COFORGE BPS PHILIPPINES, INC.

(formerly SLK Global Philippines,)
(A Wholly-owned Subsidiary of Coforge Business Process Solutions Private Limited)

Financial Statements
March 31, 2023 and 2022
and
Independent Auditor's Report

Ground Floor, Vector 3, Northgate Filinvest City
Alabang, Muntinlupa City, Philippines

NavarroAmper&Co.

Navarro Amper & Co.
19th Floor Six/NEO Building
5th Avenue corner 26th Street
Bonifacio Global City, 1634 Taguig
Philippines

Tel: +63 2 8581 9000
Fax: +63 2 8869 3676
www.deloitte.com/ph

BOA/PRC Reg. No. 0004
SEC Accreditation No. 0004-SEC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
COFORGE BPS PHILIPPINES, INC.
(A Wholly Owned Subsidiary of Coforge Business Process Solutions Private Limited)
Ground Floor Vector 3, Northgate Filinvest City
Alabang, Muntinlupa City

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of Coforge BPS Philippines, Inc. (the "Company"), which comprise the statements of financial position as at March 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, 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, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). 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 these financial statements in accordance with PFRS, 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 PSA 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 financial statements.

As part of an audit in accordance with PSA, 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 audits.

Report on Other Legal and Regulatory Requirements

Report on the Supplementary Information Required by the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 27 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 and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, such supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Navarro Amper & Co.
BOA Registration No. 0004, valid from June 7, 2021 to September 22, 2024
SEC A.N. 0004-SEC, issued on December 7, 2021; Group A, valid to audit 2021 to 2025 financial statements
TIN 005299331

By:

Avis B. Manlapaz
Partner
CPA License No. 0074249
SEC A.N. 74249-SEC, issued on June 7, 2022, Group A, valid to audit 2022 to 2026 financial statements
TIN 120964002
BIR A.N. 08-002552-008-2022, issued on June 15, 2022; effective until June 14, 2025
PTR No. A-5701199, issued on January 12, 2023, Taguig City

Taguig City, Philippines
May 29, 2023

COFORGE BPS PHILIPPINES, INC.

(A Wholly-owned Subsidiary of Coforge Business Process Solutions Private Limited)

STATEMENTS OF FINANCIAL POSITION

		March 31	
	Notes	**2023**	2022
ASSETS			
Current Assets			
Cash in banks	6	**P211,420,449**	P211,291,312
Trade and other receivables	7	**357,058,690**	188,642,355
Prepayments and other current assets	8	**12,539,238**	14,098,792
Refundable deposits	22	**3,233,455**	3,301,455
Total Current Assets		**584,251,832**	417,333,914
Non-current Assets			
Property and equipment - net	9	**56,762,790**	78,465,586
Refundable deposits	22	**11,283,973**	11,064,066
Right-of-use assets - net	22	**68,720,163**	32,309,456
Deferred tax asset	23	**827,051**	-
Total Non-current Assets		**137,593,977**	121,839,108
		P721,845,809	P539,173,022
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	10	**P130,091,816**	P138,247,711
Due to related parties	12	**6,153,696**	3,178,461
Lease liabilities	22	**23,309,396**	33,565,129
Total Current Liabilities		**159,554,908**	174,991,301
Non-current Liabilities			
Retirement benefit obligation	11	**5,122,773**	9,216,661
Lease liabilities	22	**47,538,697**	7,603,950
Deferred tax liability	23	**-**	96,018
Total Non-current Liabilities		**52,661,470**	16,916,629
		212,216,378	191,907,930
Equity			
Share capital	13	**152,787,654**	152,787,654
Retained earnings		**356,841,777**	194,477,438
		509,629,431	347,265,092
		P721,845,809	P539,173,022

See Notes to Financial Statements.

COFORGE BPS PHILIPPINES, INC.

(A Wholly-owned Subsidiary of Coforge Business Process Solutions Private Limited)

STATEMENTS OF COMPREHENSIVE INCOME

		For the Years Ended March 31	
	Notes	**2023**	2022
Service Revenue	15	**P1,006,317,814**	P858,303,075
Cost of Services	16	**572,501,398**	522,122,002
Gross Profit		**433,816,416**	336,181,073
Other Income	19	**18,965,915**	26,199,386
		452,782,331	362,380,459
Operating Expenses	17	**88,233,666**	78,223,066
Interest Expense	22	**2,568,876**	4,240,521
Other Expenses	20	**291,528**	243,956
		91,094,070	82,707,543
Profit Before Income Tax		**361,688,261**	279,672,916
Income Tax Expense	23	**22,882,145**	7,454,293
Profit for the Year		**338,806,116**	272,218,623
Other Comprehensive Income			
Item that will not be reclassified subsequently to profit or loss			
Actuarial gain on defined benefit obligation - net of tax	11	**6,903,403**	8,050,365
Total Comprehensive Income		**P 345,709,519**	P280,268,988

See Notes to Financial Statements.

COFORGE BPS PHILIPPINES, INC.
(A Wholly-owned Subsidiary of SLK Global Solutions Private Limited)

STATEMENTS OF CHANGES IN EQUITY

		For the Years Ended March 31, 2023 and 2022		
	Note	**Share Capital**	**Retained Earnings**	**Total**
Balance, March 31, 2021		P152,787,654	P118,989,158	P271,776,812
Correction of prior period errors, Apr 1, 2021			(231,504)	(231,504)
Balance, March 31, 2021, as adjusted		152,787,654	118,757,654	271,545,308
Total comprehensive income:				
Profit for the year		-	272,218,623	272,218,623
Actuarial gain on defined benefit obligation - net of tax		-	8,050,365	8,050,365
Transaction with owners:				
Payment of dividends	14	-	(204,549,204)	(204,549,204)
Balance, March 31, 2022		152,787,654	194,477,438	347,265,092
Total comprehensive income:				
Profit for the year		-	338,806,116	338,806,116
Actuarial gain on defined benefit obligation - net of tax		-	6,903,403	6,903,403
Transaction with owners:				
Payment of dividends	14	-	(183,345,180)	(183,345,180)
Balance, March 31, 2022		**P152,787,654**	**P356,841,777**	**P509,629,431**

See Notes to Financial Statements.

COFORGE BPS PHILIPPINES, INC.
(A Wholly-owned Subsidiary of Coforge Business Process Solutions Private Limited)

STATEMENTS OF CASH FLOWS

		For the Years Ended March 31	
	Notes	**2023**	2022
Cash Flows from Operating Activities			
Profit before income tax		**P361,688,261**	P279,672,916
Adjustments for:			
Depreciation	16,17	**65,297,026**	77,795,333
Unrealized foreign exchange gain - net		**40,997**	(18,587,371)
Interest expense	22	**2,568,876**	4,240,521
Retirement expense	11	**3,153,750**	6,180,751
Interest income	6	**(189,658)**	(148,463)
Accounts receivable written-off			(231,504)
Gain or Loss on disposal of property and equipment	9,19	**(1,506,828)**	(4,018)
Operating cash flows before working capital changes		**431,052,424**	348,918,165
Decrease (Increase) in:			
Trade and other receivables		**(168,416,334)**	(54,493,364)
Prepayments and other current assets		**1,559,554**	1,330,836
Refundable deposits		**(151,907)**	2,357,977
Increase (Decrease) in:			
Trade and other payables		**(8,155,868)**	48,221,951
Due to related parties		**2,975,234**	400,228
Cash generated from operations		**258,863,103**	346,735,793
Interest income received	6	**189,658**	148,463
Income tax paid		**(24,149,476)**	(7,759,737)
Net cash from operating activities		**234,903,285**	339,124,519
Cash Flows used in Investing Activities			
Purchase of property and equipment	9	**(12,875,352)**	(43,454,904)
Proceeds from sale of property and equipment	9	**1,536,700**	4,018
Net cash used in investing activities		**(11,338,652)**	(43,450,886)
Cash Flows used in Financing Activities			
Payment of dividends	14	**(183,345,180)**	(204,549,204)
Repayment of lease liabilities	22	**(37,480,443)**	(34,949,436)
Interest expense paid	22	**(2,568,876)**	(4,240,521)
Net cash used in financing activities		**(223,394,499)**	(243,739,161)
Effects of Exchange Rate Changes		**(40,997)**	18,587,371
Net Increase in Cash in Banks		**129,137**	70,521,843
Cash in Banks, Beginning		**211,291,312**	140,769,469
Cash in Banks, End		**P211,420,449**	P211,291,312

See Notes to Financial Statements.

1. CORPORATE INFORMATION

Coforge BPS Philippines, Inc. (hereinafter referred to as the "Company") was registered with the Philippine Securities and Exchange Commission (SEC) on October 29, 2015. The amendment to Articles of Incorporation I & III was approved by the SEC on 23rd of June 2022.

The principal activity of the Company is to engage in and carry on the business of providing outsourced services and business process management to clients from multiple industries, which includes but not limited to, responsibilities over specific business functions and processes, performance of back-office operations, call center services and IT-enabled services including data analysis and processing services to overseas clients and consumers.

The Company is a wholly-owned subsidiary of Coforge Business Process Solutions Private Limited (formerly SLK Global Solutions Private Limited), hereinafter referred to as the "Parent Company"), a foreign company organized and existing under the laws of India. The global ultimate parent is Coforge Limited, a foreign company organized and existing under the laws of India.

The Company's registered address and principal place of business is at Ground Floor, Vector 3, Northgate Filinvest City, Alabang, Muntinlupa City, Philippines.

Registration with the Philippine Economic Zone Authority (PEZA)

The Company is registered with PEZA, as an Ecozone IT Enterprise under Registration Number 16-010 issued on January 20, 2016. The Company started its commercial operation on July 1, 2016. Subsequently, the Company filed for registration of its new activity, particularly "Business Process Outsourcing/Call Center Operations Projection," as an Expansion Project which has been approved under Supplemental Agreement dated July 5, 2018.

As a registered business enterprise, the Company is entitled to certain fiscal and non-fiscal incentives provided under Republic Act (RA) No. 7916, otherwise known as the Special Economic Zone Act of 1995. The Company continues to avail incentives as provided in the Implementing Rules and Regulations (IRR) of RA 11534 otherwise known as the Corporate Recovery and Tax Incentives Act or the CREATE Act.

A. For project under the Registration Agreement with PEZA dated January 20, 2016:
    1. Payment of 5% Special Corporate Income Tax (SCIT) based on gross income, in lieu of all national and local taxes, however, local taxes shall not include fees and charges as defined under Section 131 (l) and (g), respectively, of the Local Government Code of 1991.
    2. Five Percent (5%) tax on gross income earned granted prior to the effectivity of CREATE Act, and to continue availing the said tax incentive at the rate of five percent (5%) for ten (10) years.
B. For project under the Supplemental Agreement with PEZA dated July 05, 2018:
    1. The Income Tax Holiday (ITH) shall be limited to the income generated by the Company from a registered project or activity.
    2. Registered business enterprises whose projects or activities were granted an ITH prior to the effectivity of CREATE Act and that are entitled to the five percent (5%) tax on gross income earned incentive after the ITH be allowed to use the ITH for the period specified in the terms and conditions of their registration and thereafter, avail of the five percent (5%) tax on gross income earned incentive, subject to the 10-year limit for both incentives under the (IRR) of this Act.

C. For all registered projects:

1. Customs Duty Exemption on Importation of Capital Equipment, Raw Materials, Spare Parts, or Accessories subject to the provisions of Rule 2, Section 4 of the amended IRR of the CREATE Law.
2. Value-added Tax (VAT) zero-rating and exemption subject to the provisions of Rule 2, Section 5 of the amended IRR of the CREATE Law and Bureau of Internal Revenue (BIR) Revenue Regulations (RR) No. 21-2021 dated December 3, 2021.

Registration with the Board of Investments (BOI)

The Company has been duly registered by BOI, as an Export Market Enterprise engaged in "PSIC 82990- Other Business Support activities, n.e.c" under Registration Number TR-PEZA-2022-1072 issued on December 28, 2022. The registered project or activity is subject to the representations and commitments set forth in its application for registration with PEZA, the provisions of Corporate Recovery and Tax Incentives Act or the CREATE Act, the rules and regulations promulgated thereunder, and the terms and conditions attached to the Certificate of Registration issued by PEZA and its registration and supplemental agreement. PEZA shall monitor the registered project's compliance thereof and administer the availment of the following remaining incentives:

a. 5% Tax on Gross Income Earned (GIE) until 11 April 2031

b. Duty Exemption until 11 April 2031

c. VAT Exemption and Zero Rating until 11 April 2031

2. FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance

The financial statements of the Company have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS), which includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC) as approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and Board of Accountancy (BOA), and adopted by the SEC.

Basis of Preparation and Presentation

The financial statements have been prepared on the historical cost basis except for:

a. certain financial instruments carried at amortized cost; and

b. the defined benefit obligation recognized as the net total of the present value of plan assets less the present value of the defined benefit obligation.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except leasing transactions that are within the scope of PFRS 16 *Leases* and measurements that have some similarities to fair value but are not fair value, such as value in use in PAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Functional and Presentation Currency

These financial statements are presented in Philippine Peso, the currency of the primary economic environment in which the Company operates. All amounts are recorded in the nearest peso, except when otherwise indicated.

3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

Adoption of New and Revised Accounting Standards Effective in 2023

The Company adopted all accounting standards and interpretations as at March 31, 2023. The new and revised accounting standards and interpretations that have been published by the International Accounting Standards Board (IASB) and approved by the FSRSC in the Philippines, were assessed to be applicable to the Company's financial statements, are as follows:

Amendments to PFRS 3, *References to the Conceptual Framework*

The amendments update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to PFRS 3 a requirement that, for obligations within the scope of PAS 37, an acquirer applies PAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21, Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

The amendments also add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

The Management of the Company has assessed that the adoption of the amendments does not have a significant impact on the Company's financial statements as the Company did not acquire a business nor is in the process of entering into any business combination.

Amendments to PAS 16, *Property, Plant and Equipment – Proceeds before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e., proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with PAS 2, Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. PAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after April 1, 2022, with early application permitted.

The Management of the Company has assessed that the adoption of the amendments does not have a significant impact on the Company's financial statements as there is no such proceeds from the Property, Plant and Equipment recently acquired by the Company.

Amendments to PAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after April 1, 2022, with early application permitted.

The adoption of the amendments does not have an effect on the Company's financial statements. The Company has no onerous contracts noted as the economic benefits expected to be received from contracts entered into by the Company exceed the unavoidable costs of meeting the obligations.

Annual Improvements to PFRS Standards 2018-2020 Cycle

Amendments to PFRS 1, *Subsidiary as a first-time adopter*

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in PFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to PFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in PFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after April 1, 2022, with early application permitted.

The adoption of the amendments does not have an effect on the Company's financial statements as the Company is not a first-time adopter of PFRS 1.

Amendments to PFRS 9, *Fees in the '10 percent' test for derecognition of financial liabilities*

The amendment clarifies that in applying the '10 percent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after April 1, 2022, with early application permitted.

The adoption of the amendments does not have an effect on the Company's financial statements as there are no modifications on the Company's financial liabilities as at March 31, 2023.

Amendments to PFRS 16, *Lease Incentives*

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to PFRS 16 only regards an illustrative example, no effective date is stated.

The Company had not benefited from any lease incentives for all outstanding lease contracts and has not recognized any financial impact in its financial statements as at March 31, 2023.

Amendments to PAS 41, *Taxation in fair value measurements*

The amendment removes the requirement in PAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in PAS 41 with the requirements of PFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e., for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual periods beginning on or after April 1, 2022, with early application permitted.

The Management of the Company has assessed that the adoption of the amendments does not have a significant impact on the Company's financial statements as the Company does not have biological assets covered by PAS 41.

New Accounting Standards Effective after the Reporting Period Ended March 31, 2023

PFRS 17, *Insurance Contracts*

PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes PFRS 4 Insurance Contracts.

PFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

An amendment issued in June 2020 and adopted by FSRSC in August 2020 addresses concerns and implementation challenges that were identified after PFRS 17 was published.

PFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The standard (incorporating the amendments) is effective for periods beginning on or after January 1, 2025, as amended by the FSRSC from January 1, 2023. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB. Earlier application is permitted.

The Management of the Company has assessed that the adoption of the amendments does not have a significant impact on the Company's financial statements as the Company does not insurance contracts covered by PFRS 17.

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

The amendments to PFRS 10 and PAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.

The future adoption of the amendments will have no effect on the Company's financial statements as the Company does not have interest in any related entities.

Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments to PAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

The Company does not anticipate that the application of the amendments in the future will have an impact on the financial statements since the Company carefully reviews the contracts and supplier's accreditation forms and requirements prior to approving new vendor application.

Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies*

The amendments are as follows:

- An entity is now required to disclose its material accounting policy information instead of its significant accounting policies
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- the amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information

The amendments are applied prospectively. The amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

The Company will continue its assessment and will finalize the same upon effectivity of these amendments.

Amendments to PAS 8, *Definition of Accounting Estimates*

With the amendment, accounting estimates are now defined as "monetary amounts in financial statements that are subject to measurement uncertainty."

The amendment clarified that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.

The amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

The future adoption of the amendments will have no effect on the financial statements as the clarification in the amendment does not change the Company's definition of accounting estimates.

Amendments to PAS 12, *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying PFRS 16 at the commencement date of a lease.

Following the amendments to PAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in PAS 12.

The Board also adds an illustrative example to PAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:
    - o Right-of-use assets and lease liabilities
    - o Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

Amendment to PFRS 17, *Initial Application of PFRS 17 and PFRS 9, Comparative Information*

The amendment is a transition option relating to comparative information about financial assets presented on initial application of PFRS 17.

The main amendment in Initial Application of PFRS 17 and PFRS 9, *Comparative Information (Amendment to PFRS 17),* is a narrow-scope amendment to the transition requirements of PFRS 17 for entities that first apply PFRS 17 and PFRS 9 at the same time. The amendment regards financial assets for which comparative information is presented on initial application of PFRS 17 and PFRS 9, but where this information has not been restated for PFRS 9.

Under the amendment, an entity is permitted to present comparative information about a financial asset as if the classification and measurement requirements of PFRS 9 had been applied to that financial asset before. The option is available on an instrument-by-instrument basis. In applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of PFRS 9.

There are no changes to the transition requirements in PFRS 9.

The amendment is effective for annual periods beginning on or after January 1, 2025, as amended by the FSRSC from January 1, 2023. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB. Still subject to approval of the BOA.

The Management of the Company has assessed that the adoption of the amendments does not have a significant impact on the Company’s financial statements as the Company does not insurance contracts covered by PFRS 17.

Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments to PFRS 16 that require a seller-lessee to subsequently measure lease liabilities arising from a sale and leaseback transaction in a way that does not result in recognition of a gain or loss that relates to the right of use it retain.

The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in PFRS 15 Revenue from Contracts with Customers to be accounted for as a sale.

The amendments require the seller-lessee to determine ‘lease payments’ or ‘revised lease payments’ such that the seller-lessee does not recognize a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognized by the seller-lessee relating to the partial or full termination of a lease.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2024, with early application permitted. Still subject to approval of the BOA and FSRSC.

The Management of the Company has assessed that the adoption of the amendments does not have a significant impact on the Company's financial statements as the Company does not have any option for sale and leaseback and no future plans to engage on the same.

Amendments to PAS 1, *Non-current Liabilities with Covenants*

The amendments to PAS 1 to specify that only covenants an entity must comply with on or before the reporting period should affect classification of the corresponding liability as current or non-current.

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The amendments specify that the right to defer settlement is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2024, with early application permitted. Still subject to approval of the BOA and FSRSC.

The future adoption will have no effect on the Company's financial statements as the Company does not have non-current liability with covenant recorded in its financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

Financial Instruments

Financial assets and financial liabilities are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instruments.

Initial recognition

Financial assets and financial liabilities are initially measured at fair value. Transactions costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss [FVTPL]) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial Assets

Classification and subsequent measurement

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period established by regulation or convention in the marketplace.

All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Fair value is determined in the manner described in Note 2.

Financial assets are subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as follows:

- financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, are subsequently measured at amortized cost;
- financial assets that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI);
- all other financial assets managed on their fair value basis and equity instruments are subsequently measured at FVTPL.

However, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income (OCI) if it is neither held for trading nor a contingent consideration recognized by an acquirer in a business combination to which PFRS 3 applies; and
- the Company may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

The Company's financial assets are classified and subsequently measured at amortized cost.

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired (POCI) financial assets (i.e., assets that are credit-impaired on initial recognition), the effective interest rate (EIR) is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses (ECL), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

For POCI financial assets, a credit-adjusted EIR is calculated by discounting the estimated future cash flows, including ECL, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized by applying the EIR, except for short-term receivables, when the recognition of interest would be immaterial.

For financial instruments other than POCI financial assets, interest income is calculated by applying the EIR to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the EIR to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the EIR to the gross carrying amount of the financial asset.

The Company's financial assets classified under this category include cash in banks, trade and other receivables, and refundable deposits.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically, for financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss.

Impairment of financial assets

The Company recognizes a loss allowance for ECL on its financial assets measured at amortized cost.

The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Company's historical credit losses experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value when appropriate.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Company under the contract and the cash flows that the Company expects to receive arising from the weighting of the multiple future economic scenarios, discounted at the asset's effective interest rate.

The Company measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR method, regardless of whether it is measured on an individual basis or a collective basis.

Significant increase in credit risk

The Company monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Company will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Forward-looking information considered includes the future prospects of the industries in which the Company debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument (e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost);
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause
- a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default;
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company.

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Company assesses whether debt instruments that are financial assets measured at amortized cost or FVTOCI are credit-impaired at each reporting date. To assess if debt instruments are credit impaired, the Company considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

Write-off

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. This is the case when the Company determines that the borrower or creditor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event.

Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the PD, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the PD and loss given default is based on historical data adjusted by forward-looking information.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original EIR.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in OCI and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statements of financial position.

Presentation of allowance for ECL in the statements of financial position

Loss allowances for ECL, if any, are presented in the statements of financial position as a deduction from the gross carrying amount of the assets for assets measured at amortized cost.

Derecognition

The Company derecognizes a financial asset only when the contractual rights to the asset's cash flows expire or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

Since the Company does not have financial liabilities classified at FVTPL, all financial liabilities are subsequently measured at amortized cost.

Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments.

These foreign exchange gains and losses are recognized in other expenses item in profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

A right to offset must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

The Company does not offset the transferred asset and the associated liability if the transfer of a financial asset does not qualify for derecognition.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds, net of direct issue costs.

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, if any.

Retained earnings

Retained earnings represent accumulated profit after deducting dividends declared. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

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 assets when the cost of goods or services related to the prepayments are expected to be incurred within one year or the Company's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets.

Property and Equipment

Property and equipment are initially measured at cost. The cost of an item of property and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management.

At the end of each reporting period, items of property and equipment measured using the cost model are carried at cost less any subsequent accumulated depreciation and impairment losses.

Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

Computers	3 to 5 years
Furniture and fixtures	10 years
Office equipment	5 to 15 years

Leasehold improvements are depreciated over the improvements' useful life of 3 years or when shorter, the term of the relevant lease.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Impairment of Tangible Assets

At the end of each reporting period, the Company assesses whether there is any indication that any of its tangible assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized as expense, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro-rata* basis.

Impairment losses recognized in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized as income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Employee Benefits

<u>Short-term benefits</u>

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period that are expected to be settled wholly before twelve months after the end of the reporting period.

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

<u>Post-employment benefits</u>

The Company classifies its retirement benefit as defined benefit plan. Under the defined benefit plan, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statements of financial position with a charge or credit recognized in OCI in the period in which they occur. Remeasurement recognized in OCI is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expense or income
- Remeasurement

The Company presents the first two components of defined benefit costs in profit or loss in the line item retirement benefits. Curtailment gains and losses are accounted for as past service costs.

Revenue Recognition

The Company recognizes revenue from sale of services.

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

Sale of services

The Company provides services such as outsourcing services and voice-related processes such as call center operations and non-voice or back office process.

Revenue is recognized by the Company based on the actual hours of services it has rendered. The actual hours are compared with the agreed service hours and the variance is assessed if billable or not based on the cause of delay. Delay caused by the customer is chargeable; however operational delay due to the Company's fault is not charged.

Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Other income

Other income is income generated outside the normal course of business and is recognized when it is probable that the economic benefits will flow to the Company and it can be measured reliably.

Expense Recognition

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. Expenses are recognized in profit or loss: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Expenses in the statements of comprehensive income are presented using the function of expense method. Cost of services are expenses incurred that are associated with services rendered. Operating expenses are costs attributable to the administrative and other business activities of the Company. The Company have common cost which are allocated basis the Company's headcount as of March 31, 2023.

Leases

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use (ROU) asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets.

For these leases, the Company recognizes the lease payments as operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives.

The lease liability is presented as a separate line in the statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related ROU asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The ROU assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under PAS 37. The costs are included in the related ROU asset, unless those costs are incurred to produce inventories.

ROU assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

If a lease transfers ownership of the underlying asset or the cost of the ROU asset reflects that the Company expects to exercise a purchase option, the related ROU asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The ROU assets are presented as a separate line in the statements of financial position. The Company applies PAS 36 to determine whether an ROU asset is impaired and accounts for any identified impairment loss as described in the 'Property and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the ROU asset. The related payments are recognized as expense in the period in which the event or condition that triggers those payments occurs and are included in the line operating expenses in the statements of comprehensive income.

As a practical expedient, PFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

Foreign Currency Transactions

Transactions in currencies other than the functional currency of the Company are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as adjustments to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which are recognized initially in OCI and reclassified from equity to profit or loss on repayment of the monetary items.

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.

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. An entity that is a post-employment benefit plan for the employees of the Company and the key management personnel of the Company are also considered to be related parties.

Taxation

Income tax expense represents the current tax expense.

Current tax

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using a tax rate of 5% on gross income for PEZA-registered activities. For all other activities, tax is calculated using a regular corporate income tax (RCIT) rate of 25% in 2023 and 2022.

Deferred tax

Deferred tax is recognized on temporary 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. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits 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 is realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and these relate to income taxes levied by the same taxation authority, and the Company intends to settle its current tax assets and liabilities on a net basis.

Current taxes for the year

Current taxes are recognized in profit or loss, except when they relate to items that are recognized in OCI or directly in equity, in which case, the current taxes are also recognized in OCI or directly in equity, respectively.

Events after the Reporting Period

The Company identifies events after the end of each reporting period as those events, both favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue. The financial statements of the Company are adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting period. Non-adjusting events after the end of the reporting period are disclosed in the notes to the financial statements when material.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations, that Management has made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognized in the financial statements.

Functional currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company was determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the Company in determining the cost of its operations.

Leases

The evaluation of whether an arrangement contains a lease is based on its substance. An arrangement is, or contains, a lease when the fulfillment of the arrangement depends on a specific asset or assets and the arrangement conveys the right to use the asset.

Discount rate used to determine the carrying amount of the Company's defined benefit obligation

The Company's defined benefit obligation is discounted at a rate set by reference to market yields on high quality corporate bonds at the end of the reporting period. Significant judgment is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded.

Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of each 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.

Estimating loss on allowance for ECL

The Company measures ECL of a financial instrument in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and information about the past events, current conditions and forecasts of future economic conditions. When measuring ECL, the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Total trade and other receivables as at March 31, 2023 and 2022 amounted to P357,058,690 and P188,642,355, respectively, as disclosed in Note 7. Management believes that the collectability of the Company's trade and other receivables is certain. Accordingly, no provision for ECL was recognized in both years.

Estimating useful lives of assets

The useful lives of the Company's assets with definite life are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of the Company's property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Company's assets. In addition, the estimation of the useful lives is based on the Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase the recognized operating expenses and decrease non-current assets.

The carrying amounts of the Company's property and equipment amounted to P56,762,790 and P78,465,586 as at March 31, 2023 and 2022, respectively. Total accumulated depreciation as at March 31, 2023 and 2022 amounted to 157,532,108 and P123,455,597, respectively, as disclosed in Note 9.

Estimating cost of ROU assets

Determining the cost of ROU assets includes the amount of lease liabilities recognized and the estimated costs to be incurred in dismantling and removing the underlying asset or restoring it to the condition required by the contract.

Lease liabilities are measured at the present value of lease payments to be made over the lease term. In calculating the lease liabilities, the Company uses its borrowing cost at the time of the commencement of the lease term.

As at March 31, 2023 and 2022, the carrying amounts of the Company's ROU assets amounted to P68,720,163 and P32,309,456, respectively. Total accumulated depreciation as at March 31, 2023 and 2022 amounted to P134,350,534 and P103,601,783, respectively, as disclosed in Note 22.

Retirement benefits and other post-employment benefits

The determination of the retirement benefit obligation and other post-employment benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rates, mortality, and rates of compensation increase. 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 amount of retirement benefit obligation and other post-employment benefits recognized.

The total retirement expense recognized in 2023 and 2022 amounted to P3,153,750 and P6,180,751, respectively, while the retirement benefit obligation as at March 31, 2023 and 2022 amounted to P5,122,773 and P9,216,661, respectively, as disclosed in Note 11.

Deferred tax asset

The Company recognized a deferred tax asset resulting from provisions for retirement, leave encashment, 13th month pay and incentives. The Management believes that future taxable income will be available from which this deferred tax asset will be utilized.

As at March 31, 2023 and 2022, the Company's deferred tax asset amounted to P1,572,776 and to P305,444, respectively, as disclosed in Note 23.

Determining incremental borrowing rate

The Company measures the lease liability at the present value of lease payments discounted using the incremental borrowing rate since the interest rate implicit in the lease cannot be readily determined. The incremental borrowing rate was estimated to be the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The incremental borrowing rate applied to lease liabilities recognized in the statements of financial position is 7.5%.

6. CASH IN BANKS

Cash in banks at the end of the reporting period as shown in the statements of cash flows amounted to P211,420,449 and P211,291,312 as at March 31, 2023 and 2022, respectively.

Cash in banks earned average interest of 0.09% and 0.07% in 2023 and 2022, respectively. Cash in banks includes fixed deposits, which are available for use, with annual interest of 1.05%.

Interest income recognized in the statements of comprehensive income amounted to P189,658 and P148,463 in 2023 and 2022, respectively, as disclosed in Note 19.

7. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables consist of:

	2023	2022
Trade receivables from:		
Third party customers	**P -**	P184,323,310
Related party	**352,739,645**	
Insurance receivable	**4,319,045**	4,319,045
	P357,058,690	P188,642,355

The average credit period on rendering of services is 60 days. No interest is charged on trade receivables after the credit period.

Insurance receivable arose from breach of collection procedure committed by one of the Company's employees which constituted penalty to the customer. The Company had taken this into provision since it does not expect to collect this from the insurer.

Management believes that no allowance for ECL is required since there has been no significant change in the credit quality of the accounts.

8. PREPAYMENTS AND OTHER CURRENT ASSETS

	2023	2022
Prepaid rent	**P 7,905,198**	P 8,574,149
Advances to common area charges	**3,297,822**	3,281,775
Advances to officers and employees	**507,186**	979,449
Prepaid license renewal fee	**45,568**	55,956
Prepaid insurance	**-**	52,434
Prepaid bond fees	**185,066**	39,164
Others	**598,398**	1,115,865
	P12,539,238	P14,098,792

The Company's advances to officers and employees are non-interest-bearing and are normally liquidated within two months.

The Company's prepaid bond fees pertain to premium surety bonds that will expire next year.

Others consist of association dues, subscription fees, and deferred input tax.

9. PROPERTY AND EQUIPMENT - net

Movements in the carrying amounts of property and equipment are as follows:

	Computers	Furniture and Fixtures	Office Equipment	Leasehold Improvements	Total
Cost					
Balance, April 1, 2021	P43,663,678	P11,477,690	P36,689,855	P74,289,431	P166,120,654
Reclassification	(685,461)	4,422,724	(3,259,886)	(477,377)	-
Acquisitions	36,206,584	4,134,795	-	3,113,525	43,454,904
Disposal	-	-	-	(7,654,375)	(7,654,375)
Balance, March 31, 2022	79,184,801	20,035,209	33,429,969	69,271,204	201,921,183
Acquisitions	9,883,299	437,700	2,554,353	-	12,875,352
Disposal	-	(489,463)	(12,175)	-	(501,638)
Balance, March 31, 2023	89,068,100	19,983,447	35,972,147	69,271,204	214,294,898
Accumulated Depreciation					
Balance, April 1, 2021	34,070,922	4,747,920	21,063,267	24,156,559	84,038,668
Depreciation	16,746,483	7,559,045	3,048,971	19,716,805	47,071,304
Disposal	-	-	-	(7,654,375)	(7,654,375)
Balance, March 31, 2022	50,817,405	12,306,965	24,112,238	36,218,989	123,455,597
Depreciation	13,391,119	1,158,773	2,982,404	17,015,981	34,548,276
Disposal	-	(459,591)	(12,175)	-	(471,766)
Balance, March 31, 2023	64,208,524	13,006,147	27,082,467	53,234,969	157,532,107
Carrying Amounts March 31, 2023	**P24,859,576**	**P 6,977,300**	**P 8,889,680**	**P16,036,235**	**P 56,762,790**
Carrying Amounts March 31, 2022	P28,367,396	P 7,728,244	P 9,317,731	P33,052,215	P78,465,586

All of the P12,875,352 and P43,454,904 acquisitions as at March 31, 2023 and 2022, respectively, were paid in cash.

Proceeds from disposal of property and equipment amounted to P1,536,700 and P4,018 in 2023 and 2022, respectively, which both resulted to gain on disposal of property and equipment, as disclosed in Note 19.

Depreciation of property and equipment charged to cost of services and operating expenses are as follows:

	Notes	**2023**	2022
Cost of services	16	**P32,820,862**	P44,121,031
Operating expenses	17	**1,727,414**	2,950,273
		P34,548,276	P47,071,304

As at March 31, 2023 and 2022, Management believes that there is no indication that an impairment loss has occurred on the carrying value of the Company's property and equipment.

10. TRADE AND OTHER PAYABLES

The Company's trade and other payables consist of:

	2023	2022
Trade payables	**P 10,226,074**	P 18,873,569
Accrued expenses	**68,126,655**	71,882,403
Employee liability	**40,426,507**	10,896,322
Withholding tax payable	**6,607,883**	33,082,388
Other liabilities	**4,704,697**	3,513,029
	P130,091,816	P138,247,711

Trade payables pertain to obligations incurred by the Company in the course of its normal operations and capital acquisitions. These are unsecured, non-interest bearing and generally have 30 to 60 days' credit term.

The average credit period on purchase of certain goods or services from suppliers is one month. No interest is charged on trade payables if it exceeds the credit period.

Other liabilities consist of various government payables.

Accrued expenses are obligations on the basis of normal credit terms and do not bear interest. Accrued expenses consist of:

	2023	2022
Accrued salaries and benefits	**P34,668,685**	P29,760,976
Professional fees	**14,282,333**	8,551,052
Accrued leave	**5,073,789**	4,388,134
General provision	**4,209,757**	6,012,150
Communication	**3,957,987**	5,352,745
Repairs and maintenance	**1,897,258**	1,838,062
Recruitment	**582,512**	880,382
Outside service	**580,527**	9,506,249
Transportation	**149,500**	61,625
Others	**2,724,307**	5,531,027
	P68,126,655	P71,882,403

Outside services include sub-contractor for Greendot project in 2022 and was terminated in 2023.

General provision is composed of electricity, water and security charges, insurance, printing charges, and promotional expense.

Others consists of team building costs, subscription fees and staff welfare expenses.

11. RETIREMENT BENEFIT OBLIGATION

Requirement of Republic Act (RA) 7641

RA 7641 provides for the minimum retirement pay to qualified private sector employees in the Philippines. Benefits due under RA 7641 are accounted for as defined benefit plan under PAS 19. However, there are instances when an employer establishes a defined contribution plan and does not have an equivalent defined benefit plan covering the benefits required under RA 7641.

An employee upon reaching the age of 60 years or more, but not beyond 65 years which is declared the compulsory retirement age, who has served at least five years in the said establishment, may retire and shall be entitled to retirement pay equivalent to at least one-half (1/2) month salary for every year of service, a fraction of at least six months being considered as one whole year.

The Company is in compliance of the minimum requirement of RA 7641 as at March 31, 2023 and 2022.

Defined Benefit Plan

The Company operates an unfunded defined benefit plan for qualifying employees. Under the plan, the employees are entitled to retirement benefits upon attainment of a retirement age of 60 and completion of at least five years of service.

The current retirement plan typically exposes the Company to various risks such as: liquidity risk, longevity risk and salary risk.

The Company does not maintain a fund for its retirement benefit obligation. While funding is not a requirement of law, there is a risk that the Company may not have the cash if several employees retire within the same year.

Interest rate risk

A decrease in the government bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Longevity risk

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the liability.

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out as at March 31, 2023 by an Independent Actuary. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	Valuation at	
	2023	2022
Discount rate	**6.43**	5.18
Expected rate of salary increase	**4.40%**	3.19%
Average longevity at retirement age for current employees	**1.55 years**	6 years

Amounts recognized in the statements of comprehensive income in respect of this defined benefit plan are as follows:

	2023	2022
Service cost		
Current service cost	**P 2,675,405**	P 5,593,728
Net interest income	**478,345**	587,023
Components of defined benefit costs recognized in profit or loss	**3,153,750**	6,180,751
Remeasurement on the net defined benefit liability recognized in OCI:		
Actuarial gain due to liability experience	**7,247,665**	8,451,827
Total	**P10,401,415**	P14,632,578

Movements in the remeasurement gains and losses in OCI are as follows:

	2023	2022
Balance, beginning	**P11,403,267**	P 2,951,440
Remeasurement gain on defined benefit obligation	**7,247,665**	8,451,827
Balance, end	**P18,650,932**	P11,403,267

The retirement benefit expense is charged to direct costs and operating expenses as follows:

	Notes	**2023**	2022
Cost of services	16	**P2,643,701**	P5,331,117
Operating expenses	17	**510,049**	849,634
		P3,153,750	P6,180,751

Retirement expense attributed to key management employees amounted to P1,295,276 and P1,453,550 during 2023 and 2022, respectively, as disclosed in Note 12.

Movements in the present value of the defined benefit obligation are as follows:

	2023	2022
Present value of defined benefit obligation, beginning	**P9,216,661**	P11,487,737
Current service cost	**2,675,405**	5,593,728
Interest cost	**478,345**	587,023
Actuarial loss (gain) due to:		
Experience adjustments	**(4,809,901)**	(3,420,011)
Changes in demographic assumptions	**(1,214,193)**	(1,005,794)
Changes in financial assumptions	**(1,223,544)**	(4,026,022)
Present value of defined benefit obligation, end	**P5,122,773**	P 9,216,661

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Change in Assumption	Increase (Decrease) in Retirement Benefit Obligation
2023		
Discount rate	**+100 basis points**	**(658,245)**
	-100 basis points	**779,642**
Expected salary growth	**+1%**	**788,402**
	-1%	**(677,684)**
2022		
Discount rate	+100 basis points	(7,875,504)
	-100 basis points	10,838,087
Expected salary growth	+1%	10,886,681
	-1%	(7,816,908)

The sensitivity analyses presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analyses, the present value of the defined benefit obligation has been calculated using the Projected Unit Credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

There has been no change in the methods and assumptions used in preparing the sensitivity analyses from prior years.

The Company does not expect to make a contribution to the defined benefit obligation during the next financial year.

Shown below is the maturity profile of the undiscounted benefit payments:

Plan Year	Expected Benefit Payments **2023**	2022
Less than 1 year	**P -**	P -
1 to less than 5 years	**636,840**	894,372
5 to less than 10 years	**5,680,911**	2,303,589
10 to less than 15 years	**11,560,072**	24,655,661
15 to less than 20 years	**26,032,564**	54,956,163
20 years and above	**27,178,200**	115,356,052

The average duration of the expected benefit payments at the end of 2023 and 2022 are 29.26 years and 22. 27 years, respectively.

12. RELATED PARTY TRANSACTIONS

The summary of the Company's transactions and outstanding balances with related parties as at and for the years ended March 31, 2023 and 2022 are as follows:

Category	Amounts	Outstanding Balance Payable	Outstanding Balance Receivable	Terms	Conditions
2023					
Parent (Coforge Business Process Solutions Pvt Ltd.)					
Reimbursement of services	**P8,092,828**	**P2,672,507**	**P** -	90 days, non-interest bearing, payable in cash	Unsecured, nguaranteed
Indirect Parent (Coforge Ltd.)					
Reimbursement of services	**3,446,475**	**3,378,152**	**-**	90 days, non-interest bearing, payable in cash	Unsecured, unguaranteed
Affiliate (Coforge Ltd.)					
Transfer Pricing	-	-	**4,722,958**	60 days, non-interest bearing, payable in cash	Unsecured, unguaranteed
Affiliate (Coforge BPS America Inc.)					
Transfer Pricing	-	-	**348,016,687**	60 days, non-interest bearing, payable in cash	Unsecured, unguaranteed
Reimbursement of services	**4,486,126**	**103,037**		90 days, non-interest bearing, payable in cash	Unsecured, unguaranteed
Due to related parties		**P6,153,696**	**P352,739,645**		
2022					
Parent (Coforge Business Process Solutions Pvt Ltd)					
Reimbursement of services	P8,120,711	P2,798,600		90 days, non-interest bearing, payable in cash	Unsecured, unguaranteed
Affiliate (SLK Global Solutions America Inc.)					
Reimbursement of services	2,851,183	379,861		90 days, non-interest bearing, payable in cash	Unsecured, unguaranteed
Due to related parties		P3,178,461			

The Company's related party transactions mainly pertain to the reimbursement of services as a result of expenses cross-charged to the Company made at historical cost for services rendered by the ultimate supplier. Such expenses include: Multiprotocol Label Switching Technology (MPLS) or internet charges, SOC audit fees, travel charges and licenses fees. These expenses are charged by related party at cost.

Remuneration of Key Management Personnel

The remuneration of key management personnel of the Company is set out below in aggregate for each of the categories specified in PAS 24, *Related Party Disclosures*:

	Note	2023	2022
Short-term employee benefits	18	**P20,809,194**	P17,575,165
Post-employment benefits	18	**1,295,276**	1,453,550
		P20,104,470	P19,028,715

13. SHARE CAPITAL

Components of share capital are as follows:

	2023	2022
Authorized:		
160,000,000 shares at P1 per share	**P160,000,000**	P160,000,000
Issued, fully paid and outstanding:		
152,787,654 shares at P1 per share	**P152,787,654**	P152,787,654

Ordinary shares carry one vote per share and a right to dividend

14. DIVIDENDS DECLARED

On March 31, 2022, the Company declared cash dividends of P1.20 per share totalling to P183,345,180 against the Company's unrestricted retained earnings to all shareholders of record as at August 31, 2022 in proportion to their respective shareholdings. Cash dividends declared were paid on September 15, 2022.

On February 17, 2022, the Company declared cash dividends of P1.34 per share totalling to P204,549,204 against the Company's unrestricted retained earnings to all shareholders of record as at February 28, 2022 in proportion to their respective shareholdings. Cash dividends declared were paid on March 3, 2022.

15. SERVICE REVENUE

Service revenue is composed of production and transfer pricing revenue amounting to P1,006,317,814 and P858,303,075 in 2023 and 2022, respectively.

The production revenue is composed of voice-related process such as call centre operations and non-voice or back office process.

On April 01, 2022, the Company entered into an agreement with Coforge United Kingdom Limited and Coforge BPS America Inc. to perform offshore services.

16. COST OF SERVICES

Details are as follows:

	Notes	2023	2022
Employee benefits	18	**P429,050,021**	P334,619,767
Depreciation	9, 22	**62,032,175**	74,169,613
Repairs and maintenance		**22,876,582**	23,956,445
Professional Fees		**12,732,028**	5,503,705
Communication		**11,619,965**	16,763,651
Security services		**9,725,090**	8,045,085
Subcontractor costs		**7,931,254**	25,861,234
Housekeeping		**5,028,776**	2,988,354
Utilities		**3,625,357**	2,260,868
Training		**3,185,493**	6,420,397
Retirement expense	11	**2,643,701**	5,331,117
Recruitment		**2,118,421**	3,193,311
Travel		**268,535**	10,948,661
Rent	21	**(336,000)**	2,006,100
Others		**-**	53,692
		P572,501,398	P522,122,002

17. OPERATING EXPENSES

Details are as follows:

	Notes	2023	2022
Employee benefits	18	**P75,209,778**	P58,789,209
Depreciation	9, 22	**3,264,851**	3,625,720
Professional fees		**2,601,708**	6,552,511
Repairs and maintenance		**1,233,110**	1,059,871
Travel		**722,684**	152,274
Office supplies		**701,913**	408,863
Recruitment		**699,529**	1,345,292
Communication		**606,041**	283,125
Subcontractor costs		**517,077**	154,638
Security services		**511,847**	393,277
Retirement benefits	11	**510,049**	849,634
Insurance		**494,070**	1,828,565
Taxes and licenses		**427,150**	37,177
Housekeeping		**264,672**	199,824
Utilities		**190,808**	110,521
Others		**278,378**	2,432,566
		P88,233,666	P78,223,066

Others consist of business promotions, donation, membership and subscriptions, other miscellaneous cost, and migration differences.

18. EMPLOYEE BENEFITS

Employee benefits consist of:

	Notes	2023	2022
Salaries and benefits	16, 17	**P454,455,523**	P344,292,596
Incentives and bonuses	16, 17	**15,811,526**	20,265,514
Employee insurance	16, 17	**26,506,833**	21,922,727
Leave entitlement	16, 17	**7,485,917**	6,928,139
Retirement benefits	16, 17	**3,153,750**	6,180,751
		P507,413,549	P399,589,727

19. OTHER INCOME

The Company's other income consist of:

	Notes	2023	2022
Net foreign exchange gain		**P17,269,429**	P26,046,905
Interest income	6	**189,658**	148,463
Gain on disposal of property and equipment	9	**1,506,828**	4,018
		P18,965,915	P26,199,386

20. OTHER EXPENSES

This consists of:

	2023	2022
Bank charges	**P206,128**	P220,707
Donation	**85,400**	23,249
	P291,528	P243,956

Donation pertains to groceries donated to community pantry.

21. SHORT-TERM LEASE AGREEMENT

The Company as Lessee

Details of the Company's short-term agreements are as follows:

Rent expense charged to cost of services amounted to P(336,000) and P2,006,100 in 2023 and 2022, as disclosed in Note 16.

22. LEASES

The Company as Lessee

a. The Company also entered into a cancellable lease agreement with Cyberzone Properties, Inc. in the third quarter of 2017 for the lease of an office space located at the Ground Floor, Vector Three Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City. The lease agreement is from September 7, 2017 to September 6, 2020.

   The lease contains provisions, including but not limited to, quarterly payment based on the lease rate per month of P675 per square meter from September 7, 2017 to September 6, 2020 and thereafter subject to an annual escalation of 5%.

   The Company renewed its lease agreement related to Vector 3 for another three years at a monthly lease rate of P770 per square meter on February 5, 2020.

b. On November 29, 2019, the Company entered into a cancellable lease with Cyberzone Properties, Inc. for another building in Axis 1. The lease is from January 15, 2020 to January 14, 2023 at a monthly lease rate of P800 per square meter.

   The Company renewed its lease agreement related to Axis 1 from January 15, 2023 to September 14, 2026 at a monthly lease rate of P750 per square meter on December 12, 2022.

Total refundable deposit amounting to P 14,517,428 and P14,365,521 were recognized by the Company as at March 31, 2023 and 2022, respectively. This includes refundable deposit amounting to P3,233,455 and P3,301,455 as at March 31, 2023 and 2022, respectively, which were classified as current.

In 2020, the Company adopted the PFRS 16 with full retrospective application.

The Company used the incremental borrowing rate of 7.5% provided by its bank as a discount rate to assess the present value of lease liability for all lease agreements.

ROU assets

The Company leases several assets including buildings and parking slots. The average lease term is 3 years in 2023 and 2022.

	Buildings	Parking Slots	Total
Cost:			
Balance, April 1, 2021	P175,181,260	P6,971,014	P182,152,274
Retirement	(43,828,621)	(2,412,414)	(46,241,035)
Balance, March 31, 2022	131,352,639	4,558,600	135,911,239
Additions	64,183,622	2,975,835	67,159,458
Balance, March 31, 2023	195,536,261	7,534,435	203,070,697
Accumulated Depreciation			
Balance, April 1, 2021	114,263,341	4,855,448	119,118,789
Depreciation	29,692,307	1,031,722	30,724,029
Retirement	(43,828,621)	(2,412,414)	(46,241,035)
Balance, March 31, 2022	100,127,027	3,474,756	103,601,783
Depreciation	29,675,074	1,073,676	30,748,750
Balance, March 31, 2023	129,802,101	4,548,432	134,350,533
Carrying Amounts March 31, 2023	**P 65,734,160**	**P2,986,003**	**P 68,720,163**
Carrying Amounts March 31, 2022	P 31,225,612	P1,083,844	P 32,309,456

In April 2021, the Company retired the ROU pertaining to Vector 1 Building.

There is no reliable basis to measure the reinstatement costs upon expiration of all lease agreements.

Depreciation expense on ROU assets is charged to direct costs and operating expenses as follows:

	Notes	2023	2022
Cost of services	16	**P29,211,313**	P28,798,349
Operating expenses	17	**1,537,438**	1,925,680
		P30,748,751	P30,724,029

Lease liabilities

Leases, in which the Company is the lessee, relate to properties owned by third parties with lease terms of between 1 to 3 years, with approximately 3 years extension option. All lease contracts contain market review clauses in the event that the Company exercises its option to renew. The Company does not have an option to purchase the property at the expiry of the lease period.

Maturity analysis of lease payments based on undiscounted cash flows:

	2023	2022
Year 1	**P27,438,513**	P35,174,582
Year 2	**20,729,852**	7,695,827
Year 3	**31,171,623**	-
Total	**P79,339,988**	P42,870,409

Balance of lease liabilities in the statements of financial position is analyzed as:

	2023	2022
Current	**P23,309,396**	P33,565,129
Non-current	**47,538,697**	7,603,950
	P70,848,093	P41,169,079

Reconciliation of liabilities arising from financing activity

The table below details changes in the Company's liabilities arising from financing activity, including both cash and non-cash changes. Liabilities arising from financing activity are those for which cash flows were, or future cash flows will be, classified in the Company's statements of cash flows as cash flows from financing activities.

	2023	2022
Beginning balance	**P41,169,079**	P76,118,515
Non-cash changes:		
Interest expense	**2,568,876**	4,240,521
Principal Repayment	**(40,049,319)**	(39,189,957)
Total Repayment	**(37,480,443)**	(34,949,436)
Lease Renewal	**67,159,458**	-
Ending balance	**P70,848,093**	P41,169,079

Amounts recognized in profit or loss

	2023	2022
Depreciation expense on ROU assets	**P30,748,750**	P30,724,029
Interest expense on lease liabilities	**2,568,876**	4,240,521
	P33,317,626	P34,964,550

The breakdown of lease payments for leased assets are as follows:

	2023	2022
Fixed payments	**P40,049,319**	P39,189,957

23. INCOME TAXES

As discussed in Note 1, the Company is registered with PEZA and is entitled to ITH of four years following the application for validation for entitlement to ITH in 2016 after the start of commercial operations. The Company started its commercial operations on July 1, 2016. The ITH for Vector 1 site has ended on June 30, 2021. While the expansion project of Vector 3 has ended on March 31, 2022. However, the Company was able to secure an application for ITH extension.

At the end of the ITH, the Company shall pay a 5% final tax on gross income, in lieu of all national and local taxes. In 2022, the Company paid 5% final tax on gross income for Axis 1 and Vector 3 operations.

Components of income tax expense charged to profit or loss are as follows:

	2023	2022
Current tax expense	**P24,149,476**	P7,759,737
Deferred tax expense	**(1,267,331)**	(305,444)
	P22,882,145	P7,454,293

The reconciliation between tax expense and the product of accounting profit multiplied by 5% in 2023 and 2022 follows:

	2023	2022
Accounting profit from continuing operations	**P361,688,261**	P279,672,916
Tax expense at 5%	**P 18,084,413**	P 13,983,646
Tax effect of expenses that are non-deductible	**6,127,480**	1,902,774
Tax effect of income that are non-taxable	**(62,417)**	(2,852)
Revenue under ITH	**-**	(8,123,831)
Recognition of deferred taxes	**(1,267,331)**	(305,444)
	P 22,882,145	P 7,454,293

The deferred tax asset and deferred tax liability are presented at net amount in the statements of financial position.

The composition of deferred tax asset recognized by the Company is as follows:

	March 31, 2022	Charged to Profit or Loss	Charged to OCI for the Year	**March 31, 2023**
Deferred Tax Asset				
Provision for retirement	P102,423	P 29,762	P -	**P 132,185**
Provision for leave encashment	80,377	160,628	-	**241,005**
Provision for statutory bonus	-	271,072		**271,072**
Provision for incentives	122,644	805,870	-	**928,514**
Total Deferred Tax Asset	P305,444	P1,267,332	P -	**P1,572,776**

The composition of deferred tax liability recognized by the Company is as follows:

	March 31, 2022	Charged to Profit or Loss	Charged to OCI for the Year	**March 31, 2023**
Deferred Tax Liability				
Actuarial gain on defined benefit obligation	(P401,462)	P -	(P344,263)	**(P745,725)**

24. FAIR VALUE INFORMATION

The fair values of the Company's financial assets and financial liabilities as at March 31, 2023 and 2022 are shown below:

		2023		2022	
	Notes	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial Assets:					
Cash in banks	6	**P211,420,449**	**P211,420,449**	P211,291,312	P211,291,312
Trade and other receivables	7	**357,058,690**	**357,058,690**	188,642,355	188,642,355
Refundable deposits	21,22	**14,517,428**	**14,517,428**	14,365,521	14,365,521
		P582,996,567	**P582,996,567**	P414,299,188	P414,299,188
Financial Liabilities:					
Trade and other payables	10	**P118,779,235**	**P118,779,235**	P101,652,294	P101,652,294
Due to related parties	12	**6,153,696**	**6,153,696**	3,178,461	3,178,461
		P124,932,931	**P124,932,931**	P104,830,755	P104,830,755

Trade and other payables are net of withholding tax, and other regulatory liabilities which are not considered as financial liabilities.

Due to the short-term maturities of cash in banks, trade and other receivables, trade and other payables and due to related parties, their carrying amounts approximate their fair values. The fair value of the refundable deposits cannot be measured reliably since there were no comparable market data and inputs for the sources of fair value such as discounted cash flows analysis. However, Management believes that its carrying amount approximates its fair value.

25. FINANCIAL RISK MANAGEMENT

Financial Risk Management Objectives and Policies

The Company is exposed to financial risks such as market risk which includes foreign exchange risk and fair value interest rate risk, credit risk and liquidity risk. The Company's policies and objectives in managing these risks are summarized below:

Market risk

Market risk refers to the possibility that changes in market prices, such as foreign exchange rates, will affect the Company's profit or the value of its holdings of financial instruments. The Company focuses on two market risk areas such as interest rate risk and foreign currency risk. The objective and management of these risks are discussed below.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Foreign currency exchange risk

Foreign currency exchange risk arises when an investment's value changes due to variations in currency exchange rate. Foreign exchange risk arises also when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency.

The Company undertakes certain transactions denominated in foreign currencies such as US Dollar and Indian Rupee, hence, exposures to exchange rate fluctuations arise with respect to such transactions. Significant fluctuation in the exchange rates could significantly affect the Company's financial position.

The Company has no established policy in managing foreign exchange rate risk. Any favorable or unfavorable movements of foreign currency exchange rates are absorbed by the Company.

The carrying amounts of the Company's foreign currency denominated financial assets and financial liabilities at the end of the reporting periods are as follows:

	2023	2022
US Dollar		
Monetary Assets		
Cash in banks	**P160,563,684**	P155,709,683
Trade and other receivables	**357,058,690**	188,642,355
Monetary Liabilities		
Due to related parties	**(6,153,696)**	(3,178,461)
Trade and other payables	**-**	-
	P511,468,678	P341,173,577

If the foreign exchange rates had been higher or lower by -0.28% and 2.26% in 2023 and 2023, respectively, than the prevailing exchange rates at the end of the relevant year, based on observed volatilities of such currencies during the year, the Company's gain/loss for the years ended March 31, 2023 and 2022 would not have changed significantly.

The following table details the effect in the Company's profit if foreign exchange rates had been higher or lower than the prevailing rates at the end of the year. The sensitivity rates represent Management's assessment of the reasonably possible changes in foreign exchange rates. The sensitivity analysis includes all outstanding foreign currency denominated financial assets and liabilities and adjusts their translation at the period end for the percentage change in foreign currency rates. A positive number below indicates an increase in profit if the Philippine Peso strengthens by the above rates against the relevant currencies.

On the other hand, if the Philippine Peso weakens against the relevant currencies by the above rates, there would be an equal and opposite impact on the profit as shown below:

	2023		2022	
	Effect in Equity	**Effect in Loss**	Effect in Equity	Effect in Loss
US Dollar				
Monetary Assets				
Cash	**(P 449,578)**	**(P 449,578)**	P3,519,039	P3,519,039
Trade receivable	**(999,764)**	**(999,764)**	4,263,317	4,263,317
Monetary Liabilities				
Due to related parties	**17,230**	**17,230**	(71,833)	(71,833)
Trade and other payables	**-**	**-**	-	-
	(P1,432,112)	**(P1,432,112)**	P7,710,523	P7,710,523

Interest rate risk

Interest rate risk refers to the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest.

The Company has no established policy in managing interest rate risk. Management believes that fluctuations on the interest rates will not have a significant effect on the Company's financial performance.

The primary source of the Company's interest rate risk relates to cash in bank as disclosed in Note 6.

Credit risk

Credit risk refers to the possibility that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

The Company trades only with recognized, credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The Company does not grant credit terms without specific approval.

The Company has no significant credit risk. The Company transacts mainly with its Parent Company. The table below presents the Company's maximum exposure to credit risk equal to carrying amounts of the financial assets as at March 31, 2023 and 2022

The table below presents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained:

	2023	2022
Cash in banks	**P211,420,449**	P211,291,312
Trade and other receivables	**357,058,690**	188,642,355
Refundable deposits	**14,517,428**	14,365,521
	P582,996,567	P414,299,188

ECLs are a probability-weighted estimate of credit losses (i.e., the present value of all cash shortfalls) over the expected life of the financial instrument.

In order to minimize credit risk, the Company has tasked its credit management committee to develop and maintain the Company's credit risk grading to categorize exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the credit management committee uses other publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Company's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognizing ECL
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Doubtful	Amount is >60 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written-off

The table below details the credit quality of the Company's financial assets and other items, as well as the Company's maximum exposure to credit risk by credit risk rating grades:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL?	Gross carrying amount (i)	Loss allowance	Net carrying amount
2023							
Cash in banks	6	N/A	Performing	12m	**P211,420,449**	**P -**	**P211,420,449**
Trade receivables	7	N/A	Performing	Lifetime	**352,739,645**	**-**	**352,739,645**
Other receivables	7	N/A	Performing	12m	**4,319,045**	**-**	**4,319,045**
Refundable deposits	21,22	N/A	Performing	12m	**14,517,428**	**-**	**14,517,428**
					P582,996,567	**P -**	**P582,996,567**
2022							
Cash in banks	6	N/A	Performing	12m	P211,291,312	P -	P211,291,312
Trade receivables	7	N/A	Performing	Lifetime	184,323,310	-	184,323,310
Other receivables	7	N/A	Performing	12m	4,319,045	-	4,319,045
Refundable deposits	21,22	N/A	Performing	12m	14,365,521	-	14,365,521
					P414,299,188	P -	P414,299,188

Trade receivables were classified as lifetime ECL since the Company does not have a history of trade receivables aging more than 12 months.

The Company does not hold any collateral as security for these outstanding receivables.

No impaired accounts outstanding as at March 31, 2023 and 2022.

Liquidity risk

Liquidity risk arises when the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company maintains adequate liquid assets in the form of cash and receivable which are realizable in shorter period than current liabilities' credit terms to assure necessary liquidity.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities as at March 31, 2023 and 2022:

	Notes	2023	2022
Trade and other payables	10	**P118,779,235**	85,104,461
Due to related parties	12	**6,153,696**	2,778,233
		P124,932,931	P 87,882,694

Financial liabilities presented above exclude amounts payable to government agencies for contributions, and withholding and other taxes.

26. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2022. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders. In addition, the Management has proposed to increase its authorized share capital in order to generate more funding from investors and shareholders rather than obtain external borrowings.

As at March 31, 2023 and 2022, the Company has no outstanding external borrowings, hence, not subject to any restrictions on capital management imposed by third parties. Capital and operating expenditures were generally funded by cash generated from financing activities.

In accordance with Section 2 of the Revised Corporation Code of the Philippines, stock corporations are prohibited from retaining surplus profits in excess of one hundred percent (100%) of its paid-in share capital. As at March 31, 2023 and 2022, the Company's retained earnings exceeded its paid-in share capital of P356,841,777 and P194,477,438, respectively, by P204,054,123 and P41,689,784, respectively. The Company plans to appropriate its retained earnings for the lease expansion at the 11th floor of Vector Three with a total gross leasable area of 2,306.40 sqm. The lease expansion is pending approval from the Board of Directors.

The capital structure of the Company consists of debt and equity. Debt is defined as financial liabilities while equity includes share capital and retained earnings of the Company.

	2023	2022
Debt	**P118,779,235**	P101,652,294
Cash	**211,420,449**	211,291,312
Net assets	**(92,641,214)**	(109,639,018)
Equity	**509,629,431**	347,265,092
Net assets over equity	**(0.18):1**	(0.32):1

There were no changes in the Company's approach to capital management during the periods presented.

The Company is not subject to externally imposed capital requirements.

27. SUPPLEMENTARY INFORMATION REQUIRED BY THE BIR UNDER RR NOS. 15-2010

The following supplementary information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

RR 15-2010

Output and input value-added tax (VAT)

The Company is registered with PEZA and is a qualified enterprise for a VAT zero-rating. As at March 31, 2023, the Company's revenue, which is subject to zero-rated VAT, amounted to P1,006,317,814. Accordingly, the Company's purchases are subjected to zero input VAT rate.

Other taxes and licenses

Details of the Company's taxes, licenses and permit fees paid or accrued in 2023 are as follows:

Documentary stamp tax	**P250,730**
Registration and permit fees	**48,000**
Others	**128,420**
Total	**P427,150**

Other costs includes vat payment for disposal of assets, vat assessment and various notary reimbursements.

Withholding taxes

Details of the Company's withholding taxes paid or accrued in 2023 are as follows:

Withholding tax on compensation and benefits	**P1,371,783**
Expanded withholding taxes	**149,555**
Total	**P1,521,338**

There are no pending tax cases as at March 31, 2023.

Revenue Regulations No. 34-2020

BIR issued Revenue Regulations (RR) No. 34-2020, Prescribing the Guidelines and Procedures for the Submission of BIR Form No. 1709, Transfer Pricing Documentation (TPD) and other Supporting Documents, Amending for this Purpose the Pertinent Provisions of RR Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010, to streamline the guidelines and procedures for the submission of BIR Form No. 1709, TPD and other supporting documents by providing safe harbors and materiality thresholds. Section 2 of the RR lists the taxpayers that are required to file and submit the RPT Form, together with the Annual Income Tax Return.

The Company is covered by the requirements and procedures for related party transactions provided under RR 34-2020 as it is covered under Section 2 of the RR.

28. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company have been approved and authorized for issuance by the Board of Directors on May 29, 2023.

* * *