

# HCL TECHNOLOGIES PHILIPPINES, INC.

(A Wholly Owned Subsidiary of HCL EAS Ltd.)

## **FINANCIAL STATEMENTS** **March 31, 2022 and 2021**

With Independent Auditors' Report



R.G. Manabat & Co.  
The KPMG Center, 6/F  
6787 Ayala Avenue, Makati City  
Philippines 1209  
Telephone +63 (2) 8885 7000  
Fax +63 (2) 8894 1985  
Internet [www.home.kpmg/ph](http://www.home.kpmg/ph)  
Email [ph-inquiry@kpmg.com](mailto:ph-inquiry@kpmg.com)

## REPORT OF INDEPENDENT AUDITORS

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

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of HCL Technologies Philippines, Inc. (a wholly owned subsidiary of HCL EAS Ltd.) (the “Company”), which comprise the statements of financial position as at March 31, 2022 and 2021, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, including significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

#### *Basis for Opinion*

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

#### Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003, valid until November 21, 2023

SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

## *Auditors' Responsibilities for the Audit of the Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.



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

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

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

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

**R.G. MANABAT & CO.**

ALICIA S. COLUMBRES

Partner

CPA License No. 069679

SEC Accreditation No. 69679-SEC, Group A, valid for five (5) years  
covering the audit of 2022 to 2026 financial statements

Tax Identification No. 120-964-156

BIR Accreditation No. 08-001987-027-2020

Issued July 20, 2020; valid until July 19, 2023

PTR No. MKT 8854058

Issued January 3, 2022 at Makati City

July 28, 2022

Makati City, Metro Manila



R.G. Manabat & Co.  
The KPMG Center, 6/F  
6787 Ayala Avenue, Makati City  
Philippines 1209  
Telephone +63 (2) 8885 7000  
Fax +63 (2) 8894 1985  
Internet [www.home.kpmg/ph](http://www.home.kpmg/ph)  
Email [ph-inquiry@kpmg.com](mailto:ph-inquiry@kpmg.com)

## **SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR**

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

We have audited the accompanying financial statements of HCL Technologies Philippines, Inc. (a wholly owned subsidiary of HCL EAS Ltd.) (the “Company”) as at and for the year ended March 31, 2022, on which we have rendered our report dated July 28, 2022.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the said Company has one (1) stockholder owning more than one hundred (100) shares.

### **R.G. MANABAT & CO.**

ALICIA S. COLUMBRES

Partner

CPA License No. 069679

SEC Accreditation No. 69679-SEC, Group A, valid for five (5) years  
covering the audit of 2022 to 2026 financial statements

Tax Identification No. 120-964-156

BIR Accreditation No. 08-001987-027-2020

Issued July 20, 2020; valid until July 19, 2023

PTR No. MKT 8854058

Issued January 3, 2022 at Makati City

July 28, 2022

Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003, valid until November 21, 2023

SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

**HCL TECHNOLOGIES PHILIPPINES, INC.**  
**(A Wholly Owned Subsidiary of HCL EAS Ltd.)**  
**STATEMENTS OF FINANCIAL POSITION**

				March 31	
				2022	2021
				Note	
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash in banks	17	<b>P544,142,312</b>			P327,668,580
Trade and other receivables - net	4, 11, 17	<b>722,275,692</b>			673,216,019
Prepayments and other current assets	5	<b>184,599,845</b>			172,081,680
<b>Total Current Assets</b>		<b>1,451,017,849</b>			1,172,966,279
<b>Noncurrent Assets</b>					
Property and equipment - net	6	<b>135,325,476</b>			163,310,758
Right-of-use assets - net	15	<b>125,278,792</b>			233,973,507
Software costs - net	7	<b>10,254</b>			64,647
Deferred income tax assets - net	12	<b>38,847,958</b>			45,965,416
Other noncurrent assets	8	<b>90,540,839</b>			117,926,385
<b>Total Noncurrent Assets</b>		<b>390,003,319</b>			561,240,713
				<b>P1,841,021,168</b>	P1,734,206,992
<b>LIABILITIES AND EQUITY</b>					
<b>Current Liabilities</b>					
Accounts payable and other current liabilities	9, 11, 17	<b>P403,344,221</b>			P366,781,018
Income tax payable		<b>97,809,273</b>			86,692,567
Lease liabilities - current portion	15, 17	<b>102,350,341</b>			108,985,013
<b>Total Current Liabilities</b>		<b>603,503,835</b>			562,458,598
<b>Noncurrent Liabilities</b>					
Retirement benefits liability	16	<b>24,437,672</b>			14,240,515
Unearned revenue	13	<b>61,832,773</b>			82,181,776
Lease liabilities - noncurrent portion	15, 17	<b>49,740,827</b>			145,025,319
<b>Total Noncurrent Liabilities</b>		<b>136,011,272</b>			241,447,610
<b>Total Liabilities</b>		<b>739,515,107</b>			803,906,208
<b>Equity</b>					
Capital stock	10	<b>271,684,300</b>			271,684,300
Additional paid-in capital		<b>86,405</b>			86,405
Retained earnings	10	<b>831,760,319</b>			657,990,820
Remeasurement gain (loss) on retirement benefit	16	<b>(2,024,963)</b>			539,259
<b>Total Equity</b>		<b>1,101,506,061</b>			930,300,784
				<b>P1,841,021,168</b>	P1,734,206,992

See Notes to the Financial Statements.

**HCL TECHNOLOGIES PHILIPPINES, INC.**  
**(A Wholly Owned Subsidiary of HCL EAS Ltd.)**  
**STATEMENTS OF COMPREHENSIVE INCOME**

		Year Ended March 31	
	Note	2022	2021
<b>REVENUES</b>	13	<b>P2,318,661,688</b>	P2,233,772,906
<b>COST OF SERVICES</b>	14	<b>1,990,720,249</b>	1,900,799,943
<b>GROSS PROFIT</b>		<b>327,941,439</b>	332,972,963
<b>EXPENSES</b>			
Salaries and other benefits		<b>60,255,436</b>	59,202,134
Legal and professional fees		<b>39,777,302</b>	15,968,153
Repairs and maintenance		<b>2,390,979</b>	538,599
Travel		<b>1,526,086</b>	2,606,685
Communication		<b>879,857</b>	806,454
Prov for bad debts		<b>2,636,324</b>	-
Others	12	<b>8,879,710</b>	40,155,682
		<b>116,345,694</b>	119,277,708
		<b>211,595,745</b>	213,695,255
<b>OTHER INCOME (CHARGES)</b>			
Foreign exchange gain - net		<b>29,150,416</b>	1,983,480
Interest income		<b>3,433,103</b>	459,097
Reversal of expected credit losses	4	-	4,784,232
Interest expense on lease liabilities	15	<b>(16,549,486)</b>	(25,926,329)
		<b>16,034,033</b>	(18,699,520)
<b>INCOME BEFORE INCOME TAX</b>		<b>227,629,778</b>	194,995,735
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>			
Current		<b>46,332,898</b>	171,863,862
Deferred		<b>7,527,381</b>	(22,297,452)
	12	<b>53,860,279</b>	149,566,410
<b>NET INCOME</b>		<b>173,769,499</b>	45,429,325
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Other comprehensive income not to be reclassified to profit or loss in the subsequent periods</i>			
Remeasurement gain (loss) on retirement benefit	16	<b>(2,974,145)</b>	1,474,384
Deferred income tax effect		<b>409,923</b>	(66,142)
<b>NET OTHER COMPREHENSIVE INCOME (LOSS)</b>		<b>(2,564,222)</b>	1,408,242
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P171,205,277</b>	P46,837,567

See Notes to the Financial Statements.

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

Years Ended March 31

	Capital Stock (Note 10)	Additional Paid-in Capital	Remeasurement Gain (Loss) on Retirement Benefit (Note 16)	Retained Earnings (Note 10)	Total
Balances at March 31, 2020	P271,684,300	P86,405	(P868,983)	P612,561,495	P883,463,217
Net income for the year	-	-	-	45,429,325	45,429,325
Other comprehensive income	-	-	1,408,242	-	1,408,242
Total comprehensive income for the year	-	-	1,408,242	45,429,325	46,837,567
Balances at March 31, 2021	271,684,300	86,405	539,259	657,990,820	930,300,784
Net income for the year	-	-	-	173,769,499	173,769,499
Other comprehensive loss	-	-	(2,564,222)	-	(2,564,222)
Total comprehensive income (loss) for the year	-	-	(2,564,222)	173,769,499	171,205,277
<b>Balances at March 31, 2022</b>	<b>P271,684,300</b>	<b>P86,405</b>	<b>(P2,024,963)</b>	<b>P831,760,319</b>	<b>P1,101,506,061</b>

*See Notes to the Financial Statements.*



**HCL TECHNOLOGIES PHILIPPINES, INC.**  
**(A Wholly Owned Subsidiary of HCL EAS Ltd.)**  
**STATEMENTS OF CASH FLOWS**

		<b>Year Ended March 31</b>	
	<b>Note</b>	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax		<b>P227,629,778</b>	P194,995,735
Adjustments for:			
Amortization on right-of-use asset	14	<b>109,871,445</b>	133,208,875
Depreciation and amortization expense	6, 7, 14	<b>59,778,562</b>	52,967,292
Interest expense on lease liabilities	15	<b>16,549,486</b>	25,926,329
Retirement benefit costs	16	<b>7,223,012</b>	6,416,710
Loss on retirement of property and equipment	6	<b>3,335,747</b>	-
Provision (reversal) of expected credit losses	4	<b>2,624,938</b>	(6,104,073)
Direct write-off of receivables	4	<b>11,386</b>	1,319,841
Unrealized foreign exchange gain - net		<b>(42,153)</b>	(4,278,465)
Interest income		<b>(3,433,103)</b>	(459,097)
Operating income before working capital changes		<b>423,549,098</b>	403,993,147
Decrease (increase) in:			
Trade and other receivables		<b>(51,817,800)</b>	172,486,143
Prepayments and other current assets		<b>(12,518,165)</b>	(48,108,595)
Increase (decrease) in accounts payable and other current liabilities		<b>16,010,307</b>	(37,615,652)
Net cash flows provided by operations		<b>375,223,440</b>	490,755,043
Interest received		<b>3,433,103</b>	459,097
Taxes paid		<b>(35,216,192)</b>	(101,357,463)
Net cash provided by operating activities		<b>343,440,351</b>	389,856,677
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Refundable deposits and other noncurrent assets:		<b>27,753,396</b>	7,848,370
Purchase of property and equipment	6	<b>(35,074,634)</b>	(85,238,246)
Net cash flows used in investing activities		<b>(7,321,238)</b>	(77,389,876)
<b>CASH FLOWS FROM A FINANCING ACTIVITY</b>			
Payment of lease liabilities including interest	15	<b>(119,645,381)</b>	(147,076,828)
Net cash flows used in a financing activity		<b>(119,645,381)</b>	(147,076,828)
<b>NET INCREASE IN CASH IN BANKS</b>		<b>216,473,732</b>	165,389,973
<b>CASH IN BANKS AT BEGINNING OF YEAR</b>		<b>327,668,580</b>	162,278,607
<b>CASH IN BANKS AT END OF YEAR</b>		<b>P544,142,312</b>	P327,668,580

See Notes to the Financial Statements.

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

---

**NOTES TO THE FINANCIAL STATEMENTS**

---

**1. Reporting Entity**

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

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

Registration with the Philippine Economic Zone Authority (PEZA)

*Sunnymede IT Center, Quezon City (2<sup>nd</sup> Floor)*

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

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

*Science Hub, Tower 3, Taguig City (6<sup>th</sup> Floor)*

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

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

*Science Hub, Tower 4, Taguig City (6<sup>th</sup> Floor)*

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

---

## **2. Basis of Preparation**

### Statement of Compliance

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

### Basis of Measurement

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

The accompanying financial statements of the Company were authorized for issue by the Board of Directors on July 28, 2022.

### Functional and Presentation Currency

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

### Use of Judgments and Estimates

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

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

### Judgments

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

#### *Determination of Functional Currency*

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

#### *Determination of Term and Discount Rate of Lease Arrangements*

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

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

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

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

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

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the lessee's control. As at March 31, 2022 and 2021, the Company did not exercise any renewal options from its lease contracts.

#### *Adequacy of Tax Liabilities*

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

In 2020, the Management treated the Science Hub Tower 3 as taxable under the regular corporate income tax rate as the PEZA incentives can be availed by the Company once the supplemental agreement is signed. The Company is currently working with PEZA to get the Supplemental Agreement signed. The change in tax treatment resulted to the Company's recognition of tax provision covering the past years (see Notes 1 and 12).

In 2020, the Management expected that the income tax holiday validation for Science Hub Tower 4 will be approved by PEZA in due course, however, considering the prolonged delay in disposal of the Company's application at PEZA's end, Management recognized the tax provision for past years at GIT 5% (see Notes 1 and 12).

#### Estimates and Assumptions

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

##### *Estimation of Impairment Losses on Receivables*

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

As at and for the years ended March 31, 2022 and 2021, allowance for impairment losses on receivables amounted to P3,660,571 and P1,035,633, respectively (see Note 4).

##### *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. Actual results that differ from the Company's assumptions are recognized directly in other comprehensive income. While the Company believes that, the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligation.

The retirement benefits liability amounted to P24,437,672 and P14,240,515 as of March 31, 2022 and 2021, respectively (see Note 16).

##### *Recognition of Deferred Tax Assets*

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

Management uses judgment and estimates in assessing the probability of future taxable profits. Net deferred income tax assets recognized amounted to P38,847,958 and P45,965,416 as of March 31, 2022 and 2021, respectively (see Note 12).

---

### 3. Summary of Significant Accounting Policies

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

#### Adoption of Amendments to Standards

The Company has adopted the following amendments and interpretation, starting April 1, 2021 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these new amendments and interpretation did not have any significant impact on the Company's financial statements.

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to PFRS 16 Leases). The amendment extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. The adoption is mandatory for lessees that chose to apply the practical expedient introduced by the 2020 amendments and may result in reversal of lease modifications that was ineligible for the practical expedient under the 2020 amendments but becomes eligible as a result of the extension.

Based on these amendments, the Company has elected to assess that the rent concession from the lessor, which is a direct consequence of COVID 19, is a lease modification under PFRS 16.

#### Amendments to Standards Issued but Not Yet Adopted

A number of amendments to standards are effective for annual periods beginning after April 1, 2021. However, the Company has not early adopted the following amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

#### *Effective January 1, 2022*

- Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16, *Property, Plant and Equipment*). The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income (loss). This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income (loss).

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

- Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37 *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprises both incremental costs and an allocation of other direct costs.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS Standards 2018-2020. This cycle of improvements contains amendments to four standards:
  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9, *Financial Instruments*). The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
  - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

*Effective January 1, 2023*

- Classification of Liabilities as Current or Non-current (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:
  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

- clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

In November 2021, the International Accounting Standards Board issued the Exposure Draft, *Non-Current Liabilities with Covenants*, after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the IFRS Interpretations Committee about the amendments. The exposure draft proposes to again amend IAS 1 as follows:

- conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or non-current.
- additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months.
- separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.

The effective date of the amendments will be deferred to no earlier than January 1, 2024. Comments on the Exposure Draft is due on March 21, 2022.

- *Definition of Accounting Estimates (Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors)*. To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.



- Disclosure of Accounting Policies (Amendments to PAS 1, *Presentation of Financial Statements* and PFRS Practice Statement 2, *Making Materiality Judgements*). The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:
  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments to PFRS Practice Statement 2 include guidance and additional examples on the application of materiality to accounting policy disclosures. The amendments are effective from January 1, 2023. Earlier application is permitted.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments clarify that that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations.

The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

#### Current versus Noncurrent Classification

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

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Company classifies all other liabilities as noncurrent.

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

#### Financial Instruments - Initial Recognition and Subsequent Measurement

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

#### *Financial Assets*

##### *Initial Recognition and Measurement*

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

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

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

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

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

##### *Subsequent Measurement*

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

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

- Financial assets at FVPL.

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

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

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

This category includes the Company's cash in banks, trade receivables, finance lease 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).

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

#### *Financial Liabilities*

##### *Initial Recognition and Measurement*

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

Included under other financial liabilities are the Company's accounts payable and other current liabilities, due to related parties and lease liabilities.

### *Subsequent Measurement*

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

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

### 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 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 statements of financial position if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counter parties.

### Prepayments

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

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

### 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 expense in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

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

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

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

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

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

### Software Costs

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

#### Impairment of Non-financial Assets

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

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

#### Contingencies

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

#### Provisions

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

#### Capital Stock

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

#### Additional Paid-in Capital

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

#### Retained Earnings

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

## Revenue

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

### *Time-and-Material/Volume Based/Transaction Based Contracts*

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

### *Fixed Price Contracts*

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

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

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

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

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

#### 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 on the completion performance obligation.

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

#### *Contract Liabilities*

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

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

#### Cost of Services and Expenses

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

#### *Cost of Services*

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

#### *General and Administrative Expenses*

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



## Leases

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

### *As a Lessee*

The Company recognizes ROU assets and lease liabilities at the lease commencement date. The ROU assets are initially measured at cost, which comprises the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove or restore the underlying asset or the site on which it is located, less any incentives received. The measurement of the ROU assets also includes the difference between the initial carrying amount of the deposit (which may be fair value if the deposit is in the scope of IFRS 9, *Financial Instruments*) and the nominal value of the deposit. Such difference is considered as an additional lease payment made by the lessee.

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

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

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

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

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

In the statements of cash flows, the Company has classified:

- cash payments for the principal portion of lease payments as financing activities;
- cash payments for the interest portion as financing activities consistent with the presentation of interest payments chosen by the Company; and
- short-term lease payments and payments for leases of low value assets as operating activities.

#### *Short-term Leases and Leases of Low-value Assets*

The Company has elected not to recognize ROU assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line bases over the lease term.

#### *As a Lessor*

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

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

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

#### Foreign Currency

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

#### Related Party Transactions

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

Related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making the financial and operating decisions. Such relationship also exists between and/or among entities under common control with the reporting enterprises and their key management personnel, directors, or its stockholders. Related parties may be individuals or corporate entities. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

#### Employee Benefits

##### *Short-term Benefits*

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

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

#### Post-Employment Benefits

##### *Retirement Benefit Cost*

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

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

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

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

Past service costs are recognized immediately in profit or loss.

#### Compensated Leave Credits

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

### Income Taxes

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

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

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

If there is uncertainty about an income tax treatment, then the Company considers whether it is probable that a tax authority will accept the Company's tax treatment included in its tax filing. The underlying assumption in the assessment is that a tax authority will examine all amounts reported and will have full knowledge of all relevant information. The Company presents uncertain tax expense as part of current tax under "Provision for (benefit from) income tax" in the statements of comprehensive income. The related uncertain tax liability is presented by the Company under "Income tax payable" in the statements of financial position.

### *Current Tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable and receivable in respect of the previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

### *Deferred Tax*

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

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

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

### Events After End of the Reporting Period

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

#### 4. Trade and Other Receivables

	<i>Note</i>	<b>2022</b>	2021
Billed trade receivables:			
Related parties	11, 17	<b>P343,772,799</b>	P415,328,059
Third parties	17	<b>235,203,887</b>	182,657,385
Unbilled trade receivables:			
Related parties	11, 17	<b>55,431,139</b>	29,391,318
Third parties	17	<b>78,698,604</b>	44,867,378
Other receivables		<b>12,829,834</b>	2,007,512
		<b>725,936,263</b>	674,251,652
Less: Allowance for expected credit losses	17	<b>3,660,571</b>	1,035,633
		<b>P722,275,692</b>	P673,216,019

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

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

The allowance for expected credit losses pertains to trade receivables from third parties. Movements are as follows:

	<b>2022</b>	2021
Beginning of the year	<b>P1,035,633</b>	P7,139,706
Provision (reversal) for expected credit losses	<b>2,624,938</b>	(6,104,073)
	<b>P3,660,571</b>	P1,035,633

During the year ended March 31, 2021, some of the Company's long outstanding receivables which were previously provided with allowance for expected credit losses amounting to P6,104,073 were collected and the allowance was reversed accordingly. The reversal of expected credit losses for the year ended March 31, 2021 is recognized under "Other income (charges)" account in the statements of comprehensive income.

During the years ended March 31, 2022 and March 31, 2021 the Company has directly written off its long outstanding receivables amounting to P11,386 and P1,319,841, respectively, due to un-collectability.

## 5. Prepayments and Other Current Assets

	<i>Note</i>	<b>2022</b>	2021
Financial lease receivables - current portion	8, 15	<b>P49,599,290</b>	P29,293,674
Deferred Input VAT - net		<b>38,674,964</b>	49,817,552
Refundable deposits - current portion	15, 17	<b>31,489,433</b>	24,538,773
Prepaid insurance		<b>21,020,752</b>	18,780,431
Deferred contract costs - current portion	8, 13	<b>15,632,408</b>	20,035,263
Others		<b>28,182,998</b>	29,615,987
		<b>P184,599,845</b>	P172,081,680

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

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

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

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

Others pertain to prepaid taxes, inventories and various prepayments of immaterial amounts.

## 6. Property and Equipment

The movements in this account are as follows:

	<i>Note</i>	<b>2022</b>			<b>Total</b>
		<b>Computers</b>	<b>Office Equipment</b>	<b>Leasehold Improvements</b>	
<b>Cost</b>					
At April 1		<b>P289,158,780</b>	<b>P20,557,148</b>	<b>P7,659,302</b>	<b>P317,375,230</b>
Additions		<b>34,959,134</b>	<b>115,500</b>	<b>-</b>	<b>35,074,634</b>
Retirement		<b>(9,468,715)</b>	<b>(371,614)</b>	<b>-</b>	<b>(9,840,329)</b>
<b>At March 31</b>		<b>314,649,199</b>	<b>20,301,034</b>	<b>7,659,302</b>	<b>342,609,535</b>
<b>Accumulated Depreciation and Amortization</b>					
At April 1		<b>134,645,391</b>	<b>14,178,043</b>	<b>5,241,038</b>	<b>154,064,472</b>
Depreciation and amortization	14	<b>56,786,629</b>	<b>2,015,793</b>	<b>921,747</b>	<b>59,724,169</b>
Retirement		<b>(6,294,761)</b>	<b>(209,821)</b>	<b>-</b>	<b>(6,504,582)</b>
<b>At March 31</b>		<b>185,137,259</b>	<b>15,984,015</b>	<b>6,162,785</b>	<b>207,284,059</b>
<b>Carrying Amount</b>		<b>P129,511,940</b>	<b>P4,317,019</b>	<b>P1,496,517</b>	<b>P135,325,476</b>

	Note	2021			Total
		Computers	Office Equipment	Leasehold Improvements	
Cost					
At April 1		P205,514,674	P18,963,008	P7,659,302	P232,136,984
Additions		83,644,106	1,594,140	-	85,238,246
At March 31		289,158,780	20,557,148	7,659,302	317,375,230
Accumulated Depreciation and Amortization					
At April 1		85,597,207	11,663,616	4,136,406	101,397,229
Depreciation and amortization	14	49,048,184	2,514,427	1,104,632	52,667,243
At March 31		134,645,391	14,178,043	5,241,038	154,064,472
Carrying Amount		P154,513,389	P6,379,105	P2,418,264	P163,310,758

## 7. Software Licenses

The movements in this account are as follows:

	Note	2022	2021
<b>Cost</b>			
At April 1		<b>P3,614,704</b>	P5,234,569
Retirement		<b>(197,360)</b>	(1,619,865)
<b>At March 31</b>		<b>3,417,344</b>	3,614,704
<b>Accumulated Amortization</b>			
At April 1		<b>3,550,057</b>	4,869,871
Amortization	14	<b>54,393</b>	300,051
Retirement		<b>(197,360)</b>	(1,619,865)
<b>At March 31</b>		<b>3,407,090</b>	3,550,057
<b>Carrying Amount</b>		<b>P10,254</b>	P64,647

## 8. Other Noncurrent Assets

This account consists of:

	Note	2022	2021
Deferred contract costs	5, 13	<b>P40,713,399</b>	P51,843,034
Finance lease receivable - net of current portion	15	<b>31,129,470</b>	35,902,792
Refundable deposits - net of current portion	15, 17	<b>18,053,159</b>	24,425,445
Prepaid expenses - noncurrent portion		<b>438,475</b>	4,087,381
Capital work in progress		<b>206,336</b>	1,667,733
		<b>P90,540,839</b>	P117,926,385

---

## 9. Accounts Payable and Other Current Liabilities

This account consists of:

	<i>Note</i>	<b>2022</b>	2021
Due to related parties	11, 17	<b>P182,393,700</b>	P167,637,076
Employee benefits	17	<b>99,966,125</b>	75,679,040
Accrued expenses	17	<b>46,214,678</b>	52,954,622
Unearned revenue	11, 13	<b>41,537,967</b>	40,466,117
Accounts payable	17	<b>26,160,601</b>	24,696,136
Other current liabilities		<b>7,071,150</b>	5,348,027
		<b>P403,344,221</b>	P366,781,018

---

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

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

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

---

## 10. Equity

The Company's capital stock consists of the following:

	<b>Number of Shares</b>	<b>Amount</b>
Authorized at P100 par value	<b>4,300,000</b>	<b>P430,000,000</b>
Issued and outstanding	<b>2,716,843</b>	<b>P271,684,300</b>

---

### *Retained Earnings*

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

- When justified by definite corporate expansion projects or programs approved by the BOD; or
- When the Corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not yet been secured; or
- When it can be clearly shown that such retention is necessary under special circumstances, such as when there is a need for reserve for probable contingencies.

The Company's retained earnings as at March 31, 2022 and 2021 amounted to P831,760,319 and P657,990,820, respectively.



As at March 31, 2022 and 2021, the unrestricted retained earnings of the Company is still in excess of the paid-in capital by P521,485,437 and P337,099,333, respectively, after preparing the reconciliation in accordance with SEC Memorandum Circular No. 11, series of 2008, *Guidelines on the Determination of Retained Earnings Available for Dividend Declaration*. Management plans to discuss the excess retained earnings as at March 31, 2022 in the next BOD meeting which is expected to be held in due course in the fiscal year 2022 to 2023.

## 11. Related Party Transactions

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

Related Party	Note	Amount/Volume		Outstanding Balance Receivable (Payable)		Terms and Conditions
		March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021	
<b>Ultimate Parent Company</b>						
Revenue	a	<b>P335,581,108</b>	P548,605,037	<b>P118,914,150</b>	P241,203,323	Noninterest-bearing, unsecured; no impairment
Consultancy	b	<b>246,925,435</b>	222,358,506	<b>(140,850,191)</b>	(114,490,514)	Noninterest-bearing, unsecured
<b>Under Common Control</b>						
Revenue	a	<b>794,084,037</b>	485,885,182	<b>132,132,298</b>	51,200,552	Noninterest-bearing, unsecured; no impairment
Consultancy	b	<b>33,277,516</b>	40,753,642	<b>(23,153,387)</b>	(26,182,709)	Noninterest-bearing, unsecured
<b>Other Affiliates</b>						
Revenue	a	<b>284,899,194</b>	385,989,698	<b>148,157,490</b>	152,315,502	Noninterest-bearing, unsecured; no impairment
Consultancy	b	<b>50,485,121</b>	67,944,815	<b>(18,390,122)</b>	(26,963,853)	Noninterest-bearing, unsecured
				<b>P399,203,938</b>	P444,719,377	
				<b>(P182,393,700)</b>	(P167,637,076)	

- The Company has Master Service Agreement with its ultimate parent company for the Company to provide software and information technology services to the customers of the ultimate parent company and the various entities under common control. The agreement shall continue until terminated by either party in case the other party is in breach of the terms of the agreement or at the option of the counterparty upon prior written notice.
- Related parties rendered consulting services to the Company under the normal course of business. Consulting charge is recorded as part of "Cost of services" account in the statements of comprehensive income.
- Compensation of key management personnel of the Companies consists of directors' fee amounting to P480,000 and P448,000 for the years ended March 31, 2022 and 2021, respectively.

All related party transactions are to be settled in cash.

## 12. Income Taxes

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:

	Note	2022	2021
Income before income tax		<b>P227,629,777</b>	P194,995,735
Income tax provision at statutory income tax rate		<b>P56,907,444</b>	P51,186,380
Additions to (reductions in) income tax resulting from income tax effects of:			
Tax provision	1	<b>6,548,410</b>	83,025,979
Prior year income tax		-	19,401,560
Nondeductible expense		<b>1,920,200</b>	5,290,260
Provision (reversal) related to previous year		<b>883,670</b>	(379,606)
Effect of the difference between regular corporate income tax* and GIT rates		<b>(12,399,445)</b>	(8,958,163)
Total income tax expense		<b>P53,860,279</b>	P149,566,410

\* For the year ended March 31, 2022, the Company used 25% income tax rate. For the year ended March 31, 2021, the Company used the transitory rate of 26.25% provided by the Bureau of Internal Revenue (BIR) in its Revenue Regulations (RR) 5-2021 dated April 8, 2021.

The tax provision pertains to the estimated impact of the change in tax rates covering the previous taxable years for Science Hub Tower 3 and Science Hub Tower 4. The outstanding balance of the provision is included under "Income tax payable" in the statements of financial position (see Note 1).

Prior year income tax pertains to the amount of income tax deficiency paid by the Company during the year March 31, 2021 for the taxable year 2016 amounting to P19,401,560. The related penalty on this income tax deficiency amounting to P10,754,853 is recorded as part of others under the "Expenses" account in the statements of comprehensive income.

Enactment of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act. CREATE is an act reforming the corporate income tax and incentives system, amending for the purpose certain sections of Internal Revenue Code of 1997, as amended, and creating therein new title XIII, and for other purposes.

On March 26, 2021, the President of the Philippines has approved the CREATE Act, with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Company:

- a. Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.
- b) Minimum corporate income tax (MCIT) rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.

- c) The imposition of improperly accumulated earnings tax has been repealed.
- d) Definition of reorganization for purposes of applying the tax-free exchange provision under Section 40(C)(2) is expanded. Prior BIR ruling or confirmation shall not be required for purposes of availing the tax exemption of the exchange.
- e) Qualified export enterprises shall be entitled to 4 to 7 years income tax holiday (ITH) to be followed by 10 years 5% SCIT OR Enhanced Deductions (ED).
- f) Qualified domestic market enterprises shall be entitled to 4 to 7 years ITH to be followed by 5 years ED.
- g) Registered enterprises are exempt from customs duty on importation of capital equipment, raw materials, spare parts, or accessories directly and exclusively used in the registered project or activity.
- h) VAT exemption on importation and VAT zero-rating on local purchases shall only apply to goods and services directly and exclusively used in the registered project or activity by a registered business enterprise (RBE).
- i) For investments prior to effectivity of CREATE: RBEs granted only an ITH - continue with the availment of the ITH for the remaining period of the ITH. RBEs granted an ITH + 5% GIT or currently enjoying 5% GIT - allowed to avail of the 5% GIT for 10 years.

On April 8, 2021, the Bureau of Internal Revenue (BIR) issued the following implementing revenue regulations that are effective immediately upon publication:

- BIR Revenue Regulations (RR) No. 2-2021, Amending Certain Provisions of Revenue Regulations No. 2-98, As Amended, to Implement the Amendments Introduced by Republic Act No. 11534, or the “Corporate Recovery and Tax Incentives for Enterprises Act” (CREATE), to the National Revenue Code of 1997, as Amended, Relative to the Final Tax on Certain Passive Income
- BIR RR No. 3-2021, Rules and Regulations Implementing Section 3 of Republic Act (RA). No. 11534, Otherwise Known as the “Corporate Recovery and Tax Incentives for Enterprises Act” or “CREATE”, Amending Section 20 of the National Internal Revenue Code of 1997, As Amended
- BIR RR No. 4-2021, Implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax Under Republic Act (RA) No. 11534, Otherwise Known as the “Corporate Recovery and Tax Incentives for Enterprises Act” (CREATE) Which Further Amended the National Revenue Code of 1997, as Amended, as Implemented by Revenue Regulations (RR) No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), As Amended
- BIR RR No. 5-2021, Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to Republic Act (RA) No. 11534 or the “Corporate Recovery and Tax Incentives for Enterprises Act” (CREATE), Which Further Amended the National Revenue Code (NIRC) of 1997

The corporate income tax of the Company will be lowered from 30% to 25% for large corporations on which the Company would qualify effective July 1, 2020.

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

	Net Balance at April 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at March 31
<b>2022</b>				
Accrued personnel expenses	P15,964,904	P3,901,152	P -	P19,866,056
Deferred revenue - net	23,197,151	(16,282,764)	-	6,914,387
Retirement benefit liability	3,104,556	1,859,992	409,923	5,374,471
Leases	3,776,339	1,299,185	-	5,075,524
Provision for expenses	644,967	444,546	-	1,089,513
Allowance for impairment losses on receivables	271,854	643,289	-	915,143
Unrealized foreign exchange loss (gain)	(994,355)	607,219	-	(387,136)
Deferred tax assets - net	P45,965,416	(P7,527,381)	P409,923	P38,847,958

	Net Balance at April 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at March 31
<b>2021</b>				
Deferred revenue - net	P -	P23,197,151	P -	P23,197,151
Accrued personnel expenses	13,569,523	2,395,381	-	15,964,904
Leases	(555,528)	4,331,867	-	3,776,339
Retirement benefit liability	1,447,700	1,722,998	(66,142)	3,104,556
Provision for expenses	8,187,007	(7,542,040)	-	644,967
Allowance for impairment losses on receivables	1,085,404	(813,550)	-	271,854
Unrealized foreign exchange loss (gain)	-	(994,355)	-	(994,355)
Deferred tax assets - net	P23,734,106	P22,297,452	(P66,142)	P45,965,416

Deferred tax assets - net as at March 31, 2022 and 2021 are estimated to be settled as follows:

	2022	2021
To be settled within 12 months	P22,353,610	P32,892,463
To be settled after more than 12 months	16,494,349	13,072,953
	P38,847,959	P45,965,416

### 13. Revenue

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

	2022	2021
<b>Types of Services</b>		
Software development services	P1,016,045,219	P945,578,130
Business process outsourcing (BPO)	1,302,616,469	1,288,194,776
Total revenue from contracts with customers	P2,318,661,688	P2,233,772,906

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

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

<b>Types of Revenue Recognition</b>	<b>2022</b>	<b>2021</b>
Fixed price contract (over time)	<b>P1,434,373,122</b>	P1,738,806,183
Time-and-material (point in time)	<b>884,288,566</b>	494,966,723
<b>Total revenue from contracts with customers</b>	<b>P2,318,661,688</b>	P2,233,772,906

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

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Unearned revenue	9	<b>P103,370,740</b>	P122,647,893
Deferred contract cost	5, 8	<b>56,345,807</b>	71,878,297

#### 14. Cost of Services

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Personnel costs		<b>P1,358,949,124</b>	P1,220,856,890
Consultancy fee	11	<b>339,148,744</b>	337,636,208
Amortization of ROU assets	3, 15	<b>109,871,445</b>	133,208,875
Depreciation and amortization	6, 7	<b>59,778,562</b>	52,967,394
Communication		<b>29,025,025</b>	37,058,007
Inventories		<b>27,829,589</b>	30,115,701
Travel		<b>18,197,951</b>	27,290,433
Repairs and maintenance		<b>14,458,782</b>	23,658,626
Utilities		<b>6,116,356</b>	9,685,444
Recruitment and training		<b>4,921,936</b>	4,541,633
Others		<b>22,422,735</b>	23,780,732
		<b>P1,990,720,249</b>	P1,900,799,943

Details of personnel costs follow:

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Salaries and wages		<b>P874,382,405</b>	P762,043,384
Benefits		<b>263,053,890</b>	249,532,734
13th month		<b>68,621,457</b>	61,426,765
Bonuses		<b>44,457,037</b>	60,439,545
Retirement benefit cost	16	<b>7,223,012</b>	6,416,710
Others		<b>101,211,323</b>	80,997,752
		<b>P1,358,949,124</b>	P1,220,856,890

#### 15. Leases

##### Short term Leases

Short term leases are the Company's leases of stores whose lease term is less than one (1) year, hence, did not pass the requirement of PFRS 16.

### Long term Leases

#### *Company as a Lessee*

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

Details are as follows:

#### *Sunnymede IT Center, Quezon City*

The Company entered into a Facility Lease Service Agreement (FLSA) on September 9, 2011 with a third party for its leased facility. The lease is for a period of three years renewable upon mutual agreement of the parties. On February 11, 2014, the Company signed an amendment to the lease agreement requiring them to pay an additional security deposit of P5,091,106 for the additional seats rented. On October 9, 2014, the Company renewed its FLSA for a period of three years commencing from October 1, 2014 and terminating on September 30, 2017. The lease was further renewed on October 16, 2017 for another three-year period commencing on October 1, 2017 and terminating on September 30, 2020. The monthly rental rate of P7,189 per seat is payable every fifth day of each month. The Company did not renew the lease agreement upon its expiration on September 20, 2020.

#### *Science Hub Tower 3, Taguig City (6<sup>th</sup> Floor)*

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

#### *Science Hub Tower 4, Taguig City (6<sup>th</sup> Floor)*

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

#### *Science Hub Tower 2, Taguig City (6<sup>th</sup> Floor)*

In April 2018, the Company entered into another lease agreement covering certain office equipment and facilities. The lease is for a period of 36 months starting May 1, 2018 and terminating on April 30, 2021 renewable subject to mutual agreement between the parties. The Company did not renew the lease agreement upon its expiration on April 30, 2021.

*Science Hub Tower 3, Taguig City (5<sup>th</sup> Floor)*

On January 8, 2019, the lessor, the Company and State Street HCL Services (Philippines), Inc. (SSPI), an entity under common control, entered into an addendum to the Facility Utilization Service Agreement, wherein the SSPI assigned all its rights and obligations on the lease of the SSPI's office facility located in the 5<sup>th</sup> Floor, Science Hub tower 3, Taguig City to the Company. Security deposit amounting to P9,650,660 was not refunded by SSPI but was transferred to the account of Company. As at March 31, 2021, the Company already paid the security deposit.

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

The total security deposits presented as part of "Prepayments and other current assets" and "Refundable deposits" in the statements of financial position amounted to P49,542,592 and P48,964,218 as at March 31, 2022 and 2021, respectively (see Notes 5 and 8).

ROU Assets

The movements as at March 31, 2022 and 2021 are as follows:

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Balance at April 1		<b>P233,973,507</b>	P362,314,528
Addition		<b>1,176,730</b>	4,867,854
Amortization	14	<b>(109,871,445)</b>	(133,208,875)
Balance at March 31		<b>P125,278,792</b>	P233,973,507

Lease Liabilities

The movements in lease liabilities as at March 31, 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
Balance at the beginning	<b>P254,010,333</b>	P375,160,831
Accretion of interest expense	<b>16,549,486</b>	25,926,329
Addition	<b>1,176,730</b>	-
Repayments (including interest)	<b>(119,645,381)</b>	(147,076,828)
Net carrying value	<b>152,091,168</b>	254,010,332
Current portion	<b>102,350,341</b>	108,985,013
Noncurrent portion	<b>P49,740,827</b>	P145,025,319

	<b>2022</b>	<b>2021</b>
<b>Maturity Analysis - Contractual Undiscounted Cash Flows</b>		
Less than one year	<b>P109,582,439</b>	P126,710,320
One to five years	<b>50,947,440</b>	163,608,683
Total undiscounted lease liabilities at March 31	<b>160,529,879</b>	290,319,003
Imputed Interest	<b>(8,438,711)</b>	(24,907,467)
Total lease liabilities	<b>152,091,168</b>	265,411,536
Less: Prepaid	-	11,401,204
<b>Lease Liabilities Balance as at March 31</b>	<b>P152,091,168</b>	P254,010,332

*Company as a Lessor*

The Company also entered into various agreements for the lease of laptops and computers. The lease term generally ranges from three (3) years to five (5) years which is subject to renewal upon the written agreement with the lessee based on such terms and conditions as may be acceptable.

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

	<b>2022</b>	2021
<b>Maturity Analysis - Contractual Undiscounted Cash Flows</b>		
Not more than one year	<b>P50,807,496</b>	P31,437,526
One to five years	<b>31,853,410</b>	37,055,996
Total undiscounted lease receivables	<b>82,660,906</b>	68,493,522
Unearned interest income	<b>(1,932,146)</b>	(3,297,056)
Finance lease receivables	<b>P80,728,760</b>	P65,196,466

## 16. Retirement Benefits

The Company does not have an established retirement plan and only conforms to the minimum regulatory benefits under the Retirement Pay Law (Republic Act No. 7641) which is of the defined benefit type. As at March 31, 2022 and 2021, the actuarial valuations were prepared by an independent actuary using the projected unit credit method.

The following table summarizes the components of net retirement benefit cost recognized in the statements of comprehensive income and the amounts recognized in the statements of financial position as at March 31, 2022 and 2021. The latest actuarial valuation report was prepared as of March 31, 2022.

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

	<i>Note</i>	<b>2022</b>	2021
Current service cost		<b>P6,510,986</b>	P5,945,292
Interest cost		<b>712,026</b>	471,418
	<i>14</i>	<b>P7,223,012</b>	P6,416,710

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

	<b>2022</b>	2021
Beginning of the year	<b>P14,240,515</b>	P9,298,189
Current service cost	<b>6,510,986</b>	5,945,292
Interest expense	<b>712,026</b>	471,418
Actuarial loss (gain)	<b>2,974,145</b>	(1,474,384)
End of the year	<b>P24,437,672</b>	P14,240,515



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

	<b>2022</b>	2021
Discount rate	<b>5.61%</b>	5.00%
Salary increase rate	<b>5.00%</b>	4.10%
Average expected remaining working life in years	<b>27</b>	27

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

The weighted average duration of the defined benefit obligation is 13.7 years and 14.3 years as at March 31, 2022 and 2021, respectively.

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

	<b>2022</b>	2021
More than 1 year to 5 years	<b>P7,468,566</b>	P5,349,780
More than 5 years to 10 years	<b>27,767,436</b>	11,890,429

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

	<b>Increase (Decrease) on Defined Benefit Obligation</b>		
	<b>Changes in Assumption</b>	<b>Increase in Assumption</b>	<b>Decrease in Assumption</b>
<b>2022</b>			
Discount rate	<b>1.00%</b>	<b>(P3,651,818)</b>	<b>P3,058,468</b>
Salary increase rate	<b>1.00%</b>	<b>3,637,181</b>	<b>(3,101,749)</b>
<b>2021</b>			
Discount rate	1.00%	(2,218,622)	1,848,885
Salary increase rate	1.00%	2,216,323	(1,879,931)

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

## **17. Financial Risk Management and Capital Management**

### Financial Risk Management Objectives and Policies

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

*Foreign Currency Risk.* The Company operates domestically but its revenue and other borrowings are denominated in foreign currency and is exposed to foreign currency risk with respect to US dollar (US\$). 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, 2022 and 2021 are as follows:

	<b>2022</b>		
	<b>Currency</b>	<b>Amount in Foreign Currency</b>	<b>Peso Equivalent</b>
Cash in banks	US\$	9,898,556	P512,299,748
Receivables	US\$	1,712,524	88,631,682
			<b>P600,931,430</b>

	<b>2021</b>		
	<b>Currency</b>	<b>Amount in Foreign Currency</b>	<b>Peso Equivalent</b>
Cash in bank	US\$	5,939,354	P288,236,850
Receivables	US\$	1,749,646	84,910,320
			<b>P373,147,170</b>

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	<b>2022</b>	2021
US\$	<b>P51.76</b>	P48.54

The following table shows 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.

<b>March 31, 2022</b>		
<b>Currency</b>	<b>Change in Rate</b>	<b>Effect on Income before Income Tax Increase (Decrease)</b>
US\$	<b>7.00%</b> <b>(7.00%)</b>	<b>P42,065,200</b> <b>(42,065,200)</b>

<b>March 31, 2021</b>		
Currency	Change in Rate	Effect on Income before Income Tax Increase (Decrease)
US\$	4.00% (4.00%)	P14,925,887 (14,925,887)

*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, 2022 and 2021. 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, 2022 and 2021:

	2022							Total
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired Financial Assets		
		31 - 60 Days	61 - 90 Days	91 - 120 Days	>121 Days			
Cash in banks	P544,142,312	P -	P -	P -	P -	P -	P544,142,312	
Trade receivables	581,122,972	51,262,263	11,662,252	5,746,376	63,312,566	3,660,571	709,445,858	
Finance lease receivables	80,728,760	-	-	-	-	-	80,728,760	
Refundable deposits	49,542,592	-	-	-	-	-	49,542,592	
	<b>P1,255,536,636</b>	<b>P51,262,263</b>	<b>P11,662,252</b>	<b>P5,746,376</b>	<b>P63,312,566</b>	<b>P3,660,571</b>	<b>P1,383,859,522</b>	

	2021							Total
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired Financial Assets		
		31 - 60 Days	61 - 90 Days	91 - 120 Days	>121 Days			
Cash in banks	P327,668,580	P -	P -	P -	P -	P -	P327,668,580	
Trade receivables	462,510,546	82,948,033	90,653,588	8,544,083	27,587,890	1,035,633	671,208,507	
Finance lease receivables	65,196,466	-	-	-	-	-	65,196,466	
Refundable deposits	48,964,218	-	-	-	-	-	48,964,218	
	<b>P904,339,810</b>	<b>P82,948,033</b>	<b>P90,653,588</b>	<b>P8,544,083</b>	<b>P27,587,890</b>	<b>P1,035,633</b>	<b>P1,113,037,771</b>	

### Expected Credit Loss

#### Cash in Banks

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

#### Trade Receivables

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

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at March 31, 2022 and 2021.

2022	Weighted-average Loss Rate	Gross Carrying Amount	Loss Allowance	Credit-Impaired
Current	0.00%	P581,122,972	P -	No
31 to 60 days past due	0.00%	51,262,263	-	No
Over 61 days past due	4.53%	80,721,194	3,660,571	Yes
		<b>P713,106,429</b>	<b>P3,660,571</b>	

2021	Weighted- average Loss Rate	Gross Carrying Amount	Loss Allowance	Credit- Impaired
Current	0.00%	P462,510,546	P -	No
31 to 60 days past due	0.00%	82,948,033	-	No
Over 61 days past due	0.82%	126,785,561	1,035,633	Yes
		P672,244,140	P1,035,633	

#### Refundable Deposits

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

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

	2022		
	High Grade	Standard Grade	Total
<b>Current Assets</b>			
Cash in banks	P544,142,312	P -	P544,142,312
Receivables - trade	-	709,445,858	709,445,858
Finance lease receivables	80,728,760	-	80,728,760
Refundable deposit	-	49,542,592	49,542,592
<b>Total</b>	<b>P624,871,072</b>	<b>P758,988,450</b>	<b>P1,383,859,522</b>

	2021		
	High Grade	Standard Grade	Total
<b>Current Assets</b>			
Cash in banks	P327,668,580	P -	P327,668,580
Receivables - trade	-	671,208,507	671,208,507
Finance lease receivables	65,196,466	-	65,196,466
Refundable deposit	-	48,964,218	48,964,218
<b>Total</b>	<b>P392,865,046</b>	<b>P720,172,725</b>	<b>P1,113,037,771</b>

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

High grade includes cash in banks which are deposited in reputable banks. High grade receivables and finance lease receivables pertain to receivables that always pay on time or even before the maturity date.

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

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

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

	March 31, 2022			
	On Demand	Less than One Year	Over One Year	Total
<b>Financial Liabilities</b>				
Accounts payable and other liabilities:				
Trade	P -	P24,969,236	P1,191,365	P26,160,601
Accrued expenses	-	114,842,633	31,338,170	146,180,803
Due to related parties	-	166,080,753	16,312,947	182,393,700
Lease liabilities	-	102,350,341	49,740,827	152,091,168
	<b>P -</b>	<b>P408,242,963</b>	<b>P98,583,309</b>	<b>P506,826,272</b>

	March 31, 2021			
	On Demand	Less than One Year	Over One Year	Total
<b>Financial Liabilities</b>				
Accounts payable and other liabilities:				
Trade	P -	P21,911,238	P2,784,898	P24,696,136
Accrued expenses	-	124,530,444	4,103,218	128,633,662
Due to related parties	-	167,637,076	-	167,637,076
Lease liabilities	-	108,985,013	145,025,319	254,010,332
	<b>P -</b>	<b>P423,063,771</b>	<b>P151,913,435</b>	<b>P574,977,206</b>

### Capital Management

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

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

The Company has not been subjected to externally imposed capital requirements. No major changes were made in the Company's capital management in 2022 and 2021.

### 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, current portion of finance lease receivables, accounts payable and other liabilities and due to related parties approximate their fair values.

#### *Noncurrent Financial Assets*

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

The noncurrent portion of finance lease receivables and lease liabilities approximate their fair value because the difference between the interest rates of these instruments and the prevailing market rates for similar instruments are not considered significant.

---

## 18. Provisions and Contingencies

### Provisions

Provisions consist of probable claims against the Company under certain contracts with customers for failure to meet certain service level requirements. The timing of the cash outflows of these provisions is uncertain as it depends upon the outcome of company negotiations, which are currently ongoing. No provisions were recognized in 2022 and 2021.

### Contingencies

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

---

## 19. Other Matter

On March 8, 2020, under Proclamation 922, the President of the Philippines (the "President") has declared a state of public health emergency due to the spread of the Corona Virus Disease 2020 (COVID-19) in the country.

The Company's operation is not significantly affected by COVID 19 pandemic as the Company provides information technology services and software development, maintenance and consultancy services both Philippines and abroad. The Company is also generating enough cash flows to support its operations during the pandemic. The extent of the impact will depend on future developments, including the duration and spread of the outbreak and related governments and other regulatory actions. The Management is fully aware on the possible consequences and monitors the situation daily.

---

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

In addition to the disclosure mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the financial statements, which were prepared in accordance with PFRSs. Following are the tax information/disclosures required for the taxable year ended March 31, 2022:

### A. VAT

	<b>Amount</b>
1. Output VAT	<b>P39,327,519</b>
Basis of the Output VAT:	
Vatable receipts	<b>P327,729,322</b>
Exempt receipts	-
Zero rated receipts	<b>1,909,702,810</b>
Total	<b>P2,237,432,132</b>

	<b>Amount</b>
2. Input VAT	
Beginning of the year	<b>P7,971,727</b>
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	-
b. Goods other than for resale or manufacture	<b>6,255,840</b>
c. Services lodged under other accounts	<b>19,841,265</b>
d. Capital goods	<b>2,508,842</b>
e. Importation of goods other than capital goods	-
Input tax deferred on capital goods exceeding P1 million	<b>(7,469,083)</b>
Balance at the end of the year	<b>P29,108,591</b>

**B. Withholding Taxes**

	<b>Amount</b>
Expanded withholding taxes	<b>P1,031,779</b>
Final withholding taxes	<b>29,017</b>
	<b>P1,060,796</b>

**C. All Other Taxes (Local and National)**

	<b>Amount</b>
<i>Other taxes paid during the year recognized as "Taxes and licenses" account under Expenses</i>	
Business tax	<b>P3,806,801</b>

**D. Tax Assessments and Tax Cases**

During the year, Company received BIR's Letter of Authority (LOA) for taxable year 2020. All information as requested in the LOA has been submitted with the revenue officer. BIR is reviewing our submissions and is yet to share their comments.

Information on amounts of custom duties, tariff fees, excise taxes and documentary stamp taxes is not applicable since there are no transactions that the Company would be subjected to these taxes in 2022.

# COVER SHEET

## For AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	0	1	9	1	3	8
---	---	---	---	---	---	---	---	---	---	---

**COMPANY NAME**

H	C	L		T	E	C	H	N	O	L	O	G	I	E	S		P	H	I	L	I	P	P	I	N	E	S	,		
I	N	C	.		(	A		W	h	o	l	i	y		O	w	n	e	d											
S	u	b	s	i	d	i	a	r	y		o	f		H	C	L		E	A	S		L	t	d	.	)				

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

N	e	t		C	u	b	e		C	e	n	t	e	r	,		3	r	d		A	v	e	n	u	e			
c	o	r	n	e	r		3	0	t	h		S	t	r	e	e	t	,		E	-	S	q	u	a	r	e		
Z	o	n	e	,		B	o	n	i	f	a	c	i	o		G	l	o	b	a	l		C	i	t	y			
T	a	g	u	i	g		C	i	t	y																			

Form Type

A	A	F	S
---	---	---	---

Department requiring the report

--

Secondary License Type, If Applicable

--

**COMPANY INFORMATION**

Company's email Address

--

Company's Telephone Number/s

810-0281
----------

Mobile Number

--

No. of Stockholders

6
---

Annual Meeting (Month / Day)

Last Monday of September
-----------------------------

Fiscal Year (Month / Day)

March 31
----------

**CONTACT PERSON INFORMATION**

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

Name of Contact Person

Rajesh Gupta
--------------

Email Address

gupta-rajesh@hcl.com
----------------------

Telephone Number/s

-
---

Mobile Number

+9958535310
-------------

**CONTACT PERSON'S ADDRESS**

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

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

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





R.G. Manabat & Co.  
The KPMG Center, 6/F  
6787 Ayala Avenue, Makati City  
Philippines 1209  
Telephone +63 (2) 8885 7000  
Fax +63 (2) 8894 1985  
Internet www.home.kpmg/ph  
Email ph-inquiry@kpmg.com


**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING  
WITH THE SECURITIES AND EXCHANGE COMMISSION**

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

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of HCL Technologies Philippines, Inc. (the "Company"), as at and for the years ended March 31, 2022 and 2021, on which we have rendered our report dated July 28, 2022.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information included in the Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**R.G. MANABAT & CO.**

  
ALICIA S. COLUMBRES  
Partner  
CPA License No. 069679  
SEC Accreditation No. 69679-SEC, Group A, valid for five (5) years  
covering the audit of 2022 to 2026 financial statements  
Tax Identification No. 120-964-156  
BIR Accreditation No. 08-001987-027-2020  
Issued July 20, 2020; valid until July 19, 2023  
PTR No. MKT 8854058  
Issued January 3, 2022 at Makati City

July 28, 2022  
Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:  
PRC-BOA Registration No. 0003, valid until November 21, 2023  
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)  
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)  
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

**RECONCILIATION OF RETAINED EARNINGS  
AVAILABLE FOR DIVIDEND DECLARATION  
AS OF MARCH 31, 2022 AND 2021**

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

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

<b>Unappropriated Retained Earnings, beginning</b>		<b>P657,990,820</b>
<b>Adjustments:</b>		
Less: Deferred tax asset	P46,031,558	
<b>Unappropriated Retained Earnings, as adjusted, beginning</b>		<b>611,959,262</b>
<b>Net Income during the period closed to Retained Earnings</b>	<b>173,769,499</b>	
Less: Non-actual/unrealized income net of tax	-	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-	
Unrealized actuarial gain	-	
Fair value adjustments (M2M gains)	-	
Fair value adjustments of Investment Property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP - gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Deferred income tax for the year	-	
Sub-total	173,769,499	
Add: Non-actual losses		
Deferred tax expense	7,527,381	
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
<b>Net Income Actual/Realized</b>		<b>181,296,880</b>
<b>Dividends declared and paid during the year</b>		<b>-</b>
<b>Unappropriated Retained Earnings, as adjusted, ending</b>		<b>P793,256,142</b>