State Street HCL Services (Philippines), Inc.

Financial Statements (Under Liquidation)
March 31, 2019 and 2018

and

Independent Auditor's Report

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
State Street HCL Services (Philippines), Inc.

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Emphasis of matter

We draw attention to Note 1 to the financial statements, which indicates that on August 10, 2018, the Board of Directors approved the resolution to close the business operations effective December 31, 2018. As a result, the Company has determined that the going concern basis of preparation is no longer appropriate. Hence, the Company changed its basis of accounting for periods subsequent to August 10, 2018 from the going concern basis to liquidation basis. Accordingly, the carrying values of the remaining assets as of March 31, 2019 are presented at estimated realizable values and liabilities are presented at estimated settlement amounts. Our opinion is not modified in respect of this matter.

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 PFRS for SMEs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting. When such use is inappropriate and management uses an alternative basis of accounting, we conclude on the appropriateness of management's use of the alternative basis of accounting. We also evaluate the adequacy of the disclosures describing the alternative basis of accounting and reasons for its use. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

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

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 19 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of State Street HCL Services (Philippines), Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Erwin A. Paigma

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January 24, 2019, valid until January 23, 2022
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December 17, 2018, valid until December 16, 2021
PTR No. 7332595, January 3, 2019, Makati City

July 10, 2019

STATE STREET HCL SERVICES (PHILIPPINES), INC.
STATEMENTS OF FINANCIAL POSITION
(Under Liquidation)

	March 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱239,760,104**	₱208,894,454
Trade and other receivables (Note 5)	**8,027,615**	73,261,807
Prepayments and other current assets (Note 6)	**28,157,756**	21,736,887
Property and equipment (Note 7)	**1,007,445**	–
Total Current Assets	**276,952,920**	303,893,148
Noncurrent Assets		
Property and equipment (Note 7)	–	4,688,356
Deferred income tax assets - net (Note 11)	–	2,489,886
Total Noncurrent Assets	–	7,178,242
TOTAL ASSETS	**₱276,952,920**	₱311,071,390
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 8)	**₱7,167,216**	₱20,104,436
Income taxes payable	**31,369,540**	31,369,540
Provisions (Note 18)	**31,612,474**	32,751,783
Total Current Liabilities	**70,149,230**	84,225,759
Noncurrent Liability		
Retirement benefits liability (Note 14)	–	546,413
Total Liabilities	**70,149,230**	84,772,172
Equity		
Capital stock (Note 9)	**85,791,578**	85,791,578
Retained earnings	**121,012,112**	140,507,640
Total Equity	**206,803,690**	226,299,218
TOTAL LIABILITIES AND EQUITY	**₱276,952,920**	₱311,071,390

See accompanying Notes to Financial Statements.

STATE STREET HCL SERVICES (PHILIPPINES), INC.
STATEMENTS OF COMPREHENSIVE INCOME
(Under Liquidation)

	Years Ended March 31	
	2019	2018
REVENUE (Note 10)	**₱213,903,423**	₱381,068,863
COST OF SERVICES (Note 12)	**226,579,591**	271,636,473
GROSS INCOME (LOSS)	**(12,676,168)**	109,432,390
EXPENSES		
Legal and professional expenses	**4,188,350**	3,833,885
Office supplies	**1,021,713**	1,148,001
Travel	**588,236**	632,807
Retirement income (Note 14)	**(546,413)**	(2,167)
Outsource services	**130,428**	126,339
Representation	**105,000**	4,243
Provision (Note 18)	**–**	32,751,783
Taxes and license fees	**3,011**	549,835
Others – net	**581,484**	3,213,665
	6,071,809	40,979,808
	(18,747,977)	68,452,582
OTHER INCOME (EXPENSES)		
Foreign exchange gain - net	**1,690,724**	3,540,936
Bank charges	**(194,070)**	(695,339)
Interest income on cash in banks	**245,681**	75,982
	1,742,335	2,921,579
INCOME (LOSS) BEFORE INCOME TAX	**(17,005,642)**	71,374,161
PROVISION FOR INCOME TAXES (Note 11)		
Current	**–**	31,369,540
Deferred	**2,489,886**	(2,489,886)
	2,489,886	28,879,654
NET INCOME (LOSS) / TOTAL COMPREHENSIVE INCOME (LOSS) (Note 16)	**(₱19,495,528)**	₱42,494,507

See accompanying Notes to Financial Statements.

STATE STREET HCL SERVICES (PHILIPPINES), INC.

STATEMENTS OF CHANGES IN EQUITY

(Under Liquidation)

	Capital Stock	Retained Earnings	Total
BALANCES AT MARCH 31, 2017	₱85,791,578	₱98,013,133	₱183,804,711
Total comprehensive income for the year	–	42,494,507	42,494,507
BALANCES AT MARCH 31, 2018	**₱85,791,578**	**₱140,507,640**	**₱226,299,218**
Total comprehensive loss for the year	–	(19,495,528)	(19,495,528)
BALANCES AT MARCH 31, 2019	**₱85,791,578**	**₱121,012,112**	**₱206,803,690**

See accompanying Notes to Financial Statements.

STATE STREET HCL SERVICES (PHILIPPINES), INC.

STATEMENTS OF CASH FLOWS

(Under Liquidation)

	Years Ended March 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before tax	**(₱17,005,642)**	₱71,374,161
Adjustments to reconcile income (loss) before income tax to net cash flows:		
Depreciation (Notes 7 and 12)	**3,680,911**	4,732,684
Unrealized foreign exchange loss (gain) - net	**(4,667,429)**	61,807
Movement in retirement benefit liability (Note 14)	**(546,413)**	(2,167)
Interest income on cash in banks	**(245,681)**	(75,982)
Income (loss) before working capital changes:	**(18,784,254)**	76,090,503
Decrease (increase) in:		
Trade and other receivables	**65,318,979**	33,328,739
Prepayments and other current assets	**(6,420,869)**	(2,867,896)
Increase (decrease) in:		
Accounts payable and other current liabilities	**(12,937,589)**	(21,658,351)
Provisions	**(1,117,398)**	30,672,515
Net cash generated from operations	**26,058,869**	115,565,510
Interest received	**245,681**	75,982
Net cash flows generated from operating activities	**26,304,550**	115,641,492
NET INCREASE IN CASH IN BANKS	**26,304,550**	115,641,492
EFFECT OF EXCHANGE RATE CHANGES ON CASH ON BANKS	**4,561,100**	–
CASH IN BANKS AT BEGINNING OF YEAR	**208,894,454**	93,252,962
CASH IN BANKS AT END OF YEAR	**₱239,760,104**	₱208,894,454

See accompanying Notes to Financial Statements.

STATE STREET HCL SERVICES (PHILIPPINES), INC.
NOTES TO FINANCIAL STATEMENTS
(Under Liquidation)

1. **Corporate Information**

State Street HCL Services (Philippines), Inc. (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on June 20, 2013 to engage primarily in back office operations, business process outsourcing operations, processing and support facilities for rendering data processing and customer support services and information technology help desk services, cloud computing, remote infrastructure management, network or data center management, and to render consultancy services in the field of software and information technology, including but not limited to e-commerce, customized or readymade software solutions.

The Company's registered office address is Science Hub Tower 3, Campus Avenue corner Milano St., McKinley Hill Cyberpark, Fort Bonifacio, Taguig City, Philippines. The Company is 100% owned by State Street HCL Holdings (UK) Limited, a company incorporated in the United Kingdom. The Company's ultimate parent is State Street Corporation.

HCL Technologies Limited, the ultimate holding company, a company incorporated and domiciled in India changed its accounting period from fiscal year ending June 30 to fiscal year ending March 31 pursuant to the requirement of section 2(41) of the Companies Act of 2013 in India. On September 8, 2015, the Board of Directors (BOD) approved the Company's change in accounting period from fiscal year ending June 30 to fiscal year ending March 31 in order to align its accounting period with the accounting period of the ultimate holding company. The Company filed with the Philippine SEC the amended by-laws in connection with the change in accounting period, which was approved by the Philippine SEC on October 19, 2015. The Company, likewise, filed with the Bureau of Internal Revenue (BIR) the request for change in accounting period, which was approved on June 21, 2017.

Status of Operations

On August 26, 2013, the Company entered into a Master Service Agreement (MSA) with State Street Bank and Trust Company (State Street), an entity under common control, and HCL Investments (UK) Limited. This is the only business activity of the Company. The initial term of MSA expired last February 10, 2017 but was further extended until December 31, 2018. The MSA continued with full force and effect until December 31, 2018 but was not renewed. There being no other business to transact, the BOD approved the resolution to close the Company's business operations on August 10, 2018 effective December 31, 2018. As a result, the Company has determined that the going concern basis of preparation is no longer appropriate. Hence, the Company changed its basis of accounting for periods subsequent to August 10, 2018 from the going concern basis to liquidation basis. Accordingly, the carrying values of the remaining assets as of March 31, 2019 are presented at estimated realizable values and liabilities are presented at estimated settlement amounts.

The financial statements of the Company were authorized for issue by the BOD on July 10, 2019.

2. **Summary of Significant Accounting and Financial Reporting Policies**

Basis of Preparation
The financial statements were prepared under the liquidation basis of accounting and are presented in Philippines Peso, which is the Company's functional and presentation currency. The carrying values of the remaining assets are presented at estimated realizable values and liabilities are presented at estimated settlement amounts as at March 31, 2019. The estimated amounts may be different from the proceeds that will ultimately be received or payments that will ultimately be made. All amounts are rounded off to the nearest Peso, except when otherwise indicated.

Statement of Compliance
The financial statements of the Company have been prepared in accordance with the Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).

Cash and cash equivalents
Cash includes cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the dates of acquisitions and that are subject to an insignificant risk of change in value.

Financial Assets and Financial Liabilities
Financial assets within the scope of PFRS for SMEs are classified either as financial assets at fair value through profit or loss (FVPL), financial assets that are debt instruments measured at amortized cost, or financial assets that are equity instruments measured at cost less impairment. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities measured at amortized cost. The Company determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, reevaluates this designation at each financial reporting date.

Financial assets and financial liabilities are recognized initially at the transaction price, unless the arrangement constitutes a financing transaction. If the arrangement constitutes a financing transaction, the financial asset or liability is measured at the present value of the future payments discounted using the prevailing market rates of interest for similar instruments with similar maturities. Transaction costs, if any, are included in the initial measurement of all financial assets and financial liabilities, except for those classified as financial assets and financial liabilities at FVPL.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains or losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

The Company recognizes a financial asset or a financial liability only when it becomes a party to the contractual provisions of the instrument.

At the end of each reporting period, the Company determines whether there is objective evidence of impairment of any financial assets that are measured at cost or amortized cost. If there is objective evidence of impairment, the Company recognizes an impairment loss in the statement of comprehensive income immediately. Objective evidence that a financial asset or group of assets is impaired includes observable data that come to the attention of the Company about the following loss events, among others: significant financial difficulty of the debtor, breach of contract, such as a default or delinquency in interest or principal payments, and bankruptcy of the debtor.

The Company derecognizes a financial asset only when:

(a) The contractual rights to the cash flows from the financial asset expire or are settled, or
(b) The Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or
(c) The Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Company shall derecognize the asset and recognize separately any rights and obligations retained or created in the transfer.

The Company derecognizes a financial liability (or a part of a financial liability) only when it is extinguished (i.e., when the obligation specified in the contract is discharged, is cancelled or expires).

As at March 31, 2019 and 2018, the Company's financial assets and financial liabilities consist of financial instruments measured at amortized cost. The Company's financial assets include cash in banks and cash equivalents, trade and other receivables and deposits, while financial liabilities include accounts payable and other current liabilities and due to related parties.

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

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

The initial cost of property and equipment comprises its purchase price, including import duties, taxes, and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

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

Asset	Number of Years
Office equipment	5
Computers	4 to 5
Leasehold improvement - office equipment	Over the period of the lease or 5 years, whichever is shorter
Leasehold improvement – computers	Over the period of the lease or 7 years, whichever is shorter

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

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

The assets residual values and amortization of useful life are reviewed and adjusted, if appropriate, at each reporting period. An assets' carrying amount is written immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount. As the financial statements have been prepared on liquidation basis, assets are measured at fair value less cost to dispose as at March 31, 2019.

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

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

Capital Stock
Capital stock represents the total par value of the shares that have been paid up.

Retained Earnings
Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration.

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

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

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

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

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

Deferred income tax
Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences that are expected to reduce taxable profit in the future.

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

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

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

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

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.

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

The Company recognizes its retirement benefits using the projected unit credit method. The method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries, discount rate and expected rate of return on plan assets. Retirement benefits cost includes current service cost plus past service cost, interest cost, experience adjustments and changes in actuarial assumptions and expected return on plan assets. Actuarial gains and losses and past service costs are recognized in full in profit or loss. Gains or losses on the curtailment or settlement of retirement benefits are recognized when the curtailment or settlement occurs.

The present value of the obligation (PVO) is the actuarial present value of expected future payments required to settle the obligation resulting from employee service in current and prior periods. The calculation of the PVO assumes that the plan continues to be in effect and that estimated future events (including compensation increases, turnover and mortality) occur.

Events After 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.

3. Significant Accounting Judgments and Estimates

The preparation of the Company's financial statements in conformity with PFRS for SMEs requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements. The judgments, estimates and assumptions used in the financial statements are based upon management's evaluation of the relevant facts and circumstances that are believed to be reasonable as of the date of the financial statements. Actual results could differ from these estimates. The effect of any change in estimates is reflected in the financial statements as it becomes reasonably determinable.

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

Classification of leases - Company as lessee. The Company has operating lease agreements for the space and equipment used in the business process outsourcing operations and for office spaces. The Company has determined that the risks and rewards of ownership of the underlying properties have been retained by the lessors. Accordingly, the leases are accounted for as operating leases (see Note 13).

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

Estimating Impairment of Nonfinancial Assets (i.e., Prepayments and other current assets and Property and equipment). The Company assesses impairment of nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount, which is the higher of fair value less cost of disposal and value-in-use. The fair value less cost of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model which requires use of estimates of a suitable discount rate and expected future cash inflows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the assets belong. The Company did not provide for any impairment allowances on the nonfinancial assets as management expects that these will be fully recovered.

Estimation of retirement benefits obligation and costs. The determination of the cost of retirement benefits was calculated based on minimum benefit provided for under Republic Act (R.A.) No. 7641 discounted at the average remaining working lives of the covered employees. The retirement benefits liability amounted to nil and ₱546,413 as of March 31, 2019 and 2018, respectively (see Note 14).

Provisions. The Company provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle the said obligations. Management exercises judgment in assessing the probability of the Company becoming liable. An estimate of the provision is based on known information at the end of reporting date. Provisions recognized amounted to ₱31,612,474 and ₱32,751,783 as of March 31, 2019 and 2018, respectively (see Note 18).

4. Cash and Cash Equivalents

	2019	2018
Cash in banks	**₱24,983,004**	₱208,894,454
Cash equivalents	**214,777,100**	–
	₱239,760,104	₱208,894,454

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

Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Company, and earn interest at the prevailing investment rates.

Interest income earned from cash and cash equivalents amounted to ₱245,681 and ₱75,982 in 2019 and 2018, respectively.

5. Trade and Other Receivables

Trade and other receivables consist of the following:

	2019	2018
Trade receivables - related parties (Note 10)	**₱7,245,732**	₱72,013,517
Other receivables	**781,883**	1,248,290
	₱8,027,615	₱73,261,807

Other receivables consist of advances to employees and travel advances which are usually settled or liquidated within one year. For terms and conditions relating to receivables from related parties, please refer to Note 10.

6. Prepayments and Other Current Assets

Details of prepayments and other current assets are as follows:

	2019	2018
Input VAT - net	**₱11,469,619**	₱3,217,101
Refundable deposit (Note 13)	**9,650,660**	9,650,660
Prepaid tax	**3,849,728**	–
Prepaid expense	**3,167,273**	4,016,475
Prepaid insurance	–	3,500,607
Other current assets	**20,476**	1,352,044
	₱28,157,756	₱21,736,887

7. Property and Equipment

	2019			
	Computers	**Office Equipment**	**Leasehold Improvement**	**Total**
Cost	**₱24,334,059**	**₱176,664**	**₱1,657,706**	**₱26,168,429**
Accumulated Depreciation				
At April 1	**20,732,190**	**141,247**	**606,636**	**21,480,073**
Depreciation (Note 12)	**3,426,363**	**17,733**	**236,815**	**3,680,911**
At March 31	**24,158,553**	**158,980**	**843,451**	**25,160,984**
Net Book Value	**₱175,506**	**₱17,684**	**₱814,255**	**₱1,007,445**

	2018			
	Computers	Office Equipment	Leasehold Improvement	Total
Cost	₱24,334,059	₱176,664	₱1,657,706	₱26,168,429
Accumulated Depreciation				
At April 1	16,254,054	123,514	369,821	16,747,389
Depreciation (Note 12)	4,478,136	17,733	236,815	4,732,684
At March 31	20,732,190	141,247	606,636	21,480,073
Net Book Value	₱3,601,869	₱35,417	₱1,051,070	₱4,688,356

Due to the liquidation of the Company, the BOD approved the transfer of all assets to HCL Technologies Philippines, Inc., a related party, effective December 31, 2019.

8. Accounts Payable and Other Current Liabilities

	2019	2018
Accounts payable	**₱1,225,540**	₱327,267
Due to related parties (Note 10)	**566,111**	11,575,339
Accrued expenses:		
Professional fees	**2,470,737**	8,362
Employee benefits	**1,884,828**	7,312,668
Utilities	**1,020,000**	881,700
	₱7,167,216	₱20,104,436

9. Capital Stock

As of March 31, 2019 and 2018, the Company's capital stock consists of the following:

	Number of shares	Amount
Authorized at ₱100 par value	1,290,000	₱129,000,000
Subscribed	860,000	86,000,000
Subscription receivable	–	208,422
Paid up capital		₱85,791,578

10. Related Party Transactions

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

The Company has the following significant transactions and outstanding account balances with its related parties:

	Amount / Volume of Transaction		Outstanding Balance Receivable (Payable)		Terms & Conditions
Related Party	**2019**	2018	**2019**	2018	
Common Stockholder Groups					
HCL Technologies Limited					
Consultancy	**₱14,737,011**	₱21,159,708	**(₱195,639)**	(₱5,407,194)	Noninterest-bearing unsecured
HCL Technologies Philippines, Inc.					
Revenue	**–**	–	**–**	1,279,755	Noninterest-bearing unsecured
Consultancy	**9,083,862**	15,600,129	**(168,122)**	(5,485,105)	
Transfer to receivable	**6,20,903**	–	**6,230,903**	–	
HCL Technologies Denmark					
Revenue	–	–	**17**	–	Noninterest-bearing unsecured

(Forward)

Related Party	Amount / Volume of Transaction 2019	2018	Outstanding Balance Receivable (Payable) 2019	2018	Terms & Conditions
State Street HCL Services (India) Private Ltd.					
Revenue	**₱522,343**	₱–	**₱186,661**	₱–	Noninterest-bearing
Consultancy	–	–	**(22,135)**	(683,040)	unsecured
HCL America Inc.					
Revenue	–	647,918	–	–	Noninterest-bearing unsecured
HCL Tech Ltd.					
Revenue	–	–	**120,143**	–	Noninterest
Consultancy	–	–	**(180,215)**	–	Bearing unsecured
Other expenses	**60,072**	–	–	–	
Entity under Common Control					
State Street Bank and Trust Company					Noninterest-bearing
Revenue	**213,381,080**	380,420,946	**708,008**	70,733,762	unsecured
Trade receivable - related parties			**₱7,245,732**	₱72,013,517	
Due to related parties			**566,111**	11,575,339	

Master Services Agreement

The Company entered into a Master Service Agreement with State Street Bank and Trust Company (State Street), an entity under common control and HCL Investments UK Limited whereby the Company will provide (a) Business Line Services (BLS) and Center of Excellence (COE) Services, and (b) controls, functions, processes and tasks which are generally considered in the financial services industry to be part of the services referred to in (a), and which are reasonably necessary for, or incidental to, the proper performance of those services, including any inherent sub-tasks, to State Street and its affiliates. Under the agreement, the Company and State Street agreed on the detailed service level agreement (SLA) and have established quantitative and qualitative performance standards in respect of the services (Service Level).

If the Company fails to meet any SLA, the Company is required to promptly perform a root-cause analysis to identify the cause of the failure and provide State Street with a report describing the cause of, and the remedial efforts necessary to correct the failure. State Street and the Company have agreed on a service credit mechanism under each Business Line or COE Addendum (or related SLA) which will apply in the event the Company fails to meet designated Service Levels. The fee revenue at risk each month with respect to each COE and Business Line Addendum in the event of the Company's failure to meet applicable Service Levels shall range between a minimum of 5% and a maximum of 15% of the fees paid or payable by State Street and its affiliates. The initial term of MSA expired last February 10, 2017 but was further extended until December 31, 2018. The agreement continued with full force and effect until December 31, 2018 but was nit ervices agreement was terminated effective December 31, 2018.

11. Income Tax

a. In 2019, the Company derecognized deferred taxes amounting to ₱2,489,886. Management believes that there will be no future taxable income where these can be utilized since the BOD approved the resolution to close the Company's business operations effective December 31, 2018.

As of March 31, 2018, the components of the Company's recognized deferred tax assets are as follows:

	2019	2018
Unpaid personnel expenses	**₱–**	₱2,193,800
Retirement expense	–	163,954
Unrealized foreign exchange loss- net	–	132,132
Net deferred income assets	**₱–**	₱2,489,886

Details of the unrecognized deferred tax assets of the Company are as follows:

	Amount
NOLCO	₱5,997,481
Unrealized foreign exchange loss - net	1,532,361
Unpaid personnel expenses	134,672

The deferred tax assets were not recognized for the foregoing future deductible temporary differences since management believes that there is no sufficient future taxable income against which the remaining deferred tax assets can be utilized.

b. The reconciliation of provision for (benefit from) income tax computed at statutory income tax rates to provision for income tax as shown in the statements of comprehensive income follows:

	2019	2018
Income tax provision (benefit from income tax) at statutory income tax rate	**(₱5,101,693)**	₱21,412,248
Change in unrecognized deferred tax asset	**7,664,874**	–
Interest income subjected to final tax	**(73,295)**	(22,795)
Nondeductible expenses	–	9,389,980
Expenses claimed as deduction for which no deferred tax asset was set-up in prior year	–	(1,899,779)
Total income tax benefit	**₱2,489,886**	₱28,879,654

12. Cost of Services

	2019	2018
Personnel costs	**₱132,006,137**	₱161,126,264
Rental (Note 13)	**37,957,066**	37,886,766
Consulting charges (Note 10)	**23,820,873**	36,759,837
Travel	**14,833,983**	12,794,612
Recruitment and training	**6,327,107**	8,026,583
Communication	**2,251,545**	4,772,610
Depreciation (Note 7)	**3,680,911**	4,732,684
Repairs and maintenance	**253,053**	292,364
Other direct costs	**5,448,916**	5,244,753
	₱226,579,591	₱271,636,473

Details of personnel costs follow:

	2019	2018
Salaries and wages	**₱42,967,419**	₱85,387,762
Benefits	**34,063,111**	58,497,610
Retirement benefits cost (Note 14)	**(546,413)**	(2,167)
Others	**55,522,020**	17,243,059
	₱132,006,137	₱161,126,264

13. Leases

The Company entered into a facility utilization and services agreement in September 2013 with a third party for its business process outsourcing operations. The lease is for a period of six (6) years renewable on mutually agreed terms. Upon signing of the agreement, the Company paid ₱9,650,660 as a refundable deposit equivalent to three (3) months of rental. The monthly rental rate of $170 and $223 per used seats in 2019 and 2018, respectively, and $170 and $138 per unused seat in 2019 and 2018, respectively, is payable every month in advance. Related rental expense incurred under the lease agreement amounted to ₱37,957,066 and ₱37,886,766 in 2019 and 2018, respectively.

Future minimum rental commitments are as follows:

	2019	2018
Within one year	**₱15,836,367**	₱16,084,433
Later than 1 year but not later than 5 years	**–**	–
	₱15,836,367	₱16,084,433

14. Retirement Benefits

The Company provides for estimated retirement benefits to be paid under R.A. No. 7641 to all its regular employees. There is no actuarial valuation in 2019 as there are no employees as on March 31, 2019.

The movements in the PVO are as follows:

	2019	2018
PVO at the beginning of year	**₱546,413**	₱548,580
Current service cost	**(546,413)**	240,147
Interest cost	**–**	28,333
Actuarial gain	**–**	(270,647)
PVO at the end of year	**₱–**	₱546,413

The principal actuarial assumptions are as follows:

	2019	2018
Discount rate	**–**	7.91%
Salary increase rate	**–**	4.50%

15. Financial Assets and Financial Liabilities

The Company's financial assets and financial liabilities measured at amortized costs are as follows:

	2019	2018
Financial Assets		
Cash and cash equivalents	**₱239,760,104**	₱208,894,454
Trade and other receivables	**8,027,615**	73,261,807
Refundable deposits	**9,650,660**	9,650,660
	₱257,438,379	₱291,806,921

	2019	2018
Financial Liabilities		
Accounts payable	**₱1,225,540**	₱327,267
Accrued employee benefits	**1,884,828**	7,312,668
Due to related parties	**566,111**	11,575,339
Accrued expenses	**3,490,737**	11,575,339
	₱7,167,216	₱20,104,436

16. Net Income (Loss) / Total Comprehensive Income (Loss)

The Company's net income (loss) and total comprehensive income (loss) for the years ended March 31, 2019 and 2018 are the same since the Company does not have other comprehensive income (loss).

17. Registration with Philippine Economic Zone Authority (PEZA)

The Company was registered with PEZA on August 28, 2013 and is entitled to the incentives under the amended Republic Act No. 7916 and Book VI of Executive Order No. 226. As a registered enterprise, the Company is entitled to certain tax and non-tax incentives. The incentives of the Company include, among others, a four-year income tax holiday (ITH) for the original project effective on the committed date of start of commercial operations or actual date of start of commercial operations, whichever is earlier; VAT zero-rating of local purchases subject to compliance with BIR and PEZA requirements; and exemption from payment of any and all local government imposts, fees, licenses and taxes except real estate tax. In 2018 and 2019, pending approval of the ITH validation by PEZA, the Company did not avail of the tax incentives. The tax benefit availed in 2019 and 2018 under ITH incentive amounted to nil (see note 11).

18. Provisions

Provisions amounting to ₱31,612,474 and ₱32,751,783 as of March 31, 2019 and 2018, respectively, pertain to probable claims against the Company. The timing of the cash flows of these provisions is uncertain and it depends upon the outcome of the Company's negotiations and legal procedures which are currently ongoing with the parties involved.

19. **Supplementary Information Required Under Revenue Regulations 15-2010**

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

a. The Company being a PEZA registered entity has no Output VAT in 2019.

b. Movements in input VAT follows:

Balance at April 1	₱3,217,101
Current year payments for domestic purchases of service	8,252,518
Balance, March 31	11,469,619

c. License fees pertaining to business permits amounted to ₱3,011.

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

	Paid	Accrued	Total
Final withholding taxes	₱203,046	₱1,827	₱204,874