INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
RAMCO SYSTEM INC.
(A Wholly-owned Subsidiary of Ramco Systems Limited)
1805 Cityland Condominium 10 Tower 1
156 H.V. Dela Costa Street, Ayala North
Salcedo Village, Brgy. Bel-air, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **RAMCO SYSTEM INC.** (the "Company"), which comprise the statements of financial position as of March 31, 2020 and 2019, 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, 2020 and 2019 and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' 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 together with the ethical requirements that are relevant to our audits of the financial statements in Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audits. 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 audits 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 Company's internal control.

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

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

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

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 and 19-2011 in Notes 40 and 41, respectively, to the financial statements, is presented for purposes of filing with Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the Management of **RAMCO SYSTEMS INC.** The information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until October 10, 2021
SEC Group A Accredited
Accreditation No. 0153-FR-3
Valid until September 6, 2020
BSP Group B Accredited
Valid until 2021 audit period
BIR Accreditation No. 08-007679-001-2020
Valid from February 24, 2020 until February 24, 2023
IC Accreditation No. F-2019-004-R
Valid until October 1, 2022
CEZA Accredited
Valid until September 10, 2020

ROMEO A. DE JESUS, JR.
Managing Partner
CPA Certificate No. 86071
SEC Group B Accredited
Accreditation No. 1690-A
Valid until July 11, 2021
BIR Accreditation No. 08-004744-001-2018
Valid from February 12, 2018 until February 11, 2021
Tax Identification No. 109-227-897
IC Accreditation No. SP-2019-004-R
Valid until October 1, 2022
PTR No. 8125459
Issued on January 8, 2020 at Makati City

June 15, 2020

RSBA R.S. BERNALDO & ASSOCIATES PKF

SUPPLEMENTAL INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
RAMCO SYSTEM INC.
(A Wholly-owned Subsidiary of Ramco Systems Limited)
1805 Cityland Condominium 10 Tower 1
156 H.V. Dela Costa Street, Ayala North
Salcedo Village, Barangay Bel-air, Makati City

We have audited the financial statements of **RAMCO SYSTEM INC.** for the years ended March 31, 2020 and 2019 on which we have rendered the attached report dated June 15, 2020.

In compliance with Revenue Regulation V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

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

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until October 10, 2021
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Accreditation No. 0153-FR-3
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Issued on January 8, 2020 at Makati City

June 15, 2020

RAMCO SYSTEM INC.

(A Wholly-owned Subsidiary of Ramco Systems Limited)

STATEMENTS OF FINANCIAL POSITION

March 31, 2020 and 2019

(In Philippine Peso)

	NOTES	**2020**	2019
A S S E T S			
Non-current Assets			
Financial assets	6,9,10,11	**152,983,256**	129,332,872
Property and equipment – net	13	**3,719,998**	1,174,329
Right-of-use asset – net	14	**17,960,045**	-
Deferred tax assets	32	**5,809,514**	1,887,031
Other non-financial assets	12	**105,600**	-
		180,578,413	132,394,232
Current Assets			
Financial assets			
Cash	6,7	**6,468,534**	3,950,375
Trade and other receivables – net	6,8	**108,704,896**	101,042,911
Other current financial assets	6,9,10,11	**218,747,774**	205,769,364
Other non-financial assets	12	**364,632**	5,016,180
		334,285,836	315,778,830
TOTAL ASSETS		**514,864,249**	448,173,062
STOCKHOLDERS' EQUITY AND LIABILITIES			
S T O C K H O L D E R S ' E Q U I T Y			
Capital Stock	21	**11,750,000**	11,750,000
Unappropriated Retained Earnings		**11,619,879**	10,640,706
Appropriated Retained Earnings	22	**111,000,000**	103,000,000
TOTAL STOCKHOLDERS' EQUITY		**134,369,879**	125,390,706
L I A B I L I T I E S			
Non-current Liabilities			
Financial Liability			
Lease liability – net of current portion	15,19	**14,962,686**	-
Provisions	17	**513,267**	461,162
		15,475,953	461,162
Current Liabilities			
Financial Liabilities			
Trade payables	15,16	**47,596,139**	25,436,679
Borrowings	15,20	**60,450,884**	24,365,916
Lease liability	15,19	**2,703,050**	-
Other current financial liabilities	15,16	**247,530,182**	225,593,990
Liability for current tax		**416,459**	21,052,392
Other current liabilities	16	**6,155,051**	25,872,217
Provisions	17	**166,652**	-
		365,018,417	322,321,194
TOTAL LIABILITIES		**380,494,370**	322,782,356
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		**514,864,249**	448,173,062

(See Notes to Financial Statements)

RAMCO SYSTEM INC.
(A Wholly-owned Subsidiary of Ramco Systems Limited)
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended March 31, 2020 and 2019
(In Philippine Peso)

	NOTES	2020	2019
INCOME			
Revenue from operations	23	**444,268,931**	403,815,785
Finance income	24	**5,777,337**	6,887,092
TOTAL INCOME		**450,046,268**	410,702,877
EXPENSES			
Employee benefits	25	**67,117,375**	33,187,704
Software service	20	**125,891,733**	80,735,167
Royalty	20	**30,480,943**	108,428,648
Depreciation	13,14,26	**3,922,842**	200,867
Foreign exchange loss – net	29	**5,999,857**	513,869
Other expenses	28	**199,225,398**	114,923,594
TOTAL EXPENSES		**432,638,148**	337,989,849
FINANCE COSTS	27	**3,840,571**	745,226
PROFIT BEFORE TAX		**13,567,549**	71,967,802
INCOME TAX EXPENSE			
Current tax expense	31	**8,510,859**	24,641,017
Deferred tax benefit	31	**(3,922,483)**	(2,828,758)
TOTAL INCOME TAX EXPENSE		**4,588,376**	21,812,259
PROFIT		**8,979,173**	50,155,543

(See Notes to Financial Statements)

RAMCO SYSTEM INC.

(A Wholly-owned Subsidiary of Ramco Systems Limited)

STATEMENTS OF CHANGES IN EQUITY

For the Years Ended March 31, 2020 and 2019

(In Philippine Peso)

			Retained Earnings		
	Notes	**Capital Stock**	**Unappropriated**	**Appropriated**	**Total**
Balance, April 1, 2018		11,750,000	11,485,164	52,000,000	**75,235,164**
Profit			50,155,542		**50,155,542**
Reversal	22		36,500,000	(36,500,000)	-
Appropriation	22		(87,500,000)	87,500,000	-
Balance, March 31, 2019		**11,750,000**	**10,640,706**	**103,000,000**	**125,390,706**
Profit			8,979,173		**8,979,173**
Appropriation	22		(8,000,000)	8,000,000	-
Balance, March 31, 2020	21	**11,750,000**	**11,619,879**	**111,000,000**	**134,369,879**

(See Notes to Financial Statements)

RAMCO SYSTEM INC.

(A Wholly-owned Subsidiary of Ramco Systems Limited)

STATEMENTS OF CASH FLOWS

For the Years Ended March 31, 2020 and 2019

(In Philippine Peso)

	NOTES	**2020**	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**13,567,549**	71,967,801
Adjustments for:			
Expected credit losses	8,9	**6,899,367**	5,615,000
Unrealized foreign exchange loss – net	29	**6,143,361**	675,102
Depreciation	13,14,26	**3,922,842**	200,867
Finance costs from loans	20,27	**2,205,591**	745,226
Finance costs from lease liability	19,27	**1,634,980**	-
Finance income from bank deposits	7,24	**(611)**	(5,495)
Operating cash flows before changes in working capital		**34,373,079**	79,198,501
Decrese (Increase) in operating assets:			
Trade and other receivables		**(10,025,661)**	(94,695,810)
Contract asset		**(46,380,537)**	(98,753,580)
Other non-financial assets		**4,545,948**	(6,542,669)
Increase (Decrease) in operating liabilities:			
Trade and other payables		**6,478,652**	29,789,457
Contract liability		**431,441**	(15,699,827)
Due to related parties		**18,423,041**	99,377,724
Cash generated from (used in) operations		**7,845,963**	(7,326,204)
Income taxes paid		**(29,146,792)**	(18,969,747)
Net cash used in operating activities		**(21,300,829)**	(26,295,951)
CASH FLOWS FROM INVESTING ACTIVITIES			
Finance income received	7,24	**611**	5,495
Addition to right-of-use asset	14	**(1,001,628)**	-
Acquisition of property and equipment	13	**(3,389,660)**	(763,795)
Net cash used in investing activities		**(4,390,677)**	(758,300)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of loans	20	**49,613,693**	29,244,130
Finance costs paid related to lease liability	19,27	**(1,634,980)**	-
Finance costs paid related to loans	20,27	**(2,205,591)**	(745,226)
Payment of lease liability	19	**(2,371,532)**	-
Repayment of loans	20	**(15,144,282)**	(4,961,058)
Net cash from financing activities		**28,257,308**	23,537,846
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH	7,29	**(47,643)**	91,894
NET INCREASE (DECREASE) IN CASH		**2,518,159**	(3,424,511)
CASH AT BEGINNING OF YEAR		**3,950,375**	7,374,886
CASH AT END OF YEAR		**6,468,534**	3,950,375

(See Notes to Financial Statements)

RAMCO SYSTEM INC.
(A Wholly-owned Subsidiary of Ramco Systems Limited)
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

1. CORPORATE INFORMATION

Ramco System Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on April 5, 2016. The principal activity of the Company is to carry on the business pertaining to or connected with and involving information technology, computer data processing, computerized information, retrieval systems, computer software, development and management feasibility studies analysis and design or turnkey system for scientific, mathematical, statistical, statutory, financial banking, commercial and business applications, database management, software techniques, word processing software, electronic funds, transfer systems, on-line acquiring systems, transactional processing systems, data capture, data logging, computer graphics, plotting and charting software, process control software, simulations and modeling.

The Company is wholly-owned by Ramco Systems Limited, an entity incorporated under the laws of India.

The Company's registered office address is located at 1805 Cityland Condominium 10, Tower 1, 156 H.V. Dela Costa Street, Ayala North, Salcedo Village, Barangay Bel-air, Makati City while its current address is 17/F BDO Equitable Tower at No. 8751 Paseo de Roxas, Makati City.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Philippine Financial Reporting Standards Council (FRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRS). The term "PFRS" in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the FRSC and adopted by SEC.

These new and revised PFRS prescribe new accounting recognition, measurement and disclosure requirements applicable to the Company. When applicable, the adoption of the new standards was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

2.01 New and Revised PFRSs with Material Effect on Amounts Reported in the Current Year

PFRS 16 has been applied in the current period and had materially affected the amounts reported in these financial statements. Details of other new and revised PFRSs applied in these financial statements that have had no material effect on the financial statements are set out in section 2.02.

- PFRS 16, *Leases*

  PFRS 16 replaces PAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

  Introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

  On the other hand, it substantially carries forward the lessor accounting requirements in PAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

  PFRS 16 is effective for annual periods beginning on or after January 1, 2019.

  The Company elected to apply this standard in accordance with modified retrospective approach. The details are provided in Note 35.

2.02 New and Revised PFRSs Applied with No Material Effect on the Financial Statements

The following new and revised PFRSs have also been adopted in these financial statements. The application of these new and revised PFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendment clarifies that the exclusion of PFRS 9 applies only to interests a company accounts using the equity method. A company applies PFRS 9 to other interests in associates and joint venture, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

  The amendments are effective for annual periods beginning on or after January 1, 2019 and shall be applied retrospectively.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  This amends the existing requirements in PFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

The sign of prepayment amount is not relevant (i.e. this is depending on the interest rate prevailing at the time of termination), a payment may also be made in favor of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

The amendments are effective for annual periods beginning or after January 1, 2019 and shall be applied retrospectively.

- Amendments to PAS 19, *Plan Amendment, Curtailment or Settlement*

  The amendments require that if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the period after the remeasurement shall be determined using the assumptions used for the remeasurement. It clarifies the effect of a plan amendment, curtailment or settlement on the requirements regarding asset ceiling.

  The amendments are effective for annual periods beginning on or after January 1, 2019.

- Annual Improvements to PFRSs 2015-2017 Cycle

  Amendments to PFRS 3 and PFRS 11 - Previously held interest in a joint operation – The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interest in that business. The amendments to PFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interest in that business.

  Amendments to PAS 12 - Income tax consequences of payments on financial instruments classified as equity – The amendments clarify that the requirements in the former paragraph 52B (to recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognized) apply to all income tax consequences of dividends by moving the paragraph away from 52A that deals only with situations where there are different tax rates for distributed and undistributed profits.

  Amendments to PAS 23 - Borrowing costs eligible for capitalization – The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

  The amendments are effective beginning on or after January 1, 2019.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  It clarifies the accounting for uncertainties in income taxes. An entity is required to use judgment to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty.

  An entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

The amendments are effective for annual reporting periods beginning on or after January 1, 2019.

2.03 New and Revised PFRSs in Issue but Not Yet Effective

The Company will adopt the following standards and interpretations enumerated below when they become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS, to have significant impact on the financial statements.

2.03.01 Standard Adopted by FRSC and Approved by the Board of Accountancy (BOA)

- PFRS 17, *Insurance Contracts*

  PFRS 17 sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. It requires an entity that issues insurance contracts to report them on the balance sheet as the total of the fulfilment cash flows and the contractual service margin. It requires an entity to provide information that distinguishes two ways insurers earn profits from insurance contracts: the insurance service result and the financial result. It requires an entity to report as insurance revenue the amount charged for insurance coverage when it is earned, rather than when the entity receives premium. It requires that insurance revenue to exclude the deposits that represent the investment of the policyholder, rather than an amount charged for services. Similarly, it requires the entity to present deposit repayments as settlements of liabilities rather than as insurance expense.

  PFRS 17 is effective for annual periods beginning on or after January 1, 2021. Early application is permitted for entities that apply PFRS 9 Financial Instruments and PFRS 15 Revenue from Contracts with Customers on or before the date of initial application of PFRS 17.

  An entity shall apply PFRS 17 retrospectively unless impracticable, except that an entity is not required to present the quantitative information required by paragraph 28(f) of PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and an entity shall not apply the option in paragraph B115 for periods before the date of initial application of PFRS 17. If, and only if, it is impracticable, an entity shall apply either the modified retrospective approach or the fair value approach.

- Amendments to PFRS 3, *Definition of a Business*

  The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. It narrows the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing reference to an ability to reduce costs. It adds guidance and illustrative examples to help entities assess whether a substantive process has been acquired. It removes the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. It adds an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are effective beginning on or after January 1, 2020. Earlier application is permitted.

- Amendments to PAS 1 and PAS 8, *Definition of Material*

  The definition of material has been amended as follows: information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

  The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

2.03.02 Deferred

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

  The amendments clarify the treatment of the sale or contribution of assets between an investor and its associate and joint venture. This requires an investor in its financial statements to recognize in full the gains and losses arising from the sale or contribution of assets that constitute a business while recognize partial gains and losses if the assets do not constitute a business (i.e. up to the extent only of unrelated investor share).

  On January 13, 2016, the FRSC decided to postpone the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

3.01 Statement of Compliance

The financial statements have been prepared in conformity with PFRS and are under the historical cost convention, except for certain financial instruments that are carried at amortized cost.

3.02 Functional and Presentation Currency

Items included in the financial statements of the Company are measured using Philippine Peso (₱), the currency of the primary economic environment in which the Company operates (the "functional currency").

The Company chose to present its financial statements using its functional currency.

3.03 Current and Non-current Presentation

The Company classifies an asset as current when:

- It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- It holds the asset primarily for the purpose of trading;
- It expects to realize the asset within twelve (12) months after the reporting period; or
- The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

The Company classifies all other assets as non-current.

The Company classifies a liability as current when:

- It expects to settle the liability in its normal operating cycle;
- It holds the liability primarily for the purpose of trading;
- The liability is due to be settled within twelve (12) months after the reporting period; or
- It does not have an unconditional right to defer settlement of the liability for at least twelve (12) months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

4. SIGNIFICANT ACCOUNTING POLICIES

Principal accounting and financial reporting policies applied by the Company in the preparation of its financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

4.01 Fair Value Measurement

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.

When measuring fair value, the Company takes into consideration 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.

A fair value measurement assumes that the transaction to sell the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. In addition, it assumes that the transaction takes place either: (a) in the principal market; or (b) in the absence of a principal market, in the most advantageous market.

The Company considers the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

A fair value measurement assumes that a financial or non-financial liability or an entity's own equity instruments (e.g. equity interests issued as consideration in a business combination) is transferred to a market participant at the measurement date.

The transfer of a liability or an entity's own equity instrument assumes the following:

- A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date.
- An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient date are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- 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.
- Level 3 inputs are unobservable inputs for the asset or liability.

4.02 Financial Assets

4.02.01 Initial Recognition and Measurement

The Company recognizes a financial asset in its statements of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Except for trade receivables that do not have a significant financing component, at initial recognition, the Company measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

At initial recognition, the Company measures trade receivables that do not have a significant financing component at their transaction price.

4.02.02 Classification

- Financial Asset at Amortized Cost

  A financial asset shall be measured at amortized cost if both of the following conditions are met:

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

  The Company's financial assets at amortized cost include cash in bank, trade and other receivables, contract asset, security deposits and advances to employees under prepayment and other current assets and other non-current assets.

  a) Cash

  Cash includes cash on hand and cash in banks which is stated at face value and cash deposits held at call with bank that are subject to insignificant risk of change in value. This shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

  b) Trade and Other Receivables

  Trade and other receivables are measured at amortized cost using the effective interest method, less any impairment. Finance income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

  c) Contract Asset

  Contract asset pertains to unbilled receivables from sale of licenses and services. This represents the Company's right to consideration in exchange for services that the Company transferred to its customers. This is measured at amortized cost using the effective interest method, less any impairment.

  d) Security Deposits

  Security deposits paid by the Company to lessors are measured at the amount of cash paid. This is to be refunded to the Company when the lease term expires.

  The Company has no financial assets measured at fair value through profit or loss and through other comprehensive income.

  e) Advances to Employees

  Advances to employees pertain to cash advances granted to employees which are either subject to liquidation or salary deduction. Advances subjected to salary deductions can be offset against financial liabilities. These are initially measured at cost and are subsequently recognized as expense upon liquidation.

4.02.03 Reclassification

When, and only when, the Company changes its business model for managing financial assets it shall reclassify all affected financial assets in accordance with Note 4.02.02. If the Company reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. The Company shall not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

4.02.04 Effective Interest Method

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets and financial assets that are not purchased or originated credit-impaired but subsequently have become credit-impaired.

4.02.05 Impairment

The Company measures expected losses 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
- Reasonable and supportable assumption that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Company adopted the following approaches in accounting for impairment.

➢ Simplified Approach

The Company always measures the loss allowance at an amount equal to lifetime expected credit losses for trade and other receivables and contract assets. The Company determines that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the counterparty;
- A breach of contract, such as a default or past due event;
- The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; and
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

➢ General Approach

The Company applies general approach to cash in bank. At each reporting date, the Company measures the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. However, if the credit risk has not increased significantly, the Company measures the loss allowance equal to 12-month expected credit losses.

The Company compares the risk of default occurring as at the reporting date with the risk of default occurring as at the date of initial recognition and consider the macro-economic factors such as GDP, interest, and inflation rates, the performance of the counterparties' industry, and the available financial information of each counterparty to determine whether there is a significant increase in credit risk or not since initial recognition.

The Company determines that there has been a significant increase in credit risk when there is a significant decline in the factors.

The Company may assume that the credit risk on a financial instrument has not increased significantly since initial recognition of the financial instrument is determined to have low credit risk at the reporting date.

If the Company has measured the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date, that the credit quality improves (i.e. there is no longer a significant increase in credit risk since initial recognition), then the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

The Company recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

The Company performs the assessment of significant increases in credit risk on an individual basis for significant financial assets while collective basis on its other financial assets.

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

- Significant financial difficulty of the counterparty;
- A breach of contract, such as a default or past due event;
- The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; and
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

4.02.06 Derecognition

The Company derecognizes a financial asset when, and only when the contractual rights to the cash flows of the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition. The difference between the carrying amount and the consideration received is recognized in profit or loss.

4.02.07 Write-off

The Company directly reduces the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

4.03 Prepayments and Other Current Assets

4.03.01 Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. These 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 expenses related to prepayments are expected to be incurred within one year or the Company normal operating cycle whichever is longer. Otherwise, prepayments are classified as non-current assets.

4.04 Property and Equipment

Property and equipment are initially measured at cost. The cost of an asset consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Subsequent to initial recognition, property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditures relating to an item of computer equipment that has already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

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

Office equipment	5 years
Computer equipment	5 years
Furniture	5 years

The property and equipment's useful lives, residual values, and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An item of property and equipment is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of a computer equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

4.05 Borrowing Costs

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.06 Impairment of Assets

At each reporting date, the Company assesses whether there is any indication that any assets other than deferred tax assets and financial assets that are within the scope of PFRS 9, *Financial Instruments* 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. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units 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 cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income.

4.07 Financial Liabilities

4.07.01 Initial Recognition and Measurement

The Company recognizes a financial liability in its statements of financial position when, and only when, the Company becomes party to the contractual provisions of the instrument.

Except for trade payables that do not have a significant financing component, at initial recognition, the Company measures a financial liability at its fair value minus transaction costs that are directly attributable to the acquisition or issue of the liability.

4.07.02 Classification

The Company classifies all financial liabilities as subsequently measured at amortized, except for:

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in a business combination.

The Company's financial liabilities measured at amortized cost include trade payables, borrowings, contract liability, lease liability, due to related parties and other current financial liabilities.

The Company has no financial liabilities measured at fair value through profit or loss in both years.

4.07.03 Derecognition

The Company removes a financial liability (or part of a financial liability) from its statements of financial position when, and only when, it is extinguished (i.e. when the obligation in the contract is discharged or cancelled or expires).

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4.08 Equity Instruments

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

Ordinary shares are classified as equity.

4.09 Contract Liability

Contract liability pertains to advance billings made to customer based on contractual terms. This represents the Company's obligation to transfer services to clients for which the Company has received consideration thereof. This is initially recognized at the amount of cash received. Subsequently, this is reclassified to revenue upon meeting the criteria of revenue recognition in Note 4.12.

4.10 Employee Benefits

4.10.01 Short-term Benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Company to its employees include salaries and wages, reimbursements of salaries and wages, SSS, Philhealth and HDMF contributions and other employee costs.

4.11 Provisions

Provisions are recognized when the Company has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.12 Revenue Recognition

The Company recognizes revenue when (or as) the Company satisfies a performance obligation by transferring a promised good or service (i.e. asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Company derives revenues from the following streams: (1) License fees (2) Software/implementation, hosting and installation services (3) Product Support Service Fees (4) Application Maintenance Service Fees and Charges (5) Software as a Service (SaaS) and (6) Managed Services.

<u>4.12.01 Performance Obligations Satisfied Over Time</u>

The Company's revenues through rendering of service is recognized over time, this is when:

- The Company transfers control of a service over time and, therefore, satisfies a performance obligation and recognizes revenue over time when the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; and
- The Company's performance creates a right that allows the customer to access or navigate the software within the license period.

The specific recognition criteria described below must be met before revenue is recognized.

<u>4.12.01.01 License Fees</u>

Software license revenues represent all fees earned from granting customers licenses to use the Company's software, through initial licensing and or through the purchase of additional modules or user rights. For software license arrangements that do not require significant modification or customization of the underlying software, revenue is recognized on delivery of the software, including cases with extended credit period, when, in the opinion of the Company, there are no collectability concerns.

<u>4.12.01.02 Software/Implementation, Hosting and Installation Fees</u>

Software/implementation, hosting and installation contracts are either fixed price or time and material based. In the case of fixed price contracts, revenue is recognized in accordance with percentage of completion method. In the case of time and material contracts, revenue is recognized based on billable time spent in the project, priced at the contractual rate.

Non-refundable one-time upfront fees for enablement/application installation, consisting of standardization set-up, initiation or activation or user login creation services in the case of hosting contracts, forming part of the implementation services are recognized in accordance with percentage of completion method.

4.12.01.03 Product Support Service Fees

Fees for product support services, covering inter alia improvement and upgradation of the basic software, whether sold separately (e.g., renewal period AMC) or as an element of a multiple-element arrangement, are recognized as revenue ratably on straight line basis, over the term of the support arrangement.

4.12.01.04 Application Maintenance Service Fees and Charges

Fees for the application maintenance services, covering inter alia the support of the customized software, are recognized as revenue ratably on straight line basis, over the term of the support arrangement.

4.12.01.05 Software as Service (SaaS) Fees

Subscription fees for offering the hosted software as a service are recognized as revenue ratably on straight line basis, over the term of the subscription arrangement.

4.12.01.06 Managed Services

Fees for managed services, which include business processing services, are recognized as revenue as services are provided.

4.12.07 Finance Income

Finance income is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Finance 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 on initial recognition.

4.13 Expense Recognition

Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Company.

The Company recognizes expenses in the statements of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

4.14 Leases

Policy applicable from January 1, 2019

4.14.01 The Company as Lessee

The Company considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for a consideration. To apply this definition the Company assesses whether the contract meets three (3) key evaluations, which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company.

- The Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- The Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

Right-of-Use (ROU) Asset

At the commencement date, the Company measures the ROU asset at cost, which comprises of:

- initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any incentives received;
- any initial direct costs incurred by the Company;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Company incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

The Company depreciates the ROU asset on a depreciation method from the lease commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The Company also assesses the ROU asset for impairment when such indicators exist.

On the statements of financial position, right-of-use assets have been presented as a separate line item.

Lease Liability

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or if not, the Company uses the incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under the residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect in-substance fixed lease payments.

The Company recognizes the amount of remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the remeasurement in profit or loss.

On the statements of financial position, lease liabilities have been presented as a separate line item.

Policy applicable before January 1, 2019

4.14.02 The Company as Lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4.15 Foreign Currency Transactions

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency, i.e. foreign currencies, are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences are recognized in profit or loss in the period in which they arise.

4.16 Related Parties and Related Party Transactions

A related party is a person or entity that is related to the Company that is preparing its financial statements. A person or a close member of that person's family is related to Company if that person has control or joint control over the Company, has significant influence over the Company, or is a member of the key management personnel of the Company or of a parent of the Company.

An entity is related to the Company if any of the following conditions applies:

- The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- The entity is controlled or jointly controlled by a person identified above.

- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- Management entity providing key management personnel services to a reporting entity.

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Company and include that person's children and spouse or domestic partner; children of that person's spouse or domestic partner; and dependents of that person or that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Transactions between related parties are accounted for at arm's-length prices or on terms similarly offered to non-related entities in an economically comparable market.

4.17 Taxation

Income tax expense represents the sum of current and deferred taxes.

4.17.01 Current Tax

The current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4.17.02 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 bases 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, carry forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction that affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. 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 set off current tax assets against current tax liabilities and when they 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.

4.17.03 Current and Deferred Taxes for the Period

Current and deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss, whether in other comprehensive income or directly in equity, in which case the tax is also recognized outside profit or loss.

4.18 Events after the Reporting Period

The Company identifies subsequent events as events that occurred after the reporting period but before the date when the financial statements were authorized for issue. Any subsequent events that provide additional information about the Company's position at the reporting period, adjusting events, are reflected in the financial statements, while subsequent events that do not require adjustments, non-adjusting events, are disclosed in the notes to financial statements when material.

4.19 Changes in Accounting Policies

The adoption of the new and revised standards and as disclosed in Notes 2.02 and 2.03 was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Company's accounting policies, which are described in Note 4, 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 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.

5.01 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 entity's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

5.01.01 Determining whether or not it is Reasonably Certain that an Extension Option will be Exercised and Termination Option will not be Exercised

Lease term is the non-cancellable period for which the Company is reasonably certain to exercise an option to extend (or not to terminate) a lease. The Company considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option when determining the lease term and the enforceability of the option. The option to extend the lease term should be included in the lease term if it is reasonably certain that the lessee will exercise the option and the option is enforceable. The Company is required to reassess the option when significant events or changes in circumstances occur that are within the control of the lessee.

For contracts in place at the date of initial application, the Company has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

For lease contract entered into in 2020, Management assessed that the Company cannot extend the lease term beyond the non-cancelable lease period on the Company's leased office spaces because the renewal is subject to mutual consent by both parties. Hence, extension of lease contract without mutual consent of both parties is not enforceable under the Philippine law.

5.01.02 Assessment of Contractual Terms of a Financial Asset

The Company determines whether the contractual terms of a financial asset give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding. In making its judgments, the Company considers whether the cash flows before and after the changes in timing or in the amount of payments represent only payments of principal and interest on the principal amount outstanding.

Management assessed that the contractual terms of its financial assets are solely payments of principal and interest and consistent with the basic lending arrangement. Contract asset is considered as financial asset of the Company.

As of March 31, 2020 and 2019, the carrying amount of financial assets amounted to ₱486,904,460 and ₱440,095,522, respectively, as disclosed in Note 33.01.

5.01.03 Assessment of Timing of Satisfaction of Performance Obligations

An entity satisfies a performance obligation by transferring control of a promised good or service to the customer, which could occur over time or at a point in time.

Management assessed that performance obligation is satisfied over time for its customer contract. This is when the Company's performance creates a right of use that the customer can access as the license is granted.

Management assessed that there is no performance obligation to be satisfied at a point in time.

In 2020 and 2019, revenue from customer contracts amounted to ₱444,268,931 and ₱403,815,785, respectively, as disclosed in Note 23.

5.01.04 Assessment of the Allocation of Transaction Price to Performance Obligations

A performance obligation is a vendor's promise to transfer a good or service that is 'distinct' from other goods and services identified in the contract.

Management assessed that the allocation of transaction price to performance obligations is dependent on the multiple element arrangement presented on the contract.

Software licenses are often sold in combination with implementation and product support services. The consideration in such multiple element contracts is allocated based either on the fair value of each element or on the residual method. Under the residual method, the balance of the consideration, after allocating the fair values of undelivered components of a transaction, has been allocated to the delivered components for which specific fair values do not exist.

Revenues from implementation services in respect of hosting contracts are to be recognized as revenue ratably over the longer of the contract term or the estimated expected life of the customer relationship. However, considering the existence of partners being available for rendering such implementation services, these services are considered to be a separate element and recognized in accordance with percentage of completion method.

5.01.05 Assessment of 30 days Rebuttable Presumption

The Company determines when a significant increase in credit risk occurs on its financial assets based on the credit management practice of the Company.

Management believes that the 30 days rebuttable presumption on determining whether there is a significant increase in credit risk in financial assets is not applicable because based on the Company's historical experience, credit risk has not increased significantly despite having accounts that are past due for more than 30 days.

5.01.06 Assessment of 90 days rebuttable presumption

The Company determines when a default occurs on its financial assets based on the credit Management practice of the Company.

Management believes that the 90 days rebuttable presumption on determining whether financial assets are credit impaired is not applicable because based on the Company's historical experience and aging schedules, there are no past due amounts of 90 days and beyond.

5.01.07 Determining whether or not a Contract Contains a Lease

For lease contract entered into prior to 2020, the Company elected to apply the definition of a lease from PAS 17 and IFRIC 4 and has not applied PFRS 16 to arrangements that were previously not identified as lease under PAS 17 and IFRIC 4.

For lease contract entered into in 2020, Management assessed that lease of office space qualified as a lease since the contract contains an identified asset, the Company has the right to obtain substantially all of the economic benefits, and the Company has the right to direct the use of the identified asset throughout the period of use.

5.01.08 Functional Currency

PAS 21 requires Management to use its judgment to determine the Company's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Company considers the following:

- the currency that mainly influences sales prices for financial instruments and services;
- the currency that mainly influences labor, material and other costs of providing goods or services; and
- the currency in which receipts from operating activities are usually retained.

The Company's contract assets, trade and other payables and borrowings are denominated in foreign currency. However, Philippine Peso (₱) is the currency of the primary economic environment in which the Company operates. It is the currency that influences the revenues and most of the expenditures of the Company. Hence, Management believes that Philippine Peso (₱) is the Company's functional currency since it represents the economic substance relevant to the Company.

5.01.09 Revenue Recognition

The Company uses several revenue recognition methods in accounting for its revenues as disclosed in Note 4.12. Use of these methods require the Company to determine the allocation of the contract price based on the disclosed accounting policy.

Table below summarizes the revenue recognition per revenue account:

Revenue account	Recognition process
License	Upon delivery of license
Implementation, installation and hosting	Percentage of completion
Application maintenance services and charges	Ratably on straight-line basis
Time and material	Based on actual effort
Change request	Based on actual effort
Subscription	Ratably on straight-line basis

The Company has recognized revenues amounting to ₱444,268,931 and ₱403,815,785 in 2020 and 2019, respectively, as disclosed in Note 23.

5.02 Key Sources of Estimation Uncertainties

The following are the key assumptions concerning the future and other key sources of estimation uncertainties at the end of the reporting periods that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5.02.01 Estimating the Appropriate Discount Rate to Use

The Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or if not, the Company uses the incremental borrowing rate.

Management used its incremental borrowing rate of 8.75% to measure the present value of its lease liabilities since the implicit rate was not readily available.

5.02.02 Estimating Expected Credit Losses of Financial Assets

The Company evaluates the expected credit losses related to its financial assets based on an individual assessment for significant financial assets and collective assessment on other financial assets by grouping financial assets that shares similar credit risk characteristics and available facts and circumstances, including, but not limited to historical loss experience and economic factors.

The Company uses credit ratings, performance of banking industry, macro-economic and bank's financial information to assess the expected credit losses on its cash in banks. In view of the foregoing factors, Management believes that the expected credit loss is nil.

The Company uses advancement in technology, growth in software industry and macro-economic factors to assess the expected credit losses on its contract asset and trade receivables. In view of the foregoing factors, Management believes that the expected credit loss on trade receivables amounted to ₱2,126,672 and ₱115,000 as of March 31, 2020 and 2019, respectively, as disclosed in Note 8, while expected credit loss on contract asset amounted to ₱10,387,695 and ₱5,500,000 as of March 31, 2020 and 2019, respectively, as disclosed in Note 9.

In 2020 and 2019, Management believes that the collectability of security deposits is certain and that the expected credit loss is considered immaterial; hence, the Company did not recognize provision on credit loss.

As of March 31, 2020 and 2019, the carrying amount of financial assets amounted to ₱486,904,460 and ₱440,095,522, respectively, as disclosed in Note 33.01.

5.02.03 Reviewing Residual Values, Useful Lives and Depreciation Method of Property and Equipment

The residual values, useful lives and depreciation method of the Company's property and equipment is reviewed at least annually, and adjusted prospectively, if appropriate, if there is an indication of a significant change in how an asset is used; significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date. The useful lives of the Company's property and equipment are estimated based on the period over which the equipment is expected to be available for use. In determining the useful life of equipment, the Company considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Company's property and equipment. In addition, the estimation of the useful lives is based on 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 equipment would increase the recognized operating expenses and decrease non-current assets. The Company uses a depreciation method that reflects the pattern in which it expects to consume the equipment's future economic benefits. If there is an indication that there has been a significant change in the pattern used by which the Company expects to consume equipment's future economic benefits, the Company shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern.

In both years, Management assessed that there are no indications of any change in pattern used by the Company in consuming its property and equipment's future economic benefits. As of March 31, 2020 and 2019, the carrying amounts of property and equipment are ₱3,719,998 and ₱1,174,329, respectively, as disclosed Note 13.

5.02.04 Impairment of Non-financial Assets

The Company performs an impairment review when certain impairment indicators are present. Determining the fair value of prepayments and other currents assets, property and equipment, right-of-use asset and other non-current assets which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that prepayments and other currents assets, property and equipment, right-of-use asset and other current assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgments and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

In both years, Management assessed that there is no indication of impairment existed on the aforementioned assets. As of March 31, 2020 and 2019, the aggregate carrying amounts of the aforementioned assets are ₱22,150,275 and ₱6,190,509, respectively, as disclosed in Notes 12, 13 and 14.

5.02.05 Recoverability of Deferred Tax Assets

The Company reviews the carrying amounts at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

In both years, Management believes that the Company will be able to generate future taxable profit to allow its entire deferred tax assets to be utilized. As of March 31, 2020 and 2019, deferred tax assets recognized by the Company amounted to ₱5,809,514 and ₱1,887,031, respectively, as disclosed in Note 32.

6. FINANCIAL ASSETS

Details of financial assets are as follows:

March 31, 2020		
	Current	**Non-current**
Cash (Note 7)	**₱ 6,468,534**	**₱ -**
Trade and other receivables – net (Note 8)	**108,704,896**	**-**
Contract assets – net (Note 9)	**209,223,868**	**151,140,308**
Security deposits (Note 10)	**6,000,000**	**1,001,628**
Advances to employees (Note 11)	**3,523,906**	**841,320**
Balance, March 31	**₱ 333,921,204**	**₱ 152,983,256**

March 31, 2019		
	Current	Non-current
Cash (Note 7)	₱ 3,950,375	₱ -
Trade and other receivables – net (Note 8)	101,042,911	-
Contract assets – net (Note 9)	204,711,631	128,331,244
Security deposits (Note 10)	536,400	1,001,628
Advances to employees (Note 11)	521,333	-
Balance, March 31	₱ 310,762,650	₱ 129,332,872

7. CASH

For the purpose of the statements of cash flows, cash pertains to cash on hand and cash in bank.

Cash at the end of each reporting period as shown in the statements of cash flows can be reconciled to the related item in the statements of financial position as follows:

	2020	2019
Cash on hand	**₱ 9,947**	₱ -
Cash in bank	**6,458,587**	3,950,375
	₱ 6,468,534	₱ 3,950,375

Cash in bank earns interest at floating rates based on bank's daily deposit rates. Finance income presented in the statements of comprehensive income amounted to ₱611 and ₱5,495 in 2020 and 2019, respectively, as disclosed in Note 24.

In 2020 and 2019, the Company recognized unrealized foreign exchange loss and gain amounting to ₱47,643 and ₱91,894, respectively, as disclosed in Note 29.

8. TRADE AND OTHER RECEIVABLES – net

The Company's trade and other receivables shown in the statements of financial position are as follows:

	2020	2019
Trade	**₱ 106,333,621**	₱ 99,826,814
Allowance for expected credit losses (Note 34.02)	**(2,126,672)**	(115,000)
	104,206,949	99,711,814
Others (Note 20)	**4,497,947**	1,331,097
	₱ 108,704,896	₱ 101,042,911

Trade receivables pertain to billed portion of contract asset.

The average credit period on sale of services is within thirty (30) days or may vary depending on the agreement with customers. No interest is charged on outstanding balance of trade receivables.

The movements in the allowance for credit losses are as follows:

	2020	2019
Balance at April 1	**₱ 115,000**	₱ -
Expected credit losses	**2,011,672**	115,000
Balance at March 31	**₱ 2,126,672**	₱ 115,000

Aging of accounts that are past due but not impaired is as follows:

	2020	2019
31 – 60 days	**₱ 12,625,285**	₱ 13,053,600
61 – 90 days	**3,550,830**	-
Over 90 days	**23,929,152**	25,810,533
	₱ 40,105,267	₱ 38,864,133

In 2020 and 2019, the Company recognized unrealized foreign exchange loss and gain amounting to ₱352,004 and ₱24,695, respectively, as disclosed in Note 29.

9. **CONTRACT ASSET** – net

Details of the Company’s contract asset shown in the statements of financial position are as follows:

	2020	2019
Current	**₱ 214,937,120**	₱ 204,711,631
Non-current	**155,814,751**	133,831,244
	370,751,871	338,542,875
Allowance for expected credit loss (Note 34.02)	**(10,387,695)**	(5,500,000)
	₱ 360,364,176	₱ 333,042,875

Contract asset pertains to outstanding balances for license and service fees which will be billed by the Company based on contractual terms and with an average term of one (1) to five (5) years. This arises from revenues in excess of billings and is often referred as unbilled revenues. The Company may also charge interest based on agreement with customers amounting to 3.5% in both years. Interest earned on licenses charged by the Company in 2020 and 2019 amounted to ₱5,776,726 and ₱6,881,597, respectively, as disclosed in Note 24.

Details of allowance for expected credit loss are as follows:

	2020	2019
Current	**₱ 5,713,252**	₱ -
Non-current	**4,674,443**	5,500,000
	₱ 10,387,695	₱ 5,500,000

In 2020 and 2019, the Company recognized unrealized foreign exchange loss amounting to ₱4,864,048 and ₱1,477,087, respectively, as disclosed in Note 29.

10. **SECURITY DEPOSITS**

The details of the Company’s security deposits as disclosed in Note 30 are as follows:

	2020	2019
Current	**₱ 6,000,000**	₱ 536,400
Non-current	**1,001,628**	1,001,628
	₱ 7,001,628	₱ 1,538,028

Security deposit amounting to P6,000,000 pertains to a bid deposit made by the Company for a specific project during the year.

11. ADVANCES TO EMPLOYEES

The details of the Company's advances to employees are shown below:

		2020		2019
Current	₱	**3,523,906**	₱	521,333
Non-current		**841,320**		-
	₱	**4,365,226**	₱	521,333

Advances to employees pertain to salaries and travel allowances which are subject to liquidation.

12. OTHER NON-FINANCIAL ASSETS

The details of the Company's other non-financial assets are shown below:

		2020		
		Current		**Non-current**
Prepaid expenses	₱	**279,066**	₱	**105,600**
Advances to vendors		**85,566**		-
	₱	**364,632**	₱	**105,600**
		2019		
		Current		Non-current
Prepaid expenses	₱	1,745,185	₱	-
Advances to vendors		2,269,367		-
Advance rental (Note 30)		1,001,628		-
	₱	5,016,180	₱	-

Prepaid expenses pertain to group insurances, heath care and other prepaid expenses.

Advances to vendors pertain to the amount paid to vendors in exchange for future services.

13. PROPERTY AND EQUIPMENT – net

The carrying amounts of the Company’s property and equipment as of March 31, 2020 and 2019 are as follows:

	Computer Equipment	Office Equipment	Furniture	Total
April 1, 2018				
Cost	₱ 359,634	₱ 386,784	₱ -	₱ **746,418**
Accumulated depreciation	(76,946)	(58,071)	-	**(135,017)**
Carrying amount	**282,688**	**328,713**	-	**611,401**
Movements during 2019				
Balance, April 1, 2018	282,688	328,713	-	**611,401**
Additions	763,795	-	-	**763,795**
Depreciation (Note 26)	(123,511)	(77,356)	-	**(200,867)**
Balance, March 31, 2019	**922,972**	**251,357**	-	**1,174,329**
March 31, 2019				
Cost	1,123,429	386,784	-	**1,510,213**
Accumulated depreciation	(200,457)	(135,427)	-	**(335,884)**
Carrying amount	**922,972**	**251,357**	-	**1,174,329**
Movements during 2020				
Balance, April 1, 2019	922,972	251,357	-	**1,174,329**
Additions	535,313	1,920,452	933,895	**3,389,660**
Depreciation (Note 26)	(290,976)	(366,236)	(186,779)	**(843,991)**
Balance, March 31, 2020	**1,167,309**	**1,805,573**	**747,116**	**3,719,998**
March 31, 2020				
Cost	1,658,742	2,307,236	933,895	**4,899,873**
Accumulated depreciation	(491,433)	(501,663)	(186,779)	**(1,179,875)**
Carrying amount	₱ **1,167,309**	₱ **1,805,573**	₱ **747,116**	₱ **3,719,998**

All additions were paid in cash in both years.

In years presented, Management believes that there is no impairment in the carrying amount of its property and equipment.

14. RIGHT-OF USE ASSET – net

The details of the Company's right-of-use asset are as follows:

		2020		2019
Balance as of April 1				
Cost	₱	**20,037,267**	₱	-
Accumulated depreciation		-		-
Carrying amount		**20,037,267**		-
Movements during the year				
Balance as of April 1		**20,037,267**		-
Addition		**1,001,628**		-
Depreciation (Note 26)		**(3,078,850)**		-
Balance, as of March 31		**17,960,045**		-
March 31				-
Cost		**21,038,895**		-
Accumulated depreciation		**(3,078,850)**		-
Carrying amount	₱	**17,960,045**	₱	-

The Company's ROU assets pertain to the office space located at 17/F BDO Equitable Tower located at No. 8751 Paseo de Roxas, Makati City, as detailed in Note 18.

As of March 31, 2020 and 2019, lease liability related to right-of-use assets amounted to ₱17,665,736 and nil, as disclosed in Note 19.

The Company opted to use modified retrospective approach and therefore comparative information has not been restated, as disclosed in Note 37.

In both years, the Company has determined that there is no indication that an impairment has occurred on its right-of-use assets.

15. FINANCIAL LIABILITIES

Details of financial liabilities are as follows:

March 31, 2020		
	Current	**Non-current**
Trade (Note 16)	**₱ 3,352,208**	**₱** -
Accrued expenses (Note 16)	**44,243,931**	-
Contract liability (Note 18)	**36,341,480**	-
Borrowings (Note 20)	**60,450,884**	-
Lease liability (Note 19)	**2,703,050**	**14,962,686**
Due to related parties (Note 20)	**207,379,725**	-
Other financial liabilities (Note 16)	**3,808,977**	-
Balance, March 31	**₱ 358,280,255**	**₱ 14,962,686**

March 31, 2019		
	Current	Non-current
Trade (Note 16)	₱ 2,897,360	₱ -
Accrued expenses (Note 16)	22,539,319	-
Contract liability (Note 18)	35,910,039	-
Borrowings (Note 20)	24,365,916	-
Due to related parties (Note 20)	189,683,951	-
Balance, March 31	₱ 275,396,585	₱ -

16. TRADE AND OTHER PAYABLES

The components of trade and other payables account are as follows:

	2020	2019
Trade	**₱ 3,352,208**	₱ 2,897,360
Accrued expenses	**44,243,931**	22,539,319
Payable to government agencies	**6,155,051**	25,872,217
Other current financial liabilities	**3,808,977**	-
	₱ 57,560,167	₱ 51,308,896

The average credit period on purchases of services from suppliers is thirty (30) days. No interest is charged on trade payables from the date of invoice.

Payable to government agencies pertains to withholding taxes payable, VAT payable, and statutory employee welfare contribution payable at reporting dates.

Other current financial liabilities pertain to royalty payable to Parent Company which are still unbilled to customers.

In 2020 and 2019, the Company recognized unrealized foreign exchange gain amounting to ₱8,624 and ₱14,446, respectively as disclosed in Note 29.

Breakdown of accrued expenses is as follows:

		2020		2019
Subcontractors	₱	**16,524,132**	₱	-
Commission		**12,606,085**		11,235,028
Travel		**4,520,484**		3,842,890
Hosting		**1,792,610**		1,973,561
Payable to employees		**1,143,795**		530,222
Others		**7,656,825**		4,957,618
	₱	**44,243,931**	₱	22,539,319

Others pertains to accruals of salaries, paid leave encashments, bonuses and support service cost.

17. PROVISIONS

The details of the Company's provisions shown in the statements of financial position are as follows:

		2020		2019
Current	₱	**166,652**	₱	-
Non-current		**513,267**		461,162
	₱	**679,919**	₱	461,162

Current portion pertains to provision for leave encashment while non-current portion pertains to provision for gratuity.

18. CONTRACT LIABILITY

Details of the Company's contract liability is as follows:

		2020		2019
Balance, April 1	₱	**35,910,039**	₱	52,364,741
Increase (Decrease) arising from a change in the measure of progress		**431,441**		(16,454,702)
Balance, March 31	₱	**36,341,480**	₱	35,910,039

Contract liability pertains to advance billing made to customers based on contractual terms. In 2020 and 2019, the Company recognized unrealized foreign exchange gain amounting to nil and ₱754,875, respectively as disclosed in Note 29.

19. LEASE LIABILITY

The future minimum lease payments at the end of the reporting period are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2020	2019	**2020**	2019
Not later than one year	₱ **2,783,240**	₱ -	₱ **2,703,050**	₱ -
Later than one year but not later than five years	**15,194,571**	-	**14,962,686**	-
	17,977,811	-	**17,665,737**	-
Discount	**(312,075)**	-	**n/a**	n/a
Present value of minimum lease payments	**17,665,736**	-	**17,665,736**	-
Current lease liability	**2,703,050**	-	**2,703,050**	-
Non-current lease liability	**14,962,686**	-	**14,962,686**	-

Payments of lease liabilities amounted to ₱2,371,532 and nil in 2020 and 2019, respectively. Finance cost paid related to the lease amounted to ₱1,634,980 and nil in 2020 and 2019, respectively, as disclosed in Note 27.

20. RELATED PARTY TRANSACTIONS

Nature of relationships of the Company and its related parties are disclosed below:

Related Parties	Nature of Relationship
Ramco Systems Limited, India	Parent
Ramco Systems Sdn. Bhd., Malaysia	Fellow Subsidiary
Ramco Systems Pte. Ltd., Singapore	Fellow Subsidiary
Ramco Systems Australia Pty. Ltd, Australia	Fellow Subsidiary
Ramco Systems (Shanghai) Co. Ltd., China	Fellow Subsidiary
Ramco Systems Limited, Switzerland	Fellow Subsidiary
Ramco Systems Corporation, USA	Fellow Subsidiary
PT Ramco Systems Indonesia, Indonesia	Fellow Subsidiary

Balances and transactions between the Company and its related parties are disclosed below:

20.01 Due from Related Parties

Balances of due from related parties as disclosed in Note 8 are summarized per category as follows:

	2020	2019
Parent company	₱ **328,785**	₱ -
Fellow subsidiaries	**4,169,162**	1,331,097
Balance, March 31	₱ **4,497,947**	₱ 1,331,097

20.01.01 Parent Company

Transaction with parent is detailed below:

	March 31, 2020		March 31, 2019	
	Amount/ Volume	**Outstanding Balance**	Amount/ Volume	Outstanding Balance
Ramco Systems Limited				
Reimbursements	**₱ 1,271,311**	**₱ 328,785**	₱ -	₱ -

Reimbursements pertain to salaries paid by the Company on behalf of its parent.

The amount outstanding is unsecured, non-interest bearing, collectible on demand and will be settled in cash. No guarantees have been received. No provisions have been made for expected credit loss in respect of the amounts owed by the Parent Company.

20.01.02 Fellow Subsidiaries

Transactions with fellow subsidiaries are detailed below:

	March 31, 2020		March 31, 2019	
	Amounts/ Volume	**Outstanding Balances**	Amount/ Volume	Outstanding Balance
Ramco Systems Pte Ltd.				
Reimbursements	**₱ 5,279,898**	**₱ 4,079,898**	₱ 1,331,097	₱ 1,331,097
Ramco Systems (Shanghai) Co. Ltd., China				
Reimbursements	**98,049**	**88,244**	-	-
Ramco Systems Pty Ltd, Australia				
Reimbursements	**1,020**	**1,020**	-	-
	₱ 5,378,967	**₱ 4,169,162**	₱ 1,331,097	₱ 1,331,097

Reimbursements pertain to salaries and travel expenses paid by the Company on behalf of its related parties.

The amounts outstanding are unsecured, non-interest bearing, collectible on demand and will be settled in cash. No guarantees have been received. No provisions have been made for expected credit loss in respect of the amounts owed by the related parties.

20.02 Due to Related Parties

Balances of due to related parties are summarized per category as follows:

	March 31, 2020		
	Parent Company	**Fellow Subsidiaries**	**Total**
Royalties	**₱ 13,874,123**	**₱ (350,651)**	**₱ 13,523,472**
Software service expense	**91,688,986**	**-**	**91,688,986**
Marketing, travel, hosting, salaries and bank charges	**51,215,867**	**50,951,400**	**102,167,267**
Loan	**14,941,723**	**45,509,161**	**60,450,884**
Balance, March 31	**₱ 171,720,699**	**₱ 96,109,910**	**₱267,830,609**

	March 31, 2019		
	Parent Company	Fellow Subsidiaries	Total
Royalties	₱ 66,589,430	₱ 1,687,500	₱ 68,276,930
Software service expense	68,333,164	-	68,333,164
Marketing, travel, hosting, salaries and bank charges	32,723,116	20,350,742	53,073,858
Loan	24,365,916	-	24,365,916
Balance, March 31	₱ 192,011,626	₱ 22,038,242	₱214,049,868

20.02.01 Parent Company

Transactions with Parent are detailed below:

	March 31, 2020		March 31, 2019	
	Amounts/ Volume	**Outstanding Balances**	Amounts/ Volume	Outstanding Balances
Ramco Systems Limited				
Royalties	**₱ 30,948,478**	**₱ 13,874,123**	₱106,178,648	₱ 66,589,430
Software service expenses	**125,891,733**	**91,688,986**	80,735,167	68,333,164
Marketing, travel, hosting, salaries and bank charges	**73,505,327**	**51,215,867**	39,754,064	32,723,116
Loan	**6,122,514**	**14,941,723**	29,244,130	24,365,916
Finance cost	**1,622,434**	**-**	745,226	-
	₱ 238,090,486	**₱171,720,699**	₱256,657,235	₱192,011,626

The following are the nature, terms and conditions of the related party transactions:

- Royalties pertain to expenses incurred for the right to use the license of the Parent Company. The Company was granted a non-exclusive and non-transferable license to use, market, distribute, sub-license and make derivative works of the Parent Company's software which include Virtual Works ERP solution, Maintenance & Engineering (M&E), Maintenance Repair and Overhaul (MRO) in aviation, foods and beverages and Third Party Administration.

- Software service expenses are the amounts charged for off-shore services on upgrades, modifications, bug-fixes, patches or enhancements to the software of the Parent Company.
- Marketing, travel, hosting, salary expenses and bank charges are paid by the Company as a form of reimbursement to its related party.

Loan transaction with related party is subject to 8.75% and 9.85% interest per annum in 2020 and 2019, respectively, unsecured and will be settled in cash. In 2020 and 2019, the Company paid finance cost amounting to ₱1,622,434 and ₱745,226 to its Parent Company while payments of loan amounted to ₱15,144,282 and ₱4,961,058, respectively, as disclosed in Note 20.03.02.

In 2020 and 2019, the Company recognized unrealized foreign exchange gain and loss on loan amounting to ₱402,425 and ₱82,845, respectively, as disclosed in Note 29.

In 2020 and 2019, the Company made the following payments to Parent amounting to ₱244,997,644 and ₱147,081,997, respectively. Out of the total payments, the Company paid final withholding taxes amounted to ₱37,316,157 and ₱36,129,633, respectively.

20.02.02 Fellow Subsidiaries

Transactions with fellow subsidiaries are detailed below:

	March 31, 2020		March 31, 2019	
	Amounts/ Volume	**Outstanding Balances**	Amounts/ Volume	Outstanding Balances
Ramco Systems Pte Ltd.				
Reimbursement of salary and travel expenses	**₱ 45,735,677**	**₱ 42,102,668**	₱ 20,761,092	₱ 17,267,066
Royalties	-	-	2,250,000	1,687,500
Reversal of royalties	**(467,535)**	**(350,651)**	-	-
Unrealized foreign exchange gain (Note 29)	**(1,051,609)**	**(1,051,609)**	-	-
	44,216,533	**40,700,408**	23,011,092	18,954,566
Ramco Systems Limited Switzerland				
Loan	**34,696,045**	**34,696,045**	-	-
Finance cost	**496,805**	-	-	-
Unrealized foreign exchange loss (Note 29)	**1,949,382**	**1,949,382**	-	-
	37,142,232	**36,645,427**	-	-
Ramco Systems Sdn. Bhd.				
Reimbursement of salary and travel expenses	**15,675,099**	**9,605,997**	14,013,643	3,083,676
Unrealized foreign exchange loss (Note 29)	**213,589**	**213,589**	-	-
	15,888,688	**9,819,586**	14,013,643	3,083,676
Ramco Systems Corporation				
Loan	**8,795,134**	**8,795,134**	-	-
Finance cost	**86,352**	-	-	-
Unrealized foreign exchange loss (Note 29)	**68,600**	**68,600**	-	-
	8,950,086	**8,863,734**	-	-

[Forwarded]

[Continued]

Ramco Systems Pty. Ltd.				
Reimbursement of salary and travel expenses	**92,230**	**92,230**	-	-
Unrealized foreign exchange gain (Note 29)	**(11,474)**	**(11,474)**	-	-
	80,756	**80,756**	-	-
PT Ramco Systems Indonesia, Indonesia				
Reimbursements	**512,650**	-	-	-
	₱ 106,790,945	**₱ 96,109,911**	₱ 37,024,735	₱ 22,038,242

Salary and travel expenses incurred by the employees of related parties for the projects of the Company are subject to reimbursement as agreed by the parties involved.

During the fiscal year, there was a reversal of revenue from a customer which affected the balance of royalties with Ramco Systems Pte Ltd., Singapore and resulted to a negative balance.

In 2020 and 2019, the Company made payments to fellow subsidiaries amounting to ₱42,340,555 and ₱20,152,030, respectively.

20.03 Significant Contracts

20.03.01 Service Agreements

20.03.01.01 Ramco Systems Limited

On April 5, 2016, the Company entered into a service agreement with Ramco Systems Limited (Parent) wherein the former shall acquire licensing rights from the Parent for the purpose of marketing, licensing, professional services and annual maintenance services to the customers of the Company.

In consideration of the license granted, the Company shall pay the Parent royalty fees equivalent to 30% of the license value. The parties further agreed that upgrades, modifications, bug-fixes, patches or enhancements to the software of the Parent Company shall be provided by the Parent at a price equivalent to $2,500 per person per month.

The agreement shall commence upon signing of such agreement and shall continue for a period of ten (10) years provided that where both parties mutually agreed, the period may be less than ten (10) years.

In 2020 and 2019, royalty expenses incurred by the Company amounted to ₱30,948,478 and ₱106,178,648, respectively, as disclosed in Note 20.02.

20.03.01.02 Ramco Systems Pte. Ltd

On April 1, 2018, the Company entered into a service agreement with Ramco Systems Pte Ltd (fellow subsidiary) wherein the former shall acquire licensing rights of chatbots and reimbursement of expenses for salary and travel costs from the fellow subsidiary.

In consideration of the license granted, the Company shall pay the fellow subsidiary royalty fees equivalent to 30% of the chatbot license value. Also included in the agreement are reimbursements of salary, travel, marketing expenses and a certain percentage of common support services incurred on behalf of Ramco System, Inc.

The agreement shall commence upon signing of such agreement and shall continue for a period of ten (10) years provided that where both parties mutually agreed, the period may be less than ten (10) years.

In 2020 and 2019, royalty expenses incurred by the Company amounted to nil and ₱2,250,000, respectively, as disclosed in Note 20.02.02. During the fiscal year, there was a reversal of royalties amounting to P467,535, as disclosed in Note 20.02.02.

20.03.02 Loan Agreements

20.03.02.01 Ramco Systems Limited

On November 6, 2017, the Company entered into an unsecured loan agreement with Ramco Systems Limited (Parent) wherein the former can acquire loans in one or more tranches not exceeding $1,000,000 subject to 9.85% interest until March 2019 and 8.75% effective April 2019. In 2020 and 2019, the Company borrowed loans amounting to $120,000 or ₱6,122,514 and $560,000 or ₱29,244,130, respectively.

The table below summarized the movements of loan agreement with the Parent Company:

	2020	2019
Balance, April 1	**₱ 24,365,916**	₱ -
Receipt of loan	**6,122,514**	29,244,130
Finance cost (Note 20.02.01)	**1,622,434**	745,226
Unrealized foreign exchange loss (gain) (Note 20.02.01)	**(402,425)**	82,844
Payments of finance cost	**(1,622,434)**	(745,226)
Payments of loans	**(15,144,282)**	(4,961,058)
Balance, March 31	**₱ 14,941,723**	₱ 24,365,916

20.03.02.02 Ramco Systems Corporation

On December 18, 2019, the Company entered into an unsecured loan agreement with Ramco Systems Corporation (fellow subsidiary) wherein the former can acquire loans in one or more tranches not exceeding $2,000,000 subject to 5% interest per annum. In 2020 and 2019, the Company borrowed loans amounting to $175,000 or ₱8,795,134 and nil, respectively.

The table below summarized the movements of loan agreement with the fellow subsidiary:

		2020		2019
Balance, April 1	₱	-	₱	-
Receipt of loan		**8,795,134**		-
Finance cost (Note 20.02.02)		**86,352**		-
Unrealized foreign exchange loss (Note 20.02.02)		**68,600**		-
Payment of finance cost		**(86,352)**		-
Balance, March 31	₱	**8,863,734**	₱	-

20.03.02.03 Ramco Systems Limited, Switzerland

On December 18, 2019, the Company entered into an unsecured loan agreement with Ramco Systems Limited, Switzerland (fellow subsidiary) wherein the former can acquire loans in one or more tranches not exceeding CHF2,000,000 subject to 5% interest per annum. In 2020 and 2019, the Company borrowed loans amounting to CHF700,000 or ₱34,696,045 and nil, respectively.

The table below summarized the movements of loan agreement with the fellow subsidiary:

		2020		2019
Balance, April 1	₱	-	₱	-
Receipt of loan		**34,696,045**		-
Finance cost (Note 20.02.02)		**496,805**		-
Unrealized foreign exchange loss (Note 20.02.02)		**1,949,382**		-
Payment of finance cost		**(496,805)**		-
Balance, March 31	₱	**36,645,427**	₱	-

20.04 Remuneration of Key Management Personnel

In both years, remuneration paid to the Company's key management personnel amounted to ₱540,000.

21. CAPITAL STOCK

The capital stock of the Company is as follows:

	2020		2019	
	Shares	**Amount**	Shares	Amount
Authorized shares				
₱1 par value per share	**47,000,000**	**₱ 47,000,000**	47,000,000	₱ 47,000,000
Issued and fully paid	**11,750,000**	**₱ 11,750,000**	11,750,000	₱ 11,750,000

The Company's capital stock consists of ordinary shares which are all issued at par value. Ordinary shares carry one (1) vote per share and a right to dividends.

22. APPROPRIATED RETAINED EARNINGS

The movements in the balance of appropriated retained earnings are shown below:

	2020	2019
Balance, April 1	**₱ 103,000,000**	₱ 52,000,000
Additional appropriation	**8,000,000**	87,500,000
Reversal	-	(36,500,000)
Balance, March 31	**₱ 111,000,000**	₱ 103,000,000

On April 19, 2017, the Board of Directors and stockholders of the Company approved the appropriation of retained earnings for business expansion amounting to ₱8,000,000, which is expected to materialize in 2019.

On March 22, 2018, the Board of Directors and stockholders of the Company approved additional appropriation of retained earnings amounting to ₱44,000,000 to be used for future business expansion by intensifying sales of the Company through hiring of additional manpower. The appropriated earnings will be utilized within a period of five (5) years.

On March 29, 2019, the Board of Directors and stockholders of the Company approved the reversal of appropriation amounting to ₱36,500,000 after materialization of the business expansion through leasing of office spaces to accommodate the increase in sales force. Further authorized is the additional appropriation of retained earnings amounting to ₱87,500,000 to be used for future business expansion by intensifying sales of the Company through hiring of additional manpower. The appropriated earnings will be utilized within a period of five (5) years.

On March 31, 2020, the Board of Directors and stockholders of the Company approved the additional appropriation of retained earnings amounting to ₱8,000,000 to be used for future business expansion by intensifying sales of the Company through hiring of additional manpower. The appropriated earnings will be utilized within a period of five (5) years.

23. REVENUE FROM OPERATIONS

Details of revenue from operations are as follows:

		2020		2019
Implementation, installation and hosting	₱	**311,376,699**	₱	117,375,318
Application maintenance services and charges		**59,794,568**		22,384,107
License fees		**36,327,863**		244,544,299
Time and materials		**20,100,000**		15,000,000
Change request		**13,951,152**		2,431,248
Subscription		**2,718,649**		2,080,813
	₱	**444,268,931**	₱	403,815,785

24. FINANCE INCOME

Details of finance income are as follows:

		2020		2019
License agreements (Note 8)	₱	**5,776,726**	₱	6,881,597
Bank deposits (Note 6)		**611**		5,495
	₱	**5,777,337**	₱	6,887,092

25. EMPLOYEE BENEFITS

The account is composed of the following:

		2020		2019
Salaries and wages	₱	**64,022,009**	₱	31,688,844
SSS, Philhealth and HDMF contributions		**1,271,056**		523,503
Other employee costs		**1,824,310**		975,356
	₱	**67,117,375**	₱	33,187,703

26. DEPRECIATION

The account is composed of the following:

		2020		2019
Right-of-use asset (Note 14)	₱	**3,078,850**	₱	-
Property and equipment (Note 13)		**843,992**		200,867
	₱	**3,922,842**	₱	200,867

27. FINANCE COST

The account is composed of the following:

		2020		2019
Finance cost from loans (Note 19)	₱	**2,205,591**	₱	745,226
Finance cost from lease liability (Note 18)		**1,634,980**		-
	₱	**3,840,571**	₱	745,226

28. OTHER EXPENSES

The account is composed of the following expenses:

		2020		2019
Salaries and wages reimbursements	₱	**69,957,137**	₱	29,097,036
Transportation and travel reimbursements		**46,924,397**		38,845,297
Subcontractors		**17,747,609**		768,544
Transportation and travel		**13,083,939**		6,621,164
Hosting		**12,609,697**		5,656,760
Professional fees		**7,004,873**		2,002,456
Expected credit losses (Note 34.02)		**6,899,367**		5,615,000
Taxes and licenses		**5,143,264**		2,637,100
Rent (Note 30)		**4,738,560**		8,674,259
Commission		**2,674,042**		7,309,361
Marketing		**2,462,130**		1,756,282
Communication, light and water		**2,379,614**		1,731,601
Repairs and maintenance		**1,781,052**		76,063
Recruitment charges		**1,366,823**		2,201,215
Representation		**857,154**		695,562
Printing and stationery		**396,859**		73,658
Penalties		**104,960**		-
Donations		**69,900**		-
Miscellaneous		**3,024,021**		1,162,236
	₱	**199,225,398**	₱	114,923,594

Subcontractors pertain to outsourced parts of the work for some projects.

Transportation and travel reimbursements pertain to the expenses incurred by the employees of its related parties when travelling to the Philippines for business purposes which are reimbursed by the Company.

Hosting charges pertain to payments made to parent company for usage space for the projects of the Company.

Commission pertains to the payments made to the Company's business partner for identified opportunity of licensing and implementation services.

29. FOREIGN EXCHANGE LOSS – net

Components of foreign exchange losses are as follows:

		2020		2019
Effects of foreign exchange gain (loss) on outstanding balances of:				
Contract liability (Note 18)	₱	-	₱	754,875
Cash in banks (Note 7)		**(47,643)**		91,894
Trade receivables (Note 8)		**(352,004)**		24,695
Trade payable (Note 16)		**8,624**		14,446
Due to related parties (Note 20)		**727,267**		(1,080)
Loans payable (Note 20)		**(1,615,557)**		(82,845)
Contract asset (Note 9)		**(4,864,048)**		(1,477,087)
Unrealized foreign exchange loss		**(6,143,361)**		(675,102)
Realized foreign exchange gain		**143,504**		161,233
	₱	**(5,999,857)**	₱	(513,869)

30. LEASE AGREEMENTS

Summary of operating lease agreements are summarized as follows:

		Rent Expense (Note 28)		Security Deposits (Note 10)				Advance Rental (Note 12)
				Current		Non-current		Non-current
March 31, 2020								
FTL Hotels, Inc.	₱	**4,190,415**	₱	-	₱	-	₱	-
Equitable Insurance Corporation		-		-		**1,001,628**		-
Gateway Garden Heights		**117,600**		-		-		-
Gateway Regency Residences		**283,737**		-		-		-
Others		**146,808**		-		-		-
		4,738,560		-		**1,001,628**		-
March 31, 2019								
Compass Offices	₱	2,244,000	₱	408,000	₱	-	₱	-
FTL Hotels, Inc.		4,309,418		-		-		-
Equitable Insurance Corporation		1,001,628		-		1,001,628		1,001,628
Gateway Garden Heights		347,600		63,200		-		-
Gateway Regency Residences		189,000		63,200		-		-
Others		582,613		2,000		-		-
		8,674,259		536,400		1,001,628		1,001,628

30.01 The Company as a Lessee

The Company has leases for office space and guest houses. With the exception of short-term leases, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

30.01.01 Compass Offices

The Company leased an office space located at 16/F Tower 6789 Ayala Avenue, Makati. The lease shall be for a period of one (1) year starting from April 1, 2017, renewable for another year thereafter upon mutual agreement. As of March 31, 2020 and 2019, security deposit amounted to ₱408,000 and nil, respectively.

During 2019, the Company terminated the lease agreement. In 2020 and 2019, rent expense charged to operations amounted to nil and ₱2,244,000, respectively, as disclosed in Note 28.

30.01.02 Gateway Gardens Heights

The Company leased a condominium apartment unit located at Pioneer street corner Robinsons Road, Barangay Barangka, Ilaya, Mandaluyong City. The unit is to be used by employees travelling from abroad for project execution for Philippine customers. The lease shall be for a period of one (1) year from May 14, 2019 to May 13, 2020, renewable for another year thereafter upon mutual agreement. In both years, security deposit amounted to ₱63,200.

In 2020 and 2019, rent expense charged to operations amounted to ₱117,600 and ₱347,600, respectively, as disclosed in Note 28.

30.01.03 Gateway Regency Residences

The Company leased a condominium apartment unit located at Cyber street, Barangay Barangka Ilaya, Mandaluyong City. The unit is to be used by employees travelling from abroad for project execution for Philippine customers. The lease shall be for a period of one (1) year, from October 2, 2019 to October 1, 2020, renewable for another year thereafter upon mutual agreement. In both years, security deposit amounted to ₱63,000.

In 2020 and 2019, rent expense charged to operations amounted to ₱283,737 and ₱189,000, respectively, as disclosed in Note 28.

30.01.04 FTL Hotels Inc.

The Company leased guest rooms to be used by employees travelling from abroad for project execution for Philippine customers. These rooms shall be for a period of six (6) months only.

In 2020 and 2019, rent expense charged to operations amounted to ₱4,190,415 and ₱4,309,418, respectively, as disclosed in Note 28.

30.01.05 Equitable Insurance Corporation

The Company entered into an agreement to lease an office space located at 17/F BDO Equitable Tower located at No. 8751 Paseo de Roxas, Makati City with a lease area of 354.9733 square meters. The lease term under such agreement shall be of three (3) years, commencing on January 16, 2019 and ending January 15, 2022 subject to renewal upon mutual written agreements of the parties.

During the year, the Company paid ₱1,001,628 for the security deposit equivalent to three (3) months rent which shall cover for any lessee obligation other than rent. Upon termination of lease, the amount equivalent to two (2) months rental shall be returned to the lessee and the balance will be returned upon settlement of lease obligation other than rent. Also, during the year, the Company paid ₱1,071,742, inclusive of VAT amounting to ₱ 120,195, exclusive of withholding taxes amounting to ₱50,081, equivalent to three (3) months advance rental which shall be applied against the last three (3) months of the lease term.

In 2020 and 2019, rent expense charged to operations amounted to nil and ₱1,001,628, respectively, as disclosed in Note 28.

30.01.06 Others

The Company leased several guest units to be used by employees travelling from abroad for project execution for Philippine customers. These leases shall be for a period of one (1) to two (2) months only . As of March 31, 2020 and 2019, security deposit amounted to nil and ₱2,000, respectively.

In 2020 and 2019, rent expense charged to operations amounted to ₱146,808 and ₱582,613, respectively, as disclosed in Note 28.

At reporting dates, the Company had outstanding commitments for future minimum lease payments under non-cancelable operating leases which will fall due as follows:

		2020		2019
Not later than one (1) year	**₱**	**220,600**	₱	4,006,512
Later than one (1) year but not later than five (5) years		-		7,011,396
	₱	**220,600**	₱	11,017,908

31. INCOME TAXES

31.01 Income Tax Recognized in Profit or Loss

Components of income tax expense are as follows:

		2020		2019
Current tax expense	**₱**	**8,510,859**	₱	24,641,017
Deferred tax benefit (Note 32)		**(3,922,483)**		(2,828,758)
	₱	**4,588,376**	₱	21,812,259

A numerical reconciliation between tax expense and the product of accounting profit multiplied by the tax rates in 2020 and 2019 is as follows:

		2020		2019
Accounting profit	₱	**13,567,549**	₱	71,967,801
Tax benefit at 30%		**4,070,265**		21,590,340
Tax effects of the following:				
Unallowable finance cost		**486,806**		223,568
Non-deductible penalties		**31,488**		-
Finance income subject to final tax		**(183)**		(1,649)
	₱	**4,588,376**	₱	21,812,259

32. DEFERRED TAXES – net

32.01 Deferred Tax Assets

The Company's deferred tax assets and their respective movements are as follows:

		Allowance for Expected Credit Losses		Unrealized Foreign Exchange Loss – net		Effect of PFRS 16		Total
Balance, April 1, 2018	₱	-	₱	-	₱	-	₱	-
Recognized in profit or loss		1,684,500		202,531		-		**1,887,031**
Balance, March 31, 2019		**1,684,500**		**202,531**		-		**1,887,031**
Recognized in profit or loss		2,069,810		1,640,477		212,196		**3,922,483**
Balance, March 31, 2020	**₱**	**3,754,310**	**₱**	**1,843,008**	**₱**	**212,196**	**₱**	**5,809,514**

32.02 Deferred Tax Liability

The Company's deferred tax liability from unrealized foreign exchange gain and its movements are as follows:

		2020		2019
Balance, April 1	₱	-	₱	941,727
Recognized in profit or loss		-		(941,727)
	₱	-	₱	-

33. FAIR VALUE MEASUREMENTS

33.01 Fair Value of Financial Assets and Liabilities

The carrying amounts and estimated fair values of the Company's financial assets and financial liabilities as of March 31, 2020 and 2019 are presented below:

	2020		2019	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Assets:				
Cash	**₱ 6,468,534**	**₱ 6,468,534**	₱ 3,950,375	₱ 3,950,375
Trade and other receivable – net	**108,704,896**	**108,704,896**	101,042,911	101,042,911
Contract asset – net	**360,364,176**	**360,364,176**	333,042,875	333,042,875
Security deposits	**7,001,628**	**7,001,628**	1,538,028	1,538,028
Advances to employees	**4,365,226**	**4,365,226**	521,333	521,333
	₱ 486,904,460	**₱ 486,904,460**	₱ 440,095,522	₱ 440,095,522
Financial Liabilities:				
Trade and other payables	**₱ 51,405,116**	**₱ 51,405,116**	₱ 25,436,679	₱ 25,436,679
Contract liability	**36,341,480**	**36,341,480**	35,910,039	35,910,039
Due to related parties	**267,830,609**	**267,830,609**	214,049,867	214,049,867
Lease liability	**17,665,736**	**17,665,736**	-	-
	₱ 373,242,941	**₱ 373,242,941**	₱ 275,396,585	₱ 275,396,585

The fair value of the financials assets and financial liabilities are determined as follows:

- Due to short-term maturities, nature and demand feature, Management believes that the carrying amounts of cash, trade and other receivables and security deposits approximates their fair value.
- The carrying amounts of contract assets with maturity of twelve (12) months or normal operating cycle are assumed to approximate their fair values.
- Loans payable presented under 'due to related parties' bear market interest rates; hence, Management believes that their carrying amounts approximate their fair values.
- The carrying amounts of trade and other payables (except payable to government agencies and contract liability) approximate their fair values due to either the demand feature or relatively short-term duration of these payables.
- The carrying amount of lease liability approximates its fair value since lease liability bears market interest rate.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's Corporate Treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk, including currency risk, fair value interest rate risk, credit risk and liquidity risk.

34.01 Market Risk Management

34.01.01 Foreign Currency Risk Management

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

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

	2020		2019	
	PHP	**USD**	PHP	USD
Monetary Assets				
Cash	**₱ 1,279,834**	**25,268**	₱ 298,255	5,692
Contract asset	**112,370,022**	**2,218,563**	193,925,607	3,700,941
	₱ 113,649,856	**2,243,831**	₱ 194,223,862	3,706,633
Monetary Liabilities				
Trade and other payables	**530,494**	**10,474**	19,163,886	365,730
Due to related parties	**23,805,458**	**470,000**	24,365,535	465,000
	24,335,952	**480,474**	43,529,421	830,730
	PHP	**SGD**	PHP	SGD
Monetary Liabilities				
Due to related parties	**41,051,059**	**1,160,599**	17,267,066	448,985
	PHP	**MYR**	PHP	MYR
Monetary Liabilities				
Due to related parties	**9,819,585**	**813,989**	-	-
	PHP	**CHF**	PHP	CHF
Monetary Liabilities				
Due to related parties	**36,645,427**	**700,000**	-	-

The Company is mainly exposed to US Dollar, SG Dollar, MY Rupee and Swiss Franc. The exchange rates used are shown below:

	2020	2019
US Dollar(USD)	**50.650**	52.400
Singaporean Dollar (SGD)	**35.371**	38.458
Malaysian Ringget (MYR)	**12.064**	-
Swiss Franc (CHF)	**52.351**	-

The following table details the Company's sensitivity as of March 31, 2020 and 2019, respectively, increase in the Philippine Peso against the relevant foreign currencies. The sensitivity rates of shown below are used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for the rates changes, as shown below, in foreign currency rates. The sensitivity analysis includes loans to foreign operations within the Company where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit where the Philippine Peso against the relevant currency contrary to the negative number weakening of the Philippine Peso against the relevant currencies, there would be a comparable impact on the profit and the balances below would be negative.

		Monetary Assets	Monetary Liabilities	Net Effect to Profit	
	Change in assumption	Increase / (Decrease) in assumption	(Increase) / Decrease in assumption	Increase in assumption	Decrease in assumption
2020					
US Dollar	**2.63%**	**151,120,442 / (151,120,442)**	**(32,359,564) / 32,359,564**	**118,760,878**	**(118,760,878)**
SG Dollar	**3.83%**	-	**(55,555,727) / 55,555,727**	**(55,555,727)**	**55,555,727**
MY Rupee	**4.36%**	-	**(5,162,691) / 5,162,691**	**5,162,691**	**(5,162,691)**
Swiss Franc	**1.85%**	-	**(35,463,515) / 35,463,515**	**(35,463,515)**	**35,463,515**
2019					
US Dollar	1.18%	110,887,952 / (110,887,952)	(24,852,424) / 24,852,424	86,035,528	(86,035,528)
SG Dollar	1.25%	-	(1,800,443) / 1,800,443	(1,800,443)	1,800,443

In Management's opinion, the sensitivity analysis is a representative of the inherent foreign exchange risk. The Company mitigates its exposure to foreign currency risk by monitoring its US and SG Dollar cash flows.

34.01.02 Interest Rate Risk Management

The Company's exposure to interest rate risk arises from its cash deposits in banks which are subject to variable interest rates as well as loans from related parties and lease liability which are subject to fixed interest rates.

Profits for the years ended March 31, 2020 and 2019 would have been unaffected since the Company has no borrowings at variable rates and interest rate risk exposure for its cash in banks, which is subject to variable rate, is immaterial.

34.02 Credit Risk Management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risks from cash in bank, trade receivables, contract asset and security deposits, all at amortized cost.

The Company considers the following policies to manage its credit risk:

- Banks

  The Company transacts only to banks with investment grade credit rating. This information is supplied by independent rating agencies. The Company uses other publicly available information such as annual report to monitor the financial status of the banks. The Company assesses the current and forecast information of the banking industry and the macro-economic factors such as GDP, interest, and inflation rates to determine the possible impact to banks.

- Contract Asset and trade and other receivables – net

  The Company transacts only with creditworthy clients. It is the Company's policy that all new clients undergo background investigation. The Company assesses the creditworthiness of each recurring client before entering into new contracts. The acceptance or continuance of contract needs approval from the Management. The Company assesses the current and forecast information of the clients' industry and the macro-economic factors such as GDP, interest, and inflation to determine the possible impact to clients.

Financial assets measured at amortized cost are as follows:

		2020		2019
Financial assets				
Cash in bank	**₱**	**6,458,587**	₱	3,950,375
Contract assets – net		**360,364,176**		333,042,875
Trade and other receivables – net		**108,704,896**		101,042,911
Security deposits		**7,001,628**		1,538,028
Advances to employees		**4,365,226**		521,333
	₱	**486,894,513**	₱	440,095,522

The calculation of allowance for expected credit losses are based on the following three (3) components:

- Probability of Default (PD)

  PD is the likelihood over a specified period, usually one year that a client will not be able to make scheduled repayments. PD depends not only on the client's characteristics, but, also on the economic environment. PD may be estimated using historical data and statistical techniques.

- Loss Given Default (LGD)

  LGD is the amount of money a company loses when a client defaults on a contract. The most frequently used method to calculate this loss is by comparing the actual total losses and the total amount of potential exposure sustained at the time that a contract goes into default.

- Exposure at Default (EAD)

  EAD is the total value a company is exposed to when a loan default. It refers to the carrying amount of financial asset.

Below is the summary of computation of allowance for expected credit losses in 2020 and 2019:

	PD rate	LGD rate		EAD		ECL
	A	b		c		d=a*b*c
Cash in banks	0.00%	0.00 % to 92.26%	₱	6,458,587	₱	-
Contract asset	2.00% to 3.00%	100.00%		370,751,871		10,387,695
Trade and other receivables	2.00%	100.00%		110,831,568		2,126,672
Security deposits	0.00%	100.00%		7,001,628		-
Advances to employees	0.00%	100.00%		4,365,226		-
			₱	**499,408,880**	**₱**	**12,514,367**

	PD rate	LGD rate		EAD		ECL
	a	B		C		d=a*b*c
Cash in banks	0.00%	0.00 % to 87.34%	₱	3,950,375	₱	-
Contract asset	3.00%	100.00%		338,542,875		5,500,000
Trade and other receivables	3.00%	100.00%		101,157,911		115,000
Security deposits	0.00%	100.00%		1,409,628		-
Advance to employees	0.00%	100.00%		521,333		-
			₱	**445,582,122**	**₱**	**5,615,000**

Cash in Bank

The Company determined the probability of default rate by considering the following: the credit ratings; the past, current, and forecast performance of Banking Industry; the past, current, and forecast macro-economic factors that may affect the banks; and the current and projected financial information. The Company estimated the probability of default to be nil.

Loss given default rate is calculated by taking into consideration the amount of insured deposit and estimated it to be 0.00% to 92.26% and 0.00% to 87.34% in 2020 and 2019, respectively.

Exposure at default is equal to the gross carrying amount of cash in banks.

Contract Asset – net and Trade and Other Receivable – net

The Company patterned its determination of the probability of default rate to its Parent Company by using a provision matrix which is based on historical loss experience, reflecting current conditions and forecasts of future economic conditions, which are group on the basis of similar credit characteristics such as nature of industry, customer segment, past due status and other factors that are relevant to the estimation of the expected cash losses from these assets. In 2020 and 2019, the Company estimated the probability of default to be two percent (2%) to three percent (3%) and three percent (3%), respectively, for receivables outstanding for more than 365 days. Balances of contract asset and trade and other receivables outstanding amounted to ₱469,069,072 and ₱434,085,786 as of March 31, 2020 and 2019, respectively, based on the aging schedule.

Contract asset and trade and other receivables are written off when there is no reasonable expectation of realization, such as a debtor declaring bankruptcy or failing to engage in a repayment plan with the Group and where there is a probability of default.

In both years, loss given default rate is 100% for all clients because the Company does not obtain collateral for these transactions.

Exposure at default is equal to the gross carrying amount of contract asset and trade receivables.

Security Deposits

The balance of security deposits is immaterial to the total financial asset taken. Moreover, the company believes that the balances are collectible in full; Hence, the credit risk is only minimal. Based on these factors, the Company determined that the probability of default is nil.

The movements in the allowance for expected credit losses as disclosed in Notes 8 and 9 as shown below:

	2020	2019
Balance at April 1	**₱ 5,615,000**	₱ -
Expected credit losses	**6,899,367**	5,615,000
Balance at March 31	**₱ 12,514,367**	₱ 5,615,000

34.03 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining appropriate level of liquidity, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following table details the Company's expected maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will be earned on those assets. The inclusion of information on non-derivative financial liabilities is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Weighted Average Effective Interest Rate	On Demand	Within 1 Year	Total
March 31, 2020				
Trade and other payables	**0.00%**	**₱ -**	**₱ 51,485,871**	**₱ 51,485,781**
Due to related parties	**0.00% - 9.85%**	**60,450,885**	**207,379,724**	**267,830,609**
		₱ 60,450,885	**₱ 258,865,595**	**₱ 319,316,390**
March 31, 2019				
Trade and other payables	0.00%	₱ -	₱ 25,436,679	₱ 25,436,679
Due to related parties	0.00% - 9.85%	24,365,916	189,683,951	214,049,867
		₱ 24,365,916	₱ 215,120,630	₱ 239,486,546

The following table details the Company's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Weighted Average Effective Interest Rate	On Demand	Within 1 Year	1 – 5 Years	Total
March 31, 2020					
Cash	**floating rates**	**₱ 6,468,534**	**₱ -**	**₱ -**	**₱ 6,468,534**
Contract asset – net	**0.00%**	-	**209,223,868**	**151,140,308**	**360,364,176**
Trade and other receivable – net	**0.00%**	**4,497,947**	**104,206,949**	-	**108,704,896**
Security deposits	**0.00%**	-	-	**7,001,628**	**7,001,628**
Advances to employees		-	-	**4,365,226**	**4,365,226**
		₱10,966,481	**₱ 313,430,817**	**₱ 162,507,162**	**₱ 486,904,460**
March 31, 2019					
Cash	floating rates	₱ 3,950,375	₱ -	₱ -	₱ 3,950,375
Contract asset – net	3.50%	-	204,711,631	128,331,244	333,042,875
Trade and other receivable – net	0.00%	1,331,097	99,711,814	-	101,042,911
Security deposits	0.00%	-	536,400	1,001,628	1,538,028
Advances to employees	0.00%	-	521,333	-	521,333
		₱ 5,281,472	₱ 305,481,178	₱ 129,332,872	₱ 440,095,522

35. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company manages its capital to ensure that the Company will be able to continue as 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 2019.

The capital structure of the Company consists of net debt (total liabilities offset by cash) and bank balances and equity of the Company.

Pursuant to Section 42 of the Revised Corporation Code, Stock corporations are prohibited from retaining surplus profits in excess of one hundred (100%) percent of their paid-in capital stock, except: (1) when justified by definite corporate expansion projects or programs approved by the board of directors; or (2) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its/his consent, and such consent has not yet been secured; or (3) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is need for special reserve for probable contingencies. The Company is in compliance with the above requirements.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business, operation and industry. The Company has a target gearing ratio of 1:1 determined as the proportion of net debt to equity.

The gearing ratio at end of the reporting period is as follows:

		2020		2019
Debt	₱	**380,494,370**	₱	322,782,356
Cash		**6,468,534**		3,950,375
Net debt		**374,025,836**		318,831,981
Equity		**134,369,879**		125,390,706
Net debt to equity ratio		**2.78:1**		2.54:1

Debt is defined as total liabilities, while equity includes capital and all retained earnings of the Company that are managed as capital.

36. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities is as follows:

		2020		2019
Balance, April 1	₱	**24,365,916**	₱	-
Changes from financing cash flows				
Receipt of loans		**49,613,693**		29,244,130
Repayment of loans		**(15,144,282)**		(4,961,058)
Finance cost incurred on loans		**2,205,591**		745,226
Finance cost paid related to loans		**(2,205,591)**		(745,226)
Finance cost incurred on lease liability		**1,634,980**		-
Finance cost paid related to lease liability		**(1,634,980)**		-
Repayment of lease liability		**(2,371,532)**		-
Effect of foreign exchange in loans		**1,615,557**		82,844
Total changes from financing cash flows		**33,713,436**		24,365,916
Balance, March 31	₱	**58,079,352**	₱	24,365,916

37. CHANGE IN ACCOUNTING POLICY

Adoption of PFRS 16, Leases

The Company applied PFRS 16 using the modified retrospective approach.

For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from PAS 17 and IFRIC 4 and has not applied PFRS 16 to arrangements that were previously not identified as lease under PAS 17 and IFRIC 4.

The Company has elected not to include initial direct cost in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of PFRS 16, being April 1, 2019. At this date, the Company has also elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. Lease liability is measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.

Instead of performing an impairment review on the right-of-use asset at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of PFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Company has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to PFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognized under PFRS 16 was 8.75%. The Company has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

The following is a reconciliation of the financial statement line items from PAS 17 to PFRS 16 at April 1, 2019:

	Carrying amount	Adjustment	PFRS 16 Carrying Amount at April 1, 2019
Statement of Financial Position			
Right-of-use asset	₱ -	₱ 21,038,895	₱ 21,038,895
Lease liability	-	17,665,736	17,665,736
Advance rental	1,001,628	(1,001,628)	-

38. EVENTS AFTER THE REPORTING PERIOD

It is challenging to predict the full economic impact of the COVID-19 Pandemic and its effect on the business. However, the Company, based on the information available, had made an assessment on the situation and concluded that the COVID-19 Pandemic did not materially affect the financial position of the Company at the end of the financial year. The eventual outcome of the global health pandemic may be different from those estimated as of the date of approval of these financial statements. However, the Company will keep monitoring the uncertainties caused by the pandemic to assess its impact to the Company's future economic conditions.

39. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issuance by the Board of Directors on June 15, 2020.

40. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION NO. 15–2010

The Bureau of Internal Revenue (BIR) released a revenue regulation dated November 25, 2010 amending Revenue Regulations No. 21-2002 setting forth additional disclosures on Notes to Financial Statements. Below are the disclosures required by the said Regulation:

40.01 Taxes and Licenses Paid or Accrued

The details of the Company's taxes and licenses fees paid or accrued in 2020 are as follows:

40.01.01 Output VAT

The Company is VAT-registered with VAT output declaration of ₱42,314,099 for the year based on the amount of revenue billed to customers amounting to ₱352,617,492; hence, may not be comparable with the amounts recognized in the statement of comprehensive income.

40.01.02 Input VAT

An analysis of the Company's input VAT claimed during the year is as follows:

Current year's domestic purchases/payments for:		
Goods other than for resale or manufacture	₱	406,759
Services lodged under cost of goods sold		2,081,447
Total available input VAT		**2,488,206**
Applied against output VAT		(2,488,206)
Balance, March 31	**₱**	-

40.01.03 Taxes and Licenses

The Company paid or accrued permit fees during the year amounting to ₱3,529,773.

An analysis on the Company's taxes and license paid or accrued during the year is as follows:

Business permits	₱	3,529,773
Others		1,613,491
	₱	**5,143,264**

40.01.04 Withholding Taxes

An analysis on the Company's withholding taxes paid or accrued during the year is as follows:

Final withholding taxes	₱	9,816,778
Expanded withholding taxes		703,470
Withholding tax on compensation		10,372,159
	₱	**20,892,407**

Final withholding taxes arose from payments of royalties and finance cost paid to non-resident foreign corporations.

Expanded withholding taxes arose from payments of rentals and directors' fees and purchases of goods and services

41. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION NO. 19–2011

Pursuant to Section 244 in relation to Section 6(H) of the National Internal Revenue Code of 1997 (Tax Code), as amended, these Regulations are prescribed to revise BIR Form 1702 setting forth the following schedules. Below are the disclosures required by the said Regulation:

41.01 Revenue from operations

The analysis of the Company's revenues for the taxable year are as follows:

Implementation, installation and hosting	₱	311,376,699
Application maintenance services and charges		59,794,568
Licenses		36,327,863
Time and materials		20,100,000
Change request		13,951,152
Subscription		2,718,649
	₱	**444,268,931**

41.02 Cost of Services

The following is an analysis of the Company's cost of services for the taxable year:

Software service expense	₱	125,891,733
Salaries and wages reimbursements		69,957,137
Salaries and wages		64,022,009
Royalties		30,480,943
Subcontractors		17,747,609
Hosting		12,609,697
Other employee costs		1,824,310
SSS, Philhealth and HDMF contributions		1,271,056
	₱	**323,804,494**

41.03 Taxable Other Income

The following is an analysis of the Company's taxable other income for the taxable year:

Finance income on licenses	₱	5,776,726
Realized foreign exchange gains		143,504
	₱	**5,920,230**

41.04 Itemized Deductions

The following is an analysis of the Company's itemized deductions for the taxable year:

Transportation and travel reimbursements	₱	46,924,397
Transportation and travel		13,083,939
Rent		8,745,072
Professional fees		7,004,873
Taxes and licenses		5,143,264
Commission		2,674,042
Marketing		2,462,130
Communication, light and water		2,379,613
Repairs and maintenance		1,781,052
Recruitment charges		1,366,823
Representation		857,154
Depreciation		843,992
Reversal of unrealized foreign exchange loss		675,102
Finance costs on loans		582,905
Printing and stationery		396,859
Donation		69,900
Miscellaneous		3,024,021
	₱	**98,015,138**

41.04.01 Reconciliation of Rent

Rent	₱	4,738,560
Effect of adoption of PFRS 16:		
Adjustment from depreciation of ROU asset		3,078,850
Finance cost from lease liability		1,634,980
Adjustment to rent as a result of the adoption		(707,318)
	₱	**8,745,072**

41.04.02 Reconciliation of Depreciation

Depreciation	₱	3,922,842
Effect of adoption of PFRS 16:		
Adjustment from depreciation of ROU asset		(3,078,850)
	₱	**843,992**