State Street HCL Services (Philippines), Inc.

Financial Statements
March 31, 2018 and 2017

and

Independent Auditor's Report

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

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

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November 10, 2015, valid until November 9, 2018

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 of State Street HCL Services (Philippines), Inc. (the Company), which comprise the statements of financial position as at March 31, 2018 and 2017, 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, 2018 and 2017, 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.

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

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

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

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

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

Catherine E. Lopez

Catherine E. Lopez
Partner
CPA Certificate No. 86447
SEC Accreditation No. 0468-AR-3 (Group A),
May 1, 2016, valid until May l, 2019
Tax Identification No. 102-085-895
BIR Accreditation No. 08-001998-65-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 6621274, January 9, 2018, Makati City

August 10, 2018

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

	March 31	
	2018	2017
ASSETS		
Current Assets		
Cash in banks	**₱208,894,454**	₱93,252,962
Trade and other receivables (Note 4)	**73,261,807**	106,437,439
Prepayments and other current assets (Note 5)	**21,736,887**	9,218,331
Total Current Assets	**303,893,148**	208,908,732
Noncurrent Assets		
Property and equipment (Note 6)	**4,688,356**	9,421,040
Software costs (Note 7)	–	–
Deferred income tax assets - net (Note 11)	**2,489,886**	–
Rental deposits (Note 13)	–	9,650,660
Total Noncurrent Assets	**7,178,242**	19,071,700
TOTAL ASSETS	**₱311,071,390**	₱227,980,432
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 8)	**₱20,104,436**	₱41,758,771
Income taxes payable	**31,369,540**	–
Provisions (Note 18)	**32,751,783**	1,868,370
	84,225,759	43,627,141
Noncurrent Liability		
Retirement benefits liability (Note 14)	**546,413**	548,580
Total Liabilities	**84,772,172**	44,175,721
Equity		
Capital stock (Note 9)	**85,791,578**	85,791,578
Retained earnings	**140,507,640**	98,013,133
Total Equity	**226,299,218**	183,804,711
TOTAL LIABILITIES AND EQUITY	**₱311,071,390**	₱227,980,432

See accompanying Notes to Financial Statements.

STATE STREET HCL SERVICES (PHILIPPINES), INC.

STATEMENTS OF COMPREHENSIVE INCOME

FOR YEAR ENDED MARCH 31, 2018 AND 2017

	2018	2017
REVENUE (Note 10)	**₱381,068,863**	₱318,084,230
COST OF SERVICES (Note 12)	**271,636,473**	249,413,769
GROSS INCOME	**109,432,390**	68,670,461
EXPENSES		
Legal and professional expenses	**3,833,885**	4,277,310
Travel	**632,807**	488,545
Retirement expense (income) (Note 14)	**(2,167)**	297,758
Taxes and license fees	**549,835**	1,374
Provision (Note 18)	**32,751,783**	–
Others – net	**3,213,665**	3,401,000
	40,979,808	8,465,987
	68,452,582	60,204,474
OTHER INCOME (EXPENSES)		
Foreign exchange gain – net	**3,540,936**	9,414,502
Bank charges	**(695,339)**	(175,243)
Interest income	**75,982**	3,948
	2,921,579	9,243,207
INCOME BEFORE INCOME TAX	**71,374,161**	69,447,681
PROVISION FOR INCOME TAXES (Note 11)		
Current	**31,369,540**	–
Deferred	**(2,489,886)**	–
	28,879,654	–
NET INCOME / TOTAL COMPREHENSIVE INCOME (Note 16)	**₱42,494,507**	₱69,447,681

See accompanying Notes to Financial Statements.

STATE STREET HCL SERVICES (PHILIPPINES), INC.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2018 AND 2017

	Capital Stock	Retained Earnings	Total
BALANCES AT MARCH 31, 2016	**₱85,791,578**	**₱28,565,452**	**₱114,357,030**
Total comprehensive income for the year	–	69,447,681	69,447,681
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**

See accompanying Notes to Financial Statements.

STATE STREET HCL SERVICES (PHILIPPINES), INC.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before tax	**₱71,374,161**	₱69,447,681
Adjustments for:		
Depreciation and amortization expense (Notes 6, 7 and 12)	**4,732,684**	5,046,021
Unrealized foreign exchange loss - net	**61,807**	260,407
Retirement benefit costs (Note 14)	**(2,167)**	297,758
Interest income	**(75,982)**	(3,948)
Income before working capital changes	**76,090,503**	75,047,919
Decrease (increase) in:		
Trade and other receivables	**33,328,739**	(48,924,712)
Prepayments and other current assets	**(2,867,896)**	6,138,637
Increase (decrease) in:		
Accounts payable and other current liabilities	**(21,658,351)**	10,346,330
Provisions	**30,672,515**	(624,308)
Net cash generated from operations	**115,565,510**	41,983,866
Interest received	**75,982**	3,948
Net cash flows generated from operating activities	**115,641,492**	41,987,814
NET INCREASE IN CASH IN BANKS	**115,641,492**	41,987,814
CASH IN BANKS AT BEGINNING OF YEAR	**93,252,962**	51,265,148
CASH IN BANKS AT END OF YEAR	**₱208,894,454**	₱93,252,962

See accompanying Notes to Financial Statements.

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.

The financial statements of the Company were authorized for issue by the BOD on August 10, 2018.

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

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

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).

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the 2015 Amendments to the PFRS for SMEs, effective beginning April 1, 2017. Most of the amendments clarify existing requirements and add supporting guidance to the existing standard rather than change the underlying requirements. Among the most significant amendments to the standard are:

- Permitting SMEs to use the revaluation model to measure items of property, plant and equipment. The Company opted not to adopt the revaluation model.

- Aligning the recognition and measurement requirements for deferred income tax with full PFRSs. The Company has no valuation allowance on its deferred tax assets that may be impacted by this amendment.
- Allowing SMEs to use the equity method to account for investments in subsidiaries, associates and jointly controlled entities in the separate financial statements. This amendment is not applicable to the Company since it has no investment in subsidiary, associate or joint venture.

Future Changes in Accounting Policies
In March 2018, the SEC resolved to adopt PFRS for Small Entities (the Framework) as part of its rules and regulations on financial reporting. This Framework was developed in response to feedback of small entities that PFRS for SMEs is too complex to apply. By reducing choices for accounting treatment, eliminating topics that are generally not relevant to small entities, simplifying methods for recognition and measurement, and reducing disclosure requirements, the Framework allows small entities to comply with the financial reporting requirements without undue cost or burden. Some of the key simplifications introduced by the Framework are as follows:

- For defined benefit plans, an entity is required to use the accrual approach in calculating benefit obligations in accordance with Republic Act (RA) 7641, The Philippine Retirement Pay Law, or company policy (if superior than RA 7641). Accrual approach is applied by calculating the expected liability as of reporting date using the current salary of the entitled employees and the employees' years of service, without consideration of future changes in salary rates and service periods.
- Investment properties can be carried either at cost or at fair value, depending on the policy choice made by the entity.
- There is no concept of "finance lease" under the Framework. All lease receipts (payments) are recognized as income (expense) as earned (incurred).
- Inventories are to be subsequently valued at the lower of cost and market value (i.e., the probable selling price to willing buyers as of reporting date).
- Entities are given a policy choice of not recognizing deferred taxes in the financial statements.

The Company plans to adopt the Framework when it becomes mandatory starting April 1, 2019. The Company has yet to assess the impact of adopting the Framework on its financial statements.

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 profit or loss 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 of March 31, 2018 and 2017, the Company's financial assets and financial liabilities consist of financial instruments measured at amortized cost. The Company's financial assets include cash in banks, trade and other receivables and deposits, while financial liabilities include accounts payable and accrued expenses 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:

	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

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

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

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

Software Costs

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

Impairment of Property and Equipment and Software Costs

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

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

Capital Stock

Capital stock 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 profit or loss upon utilization of the materials or completion of the services provided or at the date they are incurred.

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

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 balance sheet 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 balance sheet 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 end of reporting period (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:

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 ₱546,413 and ₱548,580 as of March 31, 2018 and 2017, 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 ₱32,751,783 and ₱1,868,370 as of March 31, 2018 and 2017, respectively (see Note 18).

4. Trade and Other Receivables

Trade and other receivables consist of the following:

	2018	2017
Trade receivables - Related parties (Note 10)	**₱72,013,517**	₱105,374,519
Other receivables	**1,248,290**	1,062,920
	₱73,261,807	₱106,437,439

Other receivables consist of advances to employees and travel advances.

5. Prepayments and Other Current Assets

Details of prepayments and other current assets are as follows:

	2018	2017
Prepaid insurance	**₱3,500,607**	₱3,486,354
Prepaid expense	**4,016,475**	3,777,239
Input VAT – net	**3,217,101**	1,901,584
Rental deposit (Note 13)	**9,650,660**	–
Other current assets	**1,352,044**	53,154
	₱21,736,887	₱9,218,331

6. Property and Equipment

	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**

	2017			
	Computers	Office Equipment	Leasehold Improvement	Total
Cost	₱24,334,059	₱176,664	₱1,657,706	₱26,168,429
Accumulated Depreciation				
At April 1	11,737,226	105,781	133,006	11,976,013
Depreciation (Note 12)	4,516,828	17,733	236,815	4,771,376
At March 31	16,254,054	123,514	369,821	16,747,389
Net Book Value	₱8,080,005	₱53,150	₱1,287,885	₱9,421,040

7. Software Costs

	2018	2017
Cost	**₱1,307,550**	₱1,307,550
Accumulated Amortization		
Opening balance	**1,307,550**	1,032,905
Amortization (Note 12)	**–**	274,645
Closing balance	**1,307,550**	1,307,550
Net Book Value	**₱–**	₱–

8. Accounts Payable and Other Current Liabilities

	2018	2017
Accounts payable	**₱327,267**	₱4,600,293
Accrued employee benefits	**7,312,668**	6,072,192
Due to related parties (Note 10)	**11,575,339**	26,524,588
Accrued expenses and other current liabilities	**889,162**	4,561,699
	₱20,104,436	₱41,758,771

9. Capital Stock

As of March 31, 2018 and 2017, 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	**2018**	2017	**2018**	2017	
Common Stockholder Groups					
HCL Technologies Limited					
Consultancy	**₱21,159,708**	₱24,986,059	**(₱5,407,194)**	(₱11,052,062)	Noninterest-bearing unsecured
HCL Technologies Philippines, Inc.					
Revenue	–	564,300	**1,279,755**	878,330	Noninterest-bearing
Consultancy	**15,600,129**	17,684,541	**(5,485,105)**	(14,652,547)	unsecured
HCL Technologies Denmark					Noninterest-bearing
Revenue	–	3,932	–	(2,394)	unsecured
State Street HCL Services (India) Private Ltd					Noninterest-bearing unsecured
Employee related	–	817,585	**(683,040)**	(817,585)	
HCL America Inc.					Noninterest-bearing
Revenue	**647,918**	–	–	–	unsecured

Related Party	Amount / Volume of Transaction 2018	2017	Outstanding Balance Receivable (Payable) 2018	2017	Terms & Conditions
Entity under Common Control					
State Street Bank and Trust Company					
Revenue	**₱380,420,946**	₱317,515,998	**₱70,733,762**	₱104,496,189	Noninterest-bearing unsecured

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, 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 Service Level Agreement, 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. As of March 31, 2017, the Company has recognized provision for failure to meet service level requirements amounting to ₱1,868,370 (nil in 2018).

11. Income Tax

a. The Company's current income tax in 2018 pertains to RCIT.

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

	2018	2017
Income tax provision at statutory income tax rate	**₱21,412,248**	₱20,834,304
Additions to (reductions in) income tax resulting from income tax effects of:		
Income and expenses under income tax holiday	–	(20,834,304)
Expenses claimed as deduction for which no deferred tax asset was set-up in prior year	**(1,899,779)**	
Nondeductible expenses	**9,389,980**	–
Interest income subjected to final tax	**(22,795)**	–
Total income tax benefit	**₱28,879,654**	₱–

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

	2018	2017
Unpaid personnel expenses	**₱2,193,800**	₱–
Retirement expense	**163,954**	–
Unrealized foreign exchange loss- net	**132,132**	–
Net deferred income assets	**₱2,489,886**	₱–

12. **Cost of Services**

	2018	2017
Personnel costs	**₱161,126,264**	₱140,717,255
Rental (Note 13)	**37,886,766**	37,886,766
Consulting charges (Note 10)	**36,759,837**	42,670,600
Travel	**12,794,612**	6,801,341
Recruitment and training	**8,026,583**	9,243,632
Communication	**4,772,610**	1,044,106
Depreciation and amortization (Notes 6 and 7)	**4,732,684**	5,046,021
Repairs and maintenance	**292,364**	172,460
Other direct costs	**5,244,753**	5,831,588
	₱271,636,473	₱249,413,769

Details of personnel costs follow:

	2018	2017
Salaries and wages	**₱85,387,762**	₱77,640,968
Benefits	**58,497,610**	55,375,367
Retirement benefits cost (Note 14)	**(2,167)**	297,758
Others	**17,243,059**	7,403,162
	₱161,126,264	₱140,717,255

13. **Leases**

The Company entered into a facility utilization and services agreement in August 2013 with a third party for its business process outsourcing operations. The lease is for a period of five (5) 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 $223 per used seats and $138 per unused seat is payable every month in advance. Related rental expense incurred under the lease agreement amounted to ₱37,886,766 in 2018 and 2017, respectively.

Future minimum rental commitments are as follows:

	2018	2017
Within one year	**₱16,084,433**	₱38,602,638
Later than 1 year but not later than 5 years	–	16,084,433
	₱16,084,433	₱54,687,071

14. **Retirement Benefits**

The Company provides for estimated retirement benefits to be paid under R.A. No. 7641 to all its regular employees. The latest actuarial valuation report is as of March 31, 2018.

The movements in the PVO are as follows:

	2018	2017
PVO at the beginning of year	**₱548,580**	₱250,822
Current service cost	**240,147**	146,171
Interest cost	**28,333**	14,422
Actuarial loss (gain)	**(270,647)**	137,165
PVO at the end of year	**₱546,413**	₱548,580

The principal actuarial assumptions are as follows:

	2018	2017
Discount rate	**7.91%**	5.16%
Salary increase rate	**4.50%**	4.00%

15. **Financial Assets and Financial Liabilities**

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

	2018	2017
Financial Assets		
Cash in banks	**₱208,894,454**	₱93,252,962
Trade and other receivables	**73,261,807**	106,437,439
Refundable deposits	**9,650,660**	9,650,660
	₱291,806,921	₱209,341,061

	2018	2017
Financial Liabilities		
Accounts payable and accrued expenses	**₱8,529,097**	₱15,234,184
Due to related parties	**11,575,339**	26,524,588
	₱20,104,436	₱41,758,772

16. **Net Income /Total Comprehensive Income**

The Company's net income and total comprehensive income is the same since the Company does not have other comprehensive income or 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. The tax benefit availed in 2017 under ITH incentive amounted to ₱20,834,304. In 2018, pending approval of the ITH validation by PEZA, the Company did not avail of the tax incentives (see Note 11). The Company may avail the tax incentives upon approval of the ITH validation in 2019.

18. Provisions

Provisions amounting to ₱32,751,783 and ₱1,868,370 as of March 31, 2018 and 2017, 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 2018:

a. The Company being a PEZA registered entity has no Output VAT in 2018.

b. Movements in input VAT follows:

Balance at April 1	₱1,901,584
Current year payments for domestic purchases of service	2,767,365
Provision for non-recoverable of VAT	(1,451,849)
Balance, March 31	₱3,217,101

c. License fees pertaining to business permits amounted to ₱18,445.

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

	Paid	Accrued	Total
Expanded withholding taxes	₱–	₱–	₱–
Final withholding taxes	495,302	12,821	508,123
	₱495,302	₱12,821	₱508,123