,440
At March 31	66,020,909	8,081,730	2,199,490	76,302,129
Accumulated Depreciation				
At July 1	14,984,577	2,157,012	166,639	17,308,228
Depreciation (Note 13)	8,674,441	907,299	346,326	9,928,066
At March 31	23,659,018	3,064,311	512,965	27,236,294
Net Book Value	₱42,361,891	₱5,017,419	₱1,686,525	₱49,065,835

7. Software Costs

	2017	2016
Cost		
Beginning of the period	**₱4,767,638**	₱1,817,225
Acquisitions	–	2,950,413
End of the period	**4,767,638**	4,767,638
Accumulated Amortization		
Beginning of the period	**2,639,215**	1,631,742
Amortization (Note 13)	**774,846**	1,007,473
End of the period	**3,414,061**	2,639,215
Net Book Value	**₱1,353,577**	₱2,128,423

8. Accounts Payable and Other Current Liabilities

	2017	2016
Accounts payable	**₱5,090,369**	₱4,889,357
Accrued expenses (Note 18)	**27,473,049**	51,135,574
Accrued employee benefits	**36,642,030**	40,423,116
Due to related parties (Note 10)	**35,969,097**	11,073,024
Unearned revenue	**436,407**	2,440,359
Other current liabilities	**806,043**	140,586
	₱106,416,995	₱110,102,016

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	**2017 (Twelve Months)**	2016 (Nine Months)	**March 31, 2017**	March 31, 2016	Terms and conditions
Ultimate Parent Company					
HCL Technologies Limited					
Revenue	**₱16,863,515**	₱20,845,601	**₱6,320,878**	₱67,808,678	Noninterest-bearing, unsecured
Consultancy	**33,070,075**	3,040,920	**(22,517,836)**	(6,206,704)	Noninterest-bearing, unsecured
Parent Company					
HCL EAS Ltd.					
Loan	**(229,850,000)**	162,189,500	**–**	(229,850,000)	Interest-bearing, unsecured
Interest	**716,121**	1,346,796	**(1,828,522)**	(1,513,704)	Unsecured
Under common control					
HCL America, Inc.					
Revenue	**582,319,795**	460,372,452	**90,718,418**	372,696,699	Noninterest-bearing, unsecured
Consultancy	**9,533,984**	–	**(9,992,625)**	(419,994)	Noninterest-bearing, unsecured
HCL Great Britain Limited					
Revenue	**984,720**	1,159,539	**276,084**	442,443	Noninterest-bearing, unsecured
HCL Technologies UK Limited					
Revenue	**6,836,684**	–	**6,836,684**	–	Noninterest-bearing, unsecured
Consultancy	**334,798**	1,005,195	**–**	(955,448)	Noninterest-bearing, unsecured
Axon Solutions Ltd.					
Loan	**(40,670,012)**	(4,226,844)	**–**	(40,670,012)	Interest-bearing, unsecured
Interest	**555,997**	547,345	**(1,061,602)**	(686,443)	Unsecured
HCL Singapore Pte Ltd.					
Revenue	**₱–**	₱11,576,318	**₱11,430,573**	₱11,562,354	Noninterest-bearing, unsecured
State Street HCL Services					

Related Party	Amount/Volume		Outstanding Balance Receivable (Payable)		Terms and conditions
	2017 (Twelve Months)	2016 (Nine Months)	**March 31, 2017**	March 31, 2016	
Revenue	**17,684,541**	13,337,515	**13,774,217**	3,874,930	Noninterest-bearing, unsecured
Consultancy	**564,300**	109,001	**–**	(413,509)	Noninterest-bearing, unsecured
HCL Axon Technologies Inc.					
Revenue	**115,782,203**	21,265,355	**115,277,555**	21,265,355	Noninterest-bearing, unsecured
HCL Technologies Australia					
Revenue	**4,090,189**	17,908,937	**31,084,485**	27,890,159	Noninterest-bearing, unsecured
HCL Technologies Denmark					
Revenue	**49,739,233**	60,285,370	**8,390,927**	60,285,370	Noninterest-bearing, unsecured
Other Affiliates					
Revenue	**7,306,247**	3,848,074	**3,227,520**	2,076,079	Noninterest-bearing, unsecured
Consultancy	**6,721,378**	556,988	**(568,512)**	(877,222)	Noninterest-bearing, unsecured

Short-term Loan

The Company has a credit line with Axon Solutions Ltd. up to maximum amount of Great Britain Pound (GBP) £633,300. The loan has an interest rate of 3.60% per annum calculated from the date the loan was credited to the Company's bank account. The loan has a term of one year, which can be extended by mutual consent of both parties. As of March 31, 2017 and 2016, loan payable, including accrued interest, to Axon Solutions Ltd. amounted to ₱1,061,602 (£16,991) and ₱41,356,454 (£623,778), respectively. Interest expense amounted to ₱555,997 for the year ended March 31, 2017 and ₱547,345 for the nine months ended March 31, 2016. Outstanding balance at year-end is unsecured and settlement occurs in cash.

The Company has a credit line with HCL EAS Ltd. up to maximum amount of US$6,000,000. The loan has an interest rate of 2.5% per annum calculated from the date the loan was credited to the Company's bank account. The loan has a term of one year, which can be extended by mutual consent of both parties. As of March 31, 2017 and 2016, loan from HCL EAS Ltd. amounted to nil (US$) and ₱229,850,000 (US$5,000,000), respectively. Meanwhile, interest payable as of March 31, 2017 and 2016 amounted to ₱1,828,522 (US$36,425) and ₱1,513,704 (US$32,928), respectively. Interest expense amounted to ₱716,121 and ₱1,346,795 for the year ended March 31, 2017 and nine months ended March 31, 2016, respectively. Outstanding balance at year-end is unsecured and settlement occurs in cash.

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. Short-term Loans

In 2016, the Company also availed a promissory note from a local bank amounting to ₱23 million. The promissory note has a value date of March 30, 2016 and has matured on April 20, 2016. The loan had a stipulated interest rate of 3.605% per annum. Interest expense on this loan amounted to ₱2,272 in 2016.

12. Income Taxes

a. The current income tax in 2017 and 2016 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:

	2017 (Twelve Months)	2016 (Nine Months)
Income tax provision at statutory income tax rate	**₱45,592,014**	₱24,388,063
Additions to (reductions in) income tax resulting from income tax effects of:		
Expenses claimed as deduction for which no deferred tax asset was set up in prior year	**(1,422,589)**	–
Income and expenses under income tax holiday	–	(9,048,273)
Future nondeductible payroll expenses and unrealized foreign exchange	–	1,560,040
Interest income subjected to final tax	**(1,897)**	(1,148)
Non-deductible expense	**783**	582
Total income tax expense	**₱44,168,311**	₱16,899,264

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

	2017	2016
Deferred income tax asset on:		
Unpaid personnel expenses	**₱8,298,176**	₱8,818,173
Unrealized foreign exchange loss - net	**652,666**	–
Retirement benefits liability	**–**	71,812
	8,950,842	8,889,985
Deferred income tax liability on:		
Retirement benefits liability	**(174,626)**	–
Unrealized foreign exchange gain - net	**–**	2,014,453
Net deferred income tax asset	**₱8,776,216**	₱6,875,532

13. Cost of Services

	2017 (Twelve Months)	2016 (Nine Months)
Personnel costs	**₱512,677,586**	₱404,376,141
Rental (Note 14)	**113,164,704**	84,806,238
Depreciation and amortization (Notes 6 and 7)	**17,302,137**	10,935,539
Utilities	**10,028,342**	10,395,449
Recruitment and training	**7,632,706**	8,187,930
Repairs and maintenance	**6,957,125**	11,974,708
Travel	**6,552,020**	6,937,455
Communication	**5,841,028**	14,906,488
Other direct costs	**79,066,923**	41,708,281
	₱759,222,571	₱594,228,229

Details of personnel costs follow:

	2017 (Twelve Months)	2016 (Nine Months)
Salaries and wages	**₱315,310,964**	₱231,655,728
Benefits	**124,244,121**	109,563,259
Bonuses	**33,341,400**	31,542,136
Retirement benefits cost (Note 15)	**1,113,598**	945,631
Others	**68,136,346**	43,888,136
	₱542,146,429	₱417,594,890

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 has renewed its seat lease agreement for a period of three years. The monthly rental rate of ₱7,189 per seat is payable every fifth day of each month. As of March 31, 2017 and 2016, the total security deposit in 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, 2017 and 2016, the total security deposit in 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. The Company is also required to post security deposits amounting to ₱9,520,830 payable after signing of the agreement. As of March 31, 2017 and 2016, the security deposits in 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 and can be extended up 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. The Company is required to pay security deposit amounting to ₱9,242,235 upon signing of the agreement. As of March 31, 2017 and 2016, the security deposits in 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, 2017 and 2016, the security deposits in this lease amounted to ₱1,740,000.

Related rental expense under these lease agreements amounted to ₱113,164,704 and ₱84,806,238 (see Note 13) for the year ended March 31, 2017 and for the nine months ended March 31, 2016, respectively. Future minimum rental commitments are as follows:

	2017	2016
Within one year	**₱101,700,035**	₱114,283,629
Later than 1 year but not later than 5 years	**60,262,113**	161,941,418
	₱161,962,148	₱276,225,047

As of March 31, 2017, the total security deposits on the foregoing leases, presented as part of "Prepayments and other current assets" and "Other noncurrent assets" in the statements of financial position, amounted to ₱13,315,487 (₱7,037,561 in 2016) and ₱21,146,807 (₱26,941,498 in 2016), 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, 2017 and 2016. The latest actuarial valuation report was obtained as of March 31, 2017.

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

	2017 (Twelve Months)	2016 (Nine Months)
Current service cost	**₱1,025,147**	₱893,206
Interest cost	**88,451**	52,425
	₱1,113,598	₱945,631

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

	2017	2016
Beginning of the period	**₱1,538,279**	₱1,252,686
Current service cost	**1,025,147**	893,206
Interest expense	**88,451**	52,425
Re-measurement gain	**(1,935,058)**	(660,038)
End of the period	**₱716,819**	₱1,538,279

The assumptions used to determine retirement benefits costs of the Company as of March 31, 2017 and March 31, 2016 are as follows:

	2017	2016
Discount rate	**5.16%**	5.75%
Salary increase rate	**2.00%**	3.00%

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, Euro (EUR), Brazilian Real (BRL) and Singaporean Dollar (SGD). 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 assets and liabilities are as follows:

	March 31, 2017		
	Currency	**Amount in Foreign Currency**	**Peso Equivalent**
Cash in banks	**US$**	**931,965**	**₱46,784,618**
Receivables	**EUR**	**1,094**	**58,744**
	GBP	**178,367**	**11,144,353**
	INR	**100,000**	**129,000**
	MYR	**3,421**	**38,827**
	US$	**329,367**	**16,534,217**
	BRL	**15,530**	**247,704**

		March 31, 2016	
Account	Currency	Amount in Foreign Currency	Peso Equivalent
Cash in banks	US$	20,180	₱927,681
Receivables	US$	217,157	9,982,701
	GBP	228,606	15,117,727
	EUR	62,596	3,266,965
	BRL	15,530	198,306
Short-term loans	US$	(5,000,000)	(229,850,000)
	GBP	(615,000)	(40,669,950)

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, 2017**	March 31, 2016
US$	**₱50.20**	₱45.97
GBP	**62.48**	66.13
EUR	**53.69**	52.19
BRL	**15.95**	12.77
MYR	**11.35**	–
INR	**1.29**	–

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, 2017	
Currency	**Change in Rate**	**Effect on Income Before Income Tax**
US$	**+2.00%**	**₱1,266,377**
	(2.00%)	**(1,266,377)**
GBP	**+2.00%**	**222,887**
	(2.00%)	**(222,887)**
EUR	**+2.00%**	**1,175**
	(2.00%)	**(1,175)**
BRL	**+2.00%**	**4,954**
	(2.00%)	**(4,954)**
INR	**+2.00%**	**2,580**
	(2.00%)	**(2,580)**
MYR	**+2.00%**	**777**
	(2.00%)	**(777)**

	March 31, 2016	
Currency	Change in Rate	Effect on Income Before Income Tax
US$	+2.00%	(₱4,378,792)
	(2.00%)	4,378,792
GBP	+2.00%	(511,044)
	(2.00%)	511,044
EUR	+2.00%	65,339
	(2.00%)	(65,339)
BRL	+2.00%	3,966
	(2.00%)	(3,966)

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 March 31, 2017 and 2016. These financial assets are not supported by collateral from the counterparties.

The following table provides the credit quality per class of the Company's financial assets as of March 31, 2017 and 2016:

	2017					
	Neither Past Due Nor Impaired - High Grade	**Past Due But Not Impaired**				
		31 - 60 days	**61 - 90 days**	**91 - 120 days**	**>121 days**	**Total**
Cash in banks	**₱59,317,730**	**₱–**	**₱–**	**₱–**	**₱–**	**₱59,317,730**
Receivables						
Trade	**233,449,366**	**12,474,092**	**108,525,567**	**3,442,441**	**18,097,744**	**375,989,210**
Advances to employees	**367,998**	**216,007**	**214,645**	**222,793**	**1,653,255**	**2,674,698**
Refundable deposits	**34,462,294**	**–**	**–**	**–**	**–**	**34,462,294**
Total	**₱327,597,388**	**₱12,690,099**	**₱108,740,212**	**₱3,665,234**	**₱19,750,999**	**₱472,443,932**

	2016					
	Neither Past Due Nor Impaired - High Grade	Past Due But Not Impaired				
		31 - 60 days	61 - 90 days	91 - 120 days	>121 days	Total
Cash in banks	₱5,363,244	₱–	₱–	₱–	₱–	₱5,363,244
Receivables						
Trade	364,886,529	13,424,886	2,839,978	216,682,073	9,555,581	607,389,047
Advances to employees	1,206,287	43,437	433,564	19,921	3,096,042	4,799,251
Refundable deposits	33,818,552	–	–	–	–	33,818,552
Total	₱405,274,612	₱13,468,323	₱3,273,542	₱216,701,994	₱12,651,623	₱651,370,094

High grade receivables consist of receivables from customers and other parties with good credit standing and with a history of no delay in payments. Standard grade receivables are those from customers with history of slight delay in payments. Substandard grade receivables, on the other hand, are receivables from customers with history of recurring delayed payments. The Company constantly monitors the receivables in order to identify any potential adverse changes in the credit quality. Cash in banks are maintained in banks duly approved by the BOD. Receivables that have been identified as individually impaired are provided with allowance for doubtful account.

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, 2017			
	On Demand	**Less than One Year**	**Over One Year**	**Total**
Financial Liabilities				
Accounts payable and other liabilities				
Trade	**₱–**	**₱5,090,369**	**₱–**	**₱5,090,369**
Accrued expenses	**–**	**39,313,070**	**24,802,009**	**64,115,079**
	–	**44,403,439**	**24,802,009**	**69,205,448**
Due to related parties	**–**	**26,640,761**	**9,328,335**	**35,969,096**
	–	**71,044,200**	**34,130,344**	**105,174,544**
Financial Assets				
Cash in banks	**59,317,730**	**–**	**–**	**59,317,730**
Receivables				
Trade receivables	**–**	**357,891,466**	**18,097,744**	**375,989,210**
Advances to employees	**–**	**1,021,444**	**1,653,254**	**2,674,698**
	₱59,317,730	**₱358,912,910**	**₱19,750,998**	**₱437,981,638**
	₱59,317,730	**₱287,868,710**	**(₱14,379,346)**	**₱332,807,094**

	March 31, 2016			
	On Demand	Less than One Year	Over One Year	Total
Financial Liabilities				
Short-term loans	₱–	₱293,520,012	₱–	₱293,520,012
Accounts payable and other liabilities				
Trade	–	4,668,245	221,112	4,889,357
Accrued expenses	–	67,141,547	24,417,143	91,558,690
	–	365,329,804	24,638,255	389,968,059
Due to related parties	–	9,881,621	1,191,403	11,073,024
	–	375,211,425	25,829,658	401,041,083
Financial Assets				
Cash in banks	5,363,244	–	–	5,363,244
Receivables				
Trade receivables	–	597,210,553	10,178,494	607,389,047
Advances to employees	–	3,112,037	1,687,214	4,799,251
	₱5,363,244	₱600,322,590	₱11,865,708	₱617,551,542
	₱5,363,244	₱225,111,165	₱13,963,950	₱216,510,459

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, 2017 amounting to ₱29,865,036 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 ₱34,462,294 as of March 31, 2017.

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 in 2017.

In 2013, the Company applied for registration of its operations in Science Hub Tower 3 office with PEZA. On March 22, 2013, the BOD of PEZA approved the Company's registration. As of March 31, 2017, the Company is yet to sign its Supplemental Agreement with PEZA for its operations in Science Hub Tower 3. The Science Hub Tower 3 office has been treated as a non-PEZA facility and taxable unit in 2017.

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 signs its Supplemental Agreement with PEZA for its operations in Science Hub Tower 4. Per supplemental agreement between PEZA and HCL Technologies Philippines Inc., 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 ₱20.40 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. The Company is in the process of securing such verification or confirmation from PEZA. Accordingly, the Science Hub Tower 4 office has been treated as a taxable unit in 2017.

The total tax benefits availed in 2016 amounted to ₱9.05 million (see Note 12).

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. Provisions recognized amounted to ₱169,961 and ₱146,866 as of March 31, 2017 and 2016, respectively.

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, 2017:

a. The Company declared output VAT amounting to ₱1,138,641, which is based on the 12% of the net receipts of ₱ 9,488,673.

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.

b. Movements in input VAT follows:

Balance at April 1	₱22,690,161
Input Tax-Current Purchases	4,982,626
Claimed against output VAT	(1,138,641)
Balance, March 31	₱26,534,146

c. Taxes and license fees for the year ended March 31, 2017 amounting to ₱5,040,388 pertains mainly to business permits.

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

	Paid	Accrued	Total
Expanded withholding taxes	₱–	₱–	₱–
Final withholding taxes	735,513	54,000	789,513
	₱735,513	₱54,000	₱789,513