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.**, which comprise the statements of financial position as of March 31, 2019, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended March 31, 2019 and 2018, 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, 2019, 2018 and 2017 and its financial performance and its cash flows for the years ended March 31, 2019 and 2018 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.

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 32 and 33, 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 SYSTEM 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 21, 2021
SEC Group A Accredited
Accreditation No. 0153-FR-3
Valid until September 6, 2020
BSP Group B Accredited
Valid until 2018 audit period
CDA CEA No. 0013-AF
Valid until December 12, 2019
IC Accreditation No. F-2016/002-R
Valid until August 30, 2019
CEZA Accredited
Valid until July 12, 2019

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-2016/007-R
Valid until August 30, 2019
PTR No. 7341832
Issued on January 8, 2019 at Makati City

May 15, 2019

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 examined the financial statements of **RAMCO SYSTEM INC.** for the years ended March 31, 2019 and 2018 on which we have rendered the attached report dated May 15, 2019.

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 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 21, 2021
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Accreditation No. 0153-FR-3
Valid until September 6, 2020
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PTR No. 7341832
Issued on January 8, 2019 at Makati City

R.S. BERNALDO & ASSOCIATES

REPORT ON SCHEDULE OF EFFECTIVE STANDARDS AND INTERPRETATIONS

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

We have issued our report dated May 15, 2019 on the basic financial statements of **RAMCO SYSTEM INC.** as of and for the year ended March 31, 2019. Our audit was conducted for the purpose of forming an opinion on the basic financial statements of **RAMCO SYSTEM INC.** taken as a whole. The information in the List of Effective Standards and Interpretations as of and for the year ended March 31, 2019 which is not a required part of the financial statements is required to be filed with the Securities and Exchange Commission. Such information is the responsibility of the Management of **RAMCO SYSTEM INC.** The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until October 21, 2021
SEC Group A Accredited
Accreditation No. 0153-FR-3
Valid until September 6, 2020
BSP Group B Accredited
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CDA CEA No. 0013-AF
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PTR No. 7341832
Issued on January 8, 2019 at Makati City

May 15, 2019

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **RAMCO SYSTEM INC.** (the "Company") is responsible for the preparation and fair presentation of the financial statements, including the schedule attached therein, for the years ended March 31, 2019 and 2018, in accordance with the Philippine Financial Reporting Standards (PFRS), and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedule attached therein, and submits the same to the stockholders.

R.S. Bernaldo & Associates, the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

RAVIKULACHANDRAN RAMAMURTHY
Chairman of the Board

ANN SHERROL D. DELOS SANTOS
President

JENNILYN R. SIO
Treasurer

Signed this 15th Day of May 2019

RAMCO SYSTEM INC
18F, Cityland Condomonium 10, Tower 1
Salcedo Village, Makati City - 1226
Tel: (63) 892 3170 Co. Reg. No. CS 201606791
www.ramco.com

ramco

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **RAMCO SYSTEM INC.** is responsible for all information and presentations contained in the Annual Income Tax Return for the year ended March 31, 2019. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited to, the value added tax and or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended March 31, 2019 and the accompanying Annual Income Tax Return are in accordance with the books and records of **RAMCO SYSTEM INC.**, complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances; and

(c) the **RAMCO SYSTEM INC.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

RAVIKULACHANDRAN RAMAMURTHY
Chairman of the Board

JENNILYN R. SIO
Treasurer

Signed this 15th Day of May 2019

RAMCO SYSTEM INC
18F, Cityland Condomonium 10, Tower 1
Salcedo Village, Makati City - 1226
Tel: (63) 892 3170 Co. Reg. No. CS 201606791
www.ramco.com

RAMCO SYSTEM INC.

(A Wholly-owned Subsidiary of Ramco Systems Limited)

STATEMENTS OF FINANCIAL POSITION

March 31, 2019, 2018 and 2017

(In Philippine Peso)

	NOTES	**2019**	2018	2017
A S S E T S				
Current Assets				
Cash	7	**3,950,375**	7,374,886	8,677,038
Trade and other receivable – net	8	**101,042,911**	6,437,407	1,128,033
Contract asset	9	**204,711,631**	135,582,304	69,807,517
Prepayments and other current assets	10	**4,934,285**	394,872	968,596
		314,639,202	149,789,469	80,581,184
Non-current Assets				
Contract asset – net of current portion	9	**128,331,244**	105,684,078	38,231,933
Computer equipment – net	12	**1,174,329**	611,401	137,294
Deferred tax assets	25	**1,887,031**	-	-
Other non-current assets	11	**2,003,256**	-	-
		133,395,860	106,295,479	38,369,227
TOTAL ASSETS		**448,035,062**	256,084,948	118,950,411
LIABILITIES AND STOCKHOLDERS' EQUITY				
L I A B I L I T I E S				
Current Liabilities				
Trade and other payables	13	**51,632,057**	21,855,966	17,205,506
Contract liability	14	**35,910,039**	52,364,741	5,504,176
Due to related parties	15	**214,049,868**	90,306,228	58,400,373
Income tax payable		**21,052,392**	15,381,122	7,126,849
		322,644,356	179,908,057	88,236,904
Non-current Liability				
Deferred tax liability	25	-	941,727	699,428
TOTAL LIABILITIES		**322,644,356**	180,849,784	88,936,332
S T O C K H O L D E R S ' E Q U I T Y				
Capital Stock	16	**11,750,000**	11,750,000	11,750,000
Unappropriated Retained Earnings		**10,640,706**	11,485,164	10,264,079
Appropriated Retained Earnings	17	**103,000,000**	52,000,000	8,000,000
TOTAL STOCKHOLDERS' EQUITY		**125,390,706**	75,235,164	30,014,079
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**448,035,062**	256,084,948	118,950,411

(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, 2019 and 2018
(In Philippine Peso)

	NOTES	2019	2018
REVENUES	18	**410,697,381**	260,064,439
COST OF SERVICES	19	**269,134,953**	163,025,507
GROSS PROFIT		**141,562,428**	97,038,932
FINANCE INCOME	7	**5,495**	11,412
		141,567,923	97,050,344
OPERATING EXPENSES	20	**68,341,027**	33,036,752
FINANCE COST	15	**745,226**	1,222,205
FOREIGN EXCHANGE GAINS (LOSSES) – net	21	**(513,869)**	1,805,272
PROFIT BEFORE TAX		**71,967,801**	64,596,659
INCOME TAX	24	**21,812,259**	19,375,574
PROFIT		**50,155,542**	45,221,085

(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, 2019 and 2018

(In Philippine Peso)

			Retained Earnings		
	Notes	**Capital Stock**	**Unappropriated**	**Appropriated**	**Total**
Balance, April 1, 2017		11,750,000	10,264,079	8,000,000	**30,014,079**
Profit			45,221,085		**45,221,085**
Appropriation	17		(44,000,000)	44,000,000	-
Balance, March 31, 2018	16	**11,750,000**	**11,485,164**	**52,000,000**	**75,235,164**
Profit			50,155,542		**50,155,542**
Reversal	17		36,500,000	(36,500,000)	-
Appropriation	17		(87,500,000)	87,500,000	-
Balance, March 31, 2019	16	**11,750,000**	**10,640,706**	**103,000,000**	**125,390,706**

(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, 2019 and 2018

(In Philippine Peso)

	NOTES	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**71,967,801**	64,596,659
Adjustments for:			
Expected credit losses	8,9	**5,615,000**	-
Finance cost	15	**745,226**	1,222,205
Unrealized foreign exchange loss (gain) – net	21	**675,102**	(3,139,091)
Depreciation	12,20	**200,867**	129,641
Finance income	7	**(5,495)**	(11,412)
Operating cash flows before changes in working capital		**79,198,501**	62,798,002
Decrease (Increase) in operating assets:			
Contract asset		**(98,753,580)**	(131,005,435)
Trade and other receivable		**(94,695,810)**	(5,309,374)
Prepayments and other current assets		**(4,539,413)**	573,724
Other non-current assets		**(2,003,256)**	-
Increase (Decrease) in operating liabilities:			
Trade and other payables		**29,789,457**	4,652,156
Contract liability		**(15,699,827)**	46,860,565
Due to related parties		**99,377,724**	31,905,855
Cash generated from (used in) operation		**(7,326,204)**	10,475,493
Income taxes paid		**(18,969,747)**	(10,879,002)
Net cash used in operating activities		**(26,295,951)**	(403,509)
CASH FLOWS FROM INVESTING ACTIVITIES			
Finance income received	7	**5,495**	11,412
Acquisition of computer equipment	12	**(763,795)**	(603,748)
Net cash used in investing activities		**(758,300)**	(592,336)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of loans	15	**29,244,130**	54,672,929
Finance cost paid	15	**(745,226)**	(1,222,205)
Repayment of loans	15	**(4,961,058)**	(54,672,929)
Net cash from (used in) financing activities		**23,537,846**	(1,222,205)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH	7,21	**91,894**	915,898
NET DECREASE IN CASH		**(3,424,511)**	(1,302,152)
CASH AT BEGINNING OF YEAR		**7,374,886**	8,677,038
CASH AT END OF YEAR		**3,950,375**	7,374,886

(See Notes to Financial Statements)

RAMCO SYSTEM INC.
(A Wholly-owned Subsidiary of Ramco Systems Limited)
NOTES TO FINANCIAL STATEMENTS
March 31, 2019 and 2018

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 the principal place of business previously located at Unit 03 PBCOM Tower, 6795 Ayala Avenue, Makati City is now transferred to 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 First-time Adoption of PFRS

2.01.01 Application of the PFRS

The Company's financial statements as of and for the year ended March 31, 2019 are its first annual financial statements prepared under accounting policies that comply with PFRS.

The Company's transition date is April 1, 2017. The Company prepared its opening PFRS statement of financial position at that date.

In preparing these financial statements in accordance with the PFRS, the Company has applied all the mandatory exceptions from full retrospective application of the PFRS.

2.01.02 Reconciliation

The transition from PFRS for SMEs to PFRS has no impact on the Company's retained earnings as of April 1, 2017 and statement of comprehensive income and statement of cash flows for the year ended March 31, 2018.

2.02 New and Revised PFRSs with Material Effect on Amounts Reported in the Current Year (and/or Prior Years)

The following new and revised PFRSs have 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 Note 2.03.

- PFRS 9, *Financial Instruments (2014)*

  PFRS 9, amended on July 24, 2014, made limited amendments to the requirements for classification and measurement of financial assets and requirements for impairment.

  The amendments introduce a 'fair value through other comprehensive income' measurement category for particular simple debt instruments. Also it introduced impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit. These requirements eliminate the threshold that was in PAS 39 for the recognition of credit losses. Under the impairment approach in PFRS 9 it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses, and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

  PFRS 9 supersedes PFRS 9 (2009), PFRS 9 (2010) and PFRS 9 (2013) and is effective for annual periods beginning on or after January 1, 2018. This is applied retrospectively in accordance with the transition requirements of this standard.

  The details of the effect of adoption of PFRS 9 are disclosed in Notes 27.02 and 30.01.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 issued on May 28, 2016, outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

  The core principle of the revenue model is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve such, an entity should first identify the contract with a customer; secondly, identify the separate performance obligations in the contract; third is to determine the transaction price; then allocate the transaction price to the separate performance obligations in the contract; and lastly, recognize revenue when (or as) the entity satisfies a performance obligation. The standard also includes requirements for accounting for some costs that are related to a contract with customer.

PFRS 15 requires disclosures of the quantitative and qualitative information about contract with customers (e.g. revenue recognized, reconciliation of contract balances, types of goods and services, significant payment terms, timing of satisfying the obligation), performance obligations, assets recognized from the costs to obtain or fulfill a contract with the customers, significant judgments made in applying the requirements, policy decisions made related to time value of money and costs to obtain or fulfill the contract and the information about the methods, inputs and assumptions used to determine the transaction price and allocation of amounts to performance obligations.

PFRS 15 is effective for annual periods beginning on or after January 1, 2018 and is applied retrospectively in accordance with the transition requirements of this standard.

The details of the effect of adoption of PFRS 15 are disclosed in Note 30.02.

2.03 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 40, *Transfers of Investment Property*

  The amendment states that a property under construction or development that was previously classified as inventory could be transferred to investment property when there was an evident change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property.

  The amendments are effective for annual periods beginning on or after January 1, 2018. Retrospective application is permitted if that is possible without the use of hindsight.

- Amendments to PFRS 15, *Clarifications to PFRS 15*

  The amendments clarify how to identify a performance obligation in a contract, how to determine whether a company is a principal or an agent, and how to determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

  The amendments are effective for annual periods beginning on or after January 1, 2018.

- Amendments to PFRS 4, *Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts*

  The amendments address concerns about issues arising from implementing PFRS 9*, Financial Instruments*, before the new insurance contracts Standard comes into effect. Two options for entities that issue insurance contracts within the scope of PFRS 4 were provided, an option to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets and an optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4.

  An entity would apply the overlay approach retrospectively to qualifying financial assets when it first applies PFRS 9.

  An entity would apply the deferral approach for annual periods beginning on or after January 1, 2018. The deferral can only be used for the three (3) years following January 1, 2018.

- Amendments to PFRS 2, *Classification and Measurement of Share-based Payment Transactions*

  The amendments clarify the accounting for the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and modification to the terms and conditions of share-based payment transactions that will result to change in classification from cash-settled to equity-settled.

  The amendments are effective for annual periods beginning on or after January 1, 2018. Retrospective application is permitted if elected for all of the aforementioned amendments and other criteria are met.

- Annual Improvements to PFRSs 2014 - 2016 Cycle

  <u>Amendment to PFRS 1 - Deletion of short-term exemptions for first-time adopters</u> – Deleted some of the short-term exemptions from PFRSs in Appendix E of PFRS 1 after those short-term exemptions have served their intended purpose.

  <u>Amendment to PAS 28 - Measuring an associate or joint venture at fair value</u> – Clarified that an entity has an investment-by-investment choice for measuring investees at fair value in accordance with PAS 28 by a venture capital organization, or a mutual fund, unit trust or similar entities including investment linked insurance funds.

  The amendments are effective for annual periods beginning on or after January 1, 2018.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  This clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

  The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transactions established for each payment or receipt.

The amendments are effective for annual periods beginning on or after January 1, 2018 and applied retrospectively or prospectively in accordance with the transition requirements of this IFRIC.

2.04 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.

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

- PFRS 16, *Leases*

  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, however, earlier application is permitted.

  Currently, the Company is assessing the impact of this standard.

- 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. Earlier application is permitted.

- 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. Earlier application is permitted.

- 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.

2.04.02 Standard Adopted by FRSC but pending for Approval of the 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.

- 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. Earlier application is permitted.

- Annual Improvements to PFRSs 2015-2017 Cycle

  <u>Amendments to PFRS 3 and PFRS 11 - Previously held interest in a joint operation</u> – 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.

  <u>Amendments to PAS 12 - Income tax consequences of payments on financial instruments classified as equity</u> – 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. Earlier application is permitted.

- 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. Earlier application is permitted.

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, trade and other receivable, contract asset and security deposits presented under prepayments and other current assets and other non-current assets.

a) Cash

Cash pertains to 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 Receivable

Trade and other receivable that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Trade and other receivable 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 revenue arising 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.

The Company does not have financial assets measured at fair value through profit or loss or other comprehensive income.

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 receivable, contract asset and security deposits presented under prepayments and other current assets and other non-current 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.

  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.

4.03.02 Security Deposits

Security deposits are recognized when placement of funds have been made to satisfy requirements of certain agreements entered into by the Company. Security deposits under prepayments and other current assets and other non-current assets pertain to deposits for repairs or reconstruction on any damages to leased properties. These are initially measured at cost and are subsequently measured at amortized cost.

4.03.03 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.

4.04 Computer Equipment

Computer 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 computer 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 life of the computer equipment which is five (5) years or 20% annually.

The 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 computer 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 and Equity Instruments

4.07.01 Financial Liabilities

4.07.01.01 Initial Recognition and Measurement

The Company recognizes a financial liability 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 payables that do not have a significant financing component, at initial recognition, the Company measures a financial liability at its fair value minus, in the case of financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the liability.

4.07.01.02 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 and other payables (except for payable to government agencies) and due to related parties.

4.07.01.03 Derecognition

An entity shall remove a financial liability (or part of a financial liability) from its statement 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, shall be recognized in profit or loss.

4.07.02 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.

4.08 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.

4.09 Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

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, 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 services (3) Product Support Services (4) Application Maintenance Services (5) Software as a Service (SaaS) and 6) Managed Services.

4.12.01 Performance Obligations Satisfied Over Time

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.

4.12.01.01 License Fees

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.

4.12.01.02 Software / Implementation Fees

Software / implementation 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

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.

4.12.02 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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

4.14.01 The Company as a 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

Below 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 Assessment of Classification of Lease

The Company determines whether a lease qualifies as an operating lease. In making its judgments, the Company considers whether the risk and reward of the leased property will be transferred to the lessee. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

In both years, Management assessed that the lease agreements are operating leases because the risks and rewards attributable to the guest house and office spaces are not transferred to the lessee.

In 2019 and 2018, rental expense amounted to ₱8,674,259 and ₱3,779,128, respectively, as disclosed in Notes 20 and 23.

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.

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 2019 and 2018, revenue from customer contracts amounted to ₱410,697,381 and ₱260,064,439, respectively, as disclosed in Note 18.

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 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 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.

5.02 Key Sources of Estimation Uncertainties

Below 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 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 receivable and contract asset amounted to ₱115,000 and ₱5,500,000, respectively, as disclosed in Notes 8 and 9.

In 2019 and 2018, 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.

5.02.02 Reviewing Residual Values, Useful Lives and Depreciation Method of Computer Equipment

The residual values, useful lives and depreciation method of the Company's computer 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 computer 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 computer 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 computer equipment's future economic benefits. As of March 31, 2019, 2018 and 2017, the carrying amounts of computer equipment are ₱1,174,329, ₱611,401 and ₱137,294, respectively, as disclosed Note 12.

5.02.03 Asset Impairment

The Company performs an impairment review when certain impairment indicators are present. Determining the fair value of prepayments and other currents assets (except for security deposits), computer equipment and advance rental under '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 (except for security deposits), computer equipment and advance rental under 'other non-current assets' 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, 2019, 2018 and 2017, the aggregate carrying amounts of the aforementioned assets are ₱6,573,842, ₱750,673 and ₱935,890, respectively, as disclosed in Notes 10, 11 and 12.

5.02.04 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 grant
Implementation, installation and hosting	Percentage of completion
Application maintenance services and charges	Ratably on straight-line basis
Time and material	Ratably on straight-line basis
Change request	Ratably on straight-line basis
Subscription	Ratably on straight-line basis
Partner training	Ratably on straight-line basis

The Company has recognized revenues amounting to ₱410,697,381 and ₱260,064,439 in 2019 and 2018, respectively, as disclosed in Note 18.

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, 2019, 2018 and 2017, deferred tax assets recognized by the Company amounted to ₱1,887,031, nil and nil, respectively, as disclosed in Note 25.

6. OFFSETTING OF FINANCIAL INSTRUMENTS

The following are the quantitative information for the recognized financial assets and liabilities as disclosed in Notes 10 and 13:

	Gross carrying amount (before offsetting)	Gross amounts set offs	Net amounts presented in the Statements of Financial Position
March 31, 2019			
Financial asset			
Advances to employees	₱ **521,333**	₱ **138,000**	₱ **383,333**
Financial liability			
Payable to employees	**668,222**	**138,000**	**530,222**
March 31, 2018			
Financial asset			
Advances to employees	-	-	-
Financial liability			
Payable to employees	28,825	-	28,825
March 31, 2017			
Financial asset			
Advances to employees	75,000	-	75,000
Financial liability			
Payable to employees	9,232	-	9,232

During the year, the Company's arrangement is to offset the balance of advances to employees subject to salary deduction against payable to employees.

7. CASH

For the purpose of the statements of cash flows, cash pertains to cash in bank only. As of March 31, 2019, 2018 and 2017, cash as shown in the statements of financial position amounted to ₱3,950,375, ₱7,374,886 and ₱8,677,038, respectively.

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 ₱5,495 and ₱11,412 in 2019 and 2018, respectively.

In 2019 and 2018, the Company recognized unrealized foreign exchange gain amounting to ₱91,894 and ₱915,898, respectively, as disclosed in Note 21.

8. TRADE AND OTHER RECEIVABLE – net

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

		2019		2018		2017
Trade	₱	**99,826,814**	₱	5,068,218	₱	1,128,033
Allowance for expected credit losses (Note 27.02)		**(115,000)**		-		-
		99,711,814		5,068,218		1,128,033
Others (Note 15)		**1,331,097**		1,369,189		-
	₱	**101,042,911**	₱	6,437,407	₱	1,128,033

Trade receivables pertain to billed portion of contract asset.

In 2019 and 2018, the Company recognized unrealized foreign exchange gain amounting to ₱24,695 and nil, respectively, as disclosed in Note 21.

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.

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

		2019		2018		2017
31 – 60 days	₱	**13,053,600**	₱	-	₱	812,193
61 – 90 days		-		-		-
Over 90 days		**25,810,533**		4,380,323		-
	₱	**38,864,133**	₱	4,380,323	₱	812,193

9. CONTRACT ASSET – net

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

		2019		2018		2017
Current	₱	**204,711,631**	₱	135,582,304	₱	69,807,517
Non-current		**133,831,244**		105,684,078		38,231,933
		338,542,875		241,266,382		108,039,450
Allowance for expected credit loss (Note 27.02)		**(5,500,000)**		-		-
	₱	**333,042,875**	₱	241,266,382	₱	108,039,450

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 arise 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 2019 and 2018 amounted to ₱6,881,597 and ₱2,974,332, respectively, as disclosed in Note 18.

In 2019 and 2018, the Company recognized unrealized foreign exchange loss and gain amounting to ₱1,477,087 and ₱2,221,497, respectively, as disclosed in Note 21.

10. PREPAYMENTS AND OTHER CURRENT ASSETS

The details of the Company's prepayments and other current assets are shown below:

		2019		2018		2017
Prepaid expense	₱	**1,745,185**	₱	-	₱	-
Prepaid rent (Note 23)		-		139,272		414,766
Advances to vendors		**2,269,367**				
Security deposit (Note 23)		**536,400**		255,600		170,000
Advances to employees (Note 6)		**383,333**		-		75,000
Excess tax credits		-		-		235,417
Others		-		-		73,413
	₱	**4,934,285**	₱	394,872	₱	968,596

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.

In 2019, the Company offset the balance of advances to employees which were subjected to salary deductions against payable to employees amounting to ₱138,000, as disclosed in Note 6. Remaining balance of advances to employee pertains to those funds advanced subjected to liquidation.

11. OTHER NON-CURRENT ASSETS

The details of the Company's other non-current assets as disclosed in Note 23 are shown below:

		2019		2018		2017
Security deposit	₱	**1,001,628**	₱	-	₱	-
Advance rental		**1,001,628**		-		-
	₱	**2,003,256**	₱	-	₱	-

12. COMPUTER EQUIPMENT – net

The carrying amount of the Company's computer equipment as of March 31, 2019, 2018 and 2017 is as follows:

April 1, 2016		
Cost	₱	-
Accumulated depreciation		-
Carrying amount		-
Movements during 2017		
Balance, April 1, 2016		-
Additions		142,670
Depreciation		(5,376)
Balance, March 31, 2017		**137,294**
March 31, 2017		
Cost		142,670
Accumulated depreciation		(5,376)
Carrying amount		**137,294**
Movements during 2018		
Balance, April 1, 2017		137,294
Additions		603,748
Depreciation (Note 20)		(129,641)
Balance, March 31, 2018		**611,401**
March 31, 2018		
Cost		746,418
Accumulated depreciation		(135,017)
Carrying amount		**611,401**
Movements during 2019		
Balance, April 1, 2018		611,401
Additions		763,795
Depreciation (Note 20)		(200,867)
Balance, March 31, 2019		**1,174,329**
March 31, 2019		
Cost		1,510,213
Accumulated depreciation		(335,884)
Carrying amount	**₱**	**1,174,329**

All additions were paid in cash.

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

13. TRADE AND OTHER PAYABLES

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

		2019		2018		2017
Trade	₱	**2,897,360**	₱	880,309	₱	471,317
Payable to government agencies		**24,853,339**		5,369,120		8,031,314
Accrued expenses		**22,332,258**		15,577,711		8,693,643
Deferred output VAT		**1,018,878**		-		-
Payable to employees		**530,222**		28,826		9,232
	₱	**51,632,057**	₱	21,855,966	₱	17,205,506

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.

In 2019, the Company offset the balance of payable to employees against advances to employees which were subjected to salary deductions amounting to ₱138,000, as disclosed in Note 6.

In 2019 and 2018, the Company recognized unrealized foreign exchange gain amounting to ₱14,446 and ₱1,696, respectively as disclosed in Note 21.

Breakdown of accrued expenses is as follows:

		2019		2018		2017
Commission	₱	**11,235,028**	₱	13,620,361	₱	-
Travel		**3,842,890**		876,638		525,597
Hosting		**1,973,561**		68,798		37,356
Others		**5,280,779**		1,011,914		8,130,690
	₱	**22,332,258**	₱	15,577,711	₱	8,693,643

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

14. CONTRACT LIABILITY

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

		2019		2018		2017
Balance, April 1	₱	**52,364,741**	₱	5,504,176	₱	-
Increase (Decrease) arising from a change in the measure of progress		**(16,454,702)**		46,860,565		5,504,176
Balance, March 31	₱	**35,910,039**	₱	52,364,741	₱	5,504,176

Contract liability pertains to advance billing made to customers based on contractual terms. In 2019 and 2018, the Company recognized unrealized foreign exchange gain amounting to ₱754,875 and nil, respectively as disclosed in Note 21.

15. RELATED PARTY TRANSACTIONS

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

Related Parties	Nature of Relationship
Ramco Systems Limited	Parent
Ramco Systems Sdn. Bhd.	Fellow Subsidiary
Ramco Systems Pte. Ltd.	Fellow Subsidiary

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

15.01 Due from Related Parties

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

15.01.01 Parent Company

Transaction with parent is detailed below:

	March 31, 2019		March 31, 2018		March 31, 2017	
	Amount/ Volume	**Outstanding Balance**	Amount/ Volume	Outstanding Balance	Amount/ Volume	Outstanding Balance
Ramco Systems Limited						
Reimbursements	**₱ -**	**₱ -**	₱ 593,747	₱ 593,747	₱ -	₱ -

Reimbursements pertain to salaries and travel expenses 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.

15.01.02 Fellow Subsidiary

Transaction with fellow subsidiary is detailed below:

	March 31, 2019		March 31, 2018		March 31, 2017	
	Amount/ Volume	**Outstanding Balance**	Amount/ Volume	Outstanding Balance	Amount/ Volume	Outstanding Balance
Ramco Systems Pte Ltd.						
Reimbursements	**₱ 1,331,097**	**₱ 1,331,097**	₱ 775,443	₱ 775,443	₱ -	₱ -

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

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 party.

15.02 Due to Related Parties

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

15.02.01 Parent Company

Transactions with Parent are detailed below:

	March 31, 2019		March 31, 2018		March 31, 2017	
	Amounts/ Volume	**Outstanding Balances**	Amounts/ Volume	Outstanding Balances	Amounts/ Volume	Outstanding Balances
Ramco Systems Limited						
Royalties (Note 19)	**₱106,178,648**	**₱ 66,589,430**	₱ 93,533,723	₱ 42,196,534	₱ 48,537,275	₱ 17,745,022
Transfer pricing services (Note 19)	**80,735,167**	**68,333,164**	49,136,993	38,886,784	36,310,317	36,310,317
Marketing, travel and salaries	**39,754,064**	**32,723,116**	9,607,453	3,503,406	2,780,414	1,553,817
Loan	**29,244,130**	**24,365,916**	30,097,479	-	-	-
Finance cost	**745,226**	-	642,141	-	-	-
	₱256,657,235	**₱ 192,011,626**	₱ 183,017,789	₱ 84,586,724	₱ 87,628,006	₱ 55,609,156

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.
- Transfer pricing services 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 and salary expenses are paid by the Company as a form of reimbursement to its related party.

Loan transaction with related party is subject to 9.85% and 12.50% interest per annum in 2019 and 2018, respectively, unsecured, payable on demand and will be settled in cash. In 2019 and 2018, the Company paid finance cost amounting to ₱745,226 and ₱642,141 to its Parent Company while payments of loan amounted to ₱4,961,058 and ₱30,097,479, respectively, as disclosed in Note 15.03.02.

In 2019 and 2018, the Company recognized unrealized foreign exchange loss on loan amounting to ₱82,844 and nil, as disclosed in Note 21.

In 2019, 2018, and 2017, the Company made the following payments to Parent amounting to ₱147,081,997, ₱96,462,689, ₱17,457,667, respectively; of the total payments, paid final withholding taxes amounted to ₱36,129,633, ₱27,480,053 and ₱14,561,183, respectively.

15.02.02 Fellow Subsidiaries

Transactions with fellow subsidiaries are detailed below:

	March 31, 2019		March 31, 2018		March 31, 2017	
	Amounts/ Volume	**Outstanding Balances**	Amounts/ Volume	Outstanding Balances	Amounts/ Volume	Outstanding Balances
Ramco Systems Pte Ltd.						
Reimbursement of salary and travel expenses	₱ **20,761,092**	₱ **17,267,066**	₱ 3,555,080	₱ 3,555,080	₱ -	₱ -
Royalties (Note 19)	**2,250,000**	**1,687,500**	-	-	-	-
Ramco Systems Sdn. Bhd.						
Reimbursement of salary and travel expenses	**14,013,643**	**3,083,676**	18,499,843	2,164,424	2,791,217	2,791,217
Loans	-	-	24,575,450	-	-	-
Finance cost	-	-	580,064	-	-	-
	₱ **18,568,738**	₱ **22,038,242**	₱ 47,210,437	₱ 5,719,504	₱ 2,791,217	₱ 2,791,217

Salary and travel expenses incurred by the employees of related parties in the Philippines are subject for reimbursement by the Company as stated in the agreement with the latter.

Loan transactions with related parties are subject to 10% interest per annum, unsecured, payable on demand and will be settled in cash. In 2019 and 2018, the Company paid nil and ₱580,064 of finance cost to its fellow subsidiary.

In 2019, 2018 and 2017, the Company made payments to fellow subsidiaries amounting to ₱20,152,030, ₱43,702,086 and nil, respectively.

15.03 Significant Contracts

15.03.01 Service Agreements

15.03.01.01 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 40% 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 2019 and 2018, royalty expenses incurred by the Company amounted to ₱106,178,648 and ₱93,533,723, respectively, as disclosed in Notes 15.02 and 19.

15.03.01.02 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 40% 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 2019 and 2018, royalty expenses incurred by the Company amounted to ₱2,250,000 and nil, respectively, as disclosed in Notes 15.02 and 19.

15.03.02 Loan Agreements

15.03.02.01 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 12.50% interest until March 2018 and 9.85% effective April 2018. In 2019, 2018 and 2017, the Company borrowed loans amounting to $560,000 or ₱29,244,130, $600,000 or ₱30,097,479, and nil, respectively.

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

		2019		2018		2017
Balance, April 1	₱	-	₱	-	₱	-
Loan		**29,244,130**		30,097,479		-
Finance cost		**745,226**		642,141		-
Unrealized foreign exchange loss		**(82,845)**		-		-
Payments		**(5,540,595)**		(30,739,620)		-
Balance, March 31	₱	**24,365,916**	₱	-	₱	-

Payments include payment of principal and interest.

15.03.02.02 Ramco Systems Sdn. Bhd.

On October 6, 2017, the Company entered into an unsecured loan agreement with Ramco Systems Sdn. Bhd. (fellow subsidiary) wherein the former can acquire loans in one or more tranches not exceeding $1,000,000 subject to 10% interest per annum.

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

		2019		2018		2017
Balance, April 1	₱	-	₱	-	₱	-
Loan		-		24,575,450		-
Finance cost		-		580,064		-
Payments		-		(25,155,514)		-
Balance, March 31	₱	-	₱	-	₱	-

Payments include payment of principal and interest.

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

15.04 Remuneration of Key Management Personnel

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

16. CAPITAL STOCK

The capital stock of the Company is as follows:

	2019			2018			2017		
	Shares		**Amount**	Shares		Amount	Shares		Amount
Authorized shares ₱1 par value per share	**47,000,000**	**₱**	**47,000,000**	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	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.

17. APPROPRIATED RETAINED EARNINGS

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

		2019		2018		2017
Balance, April 1	₱	**52,000,000**	₱	8,000,000	₱	-
Additional appropriation		**87,500,000**		44,000,000		8,000,000
Reversal		**(36,500,000)**		-		-
Balance, March 31	₱	**103,000,000**	₱	52,000,000	₱	8,000,000

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.

18. REVENUES

Details of revenues as disclosed in Note 4.12 are as follows:

		2019		2018
Licenses	₱	**244,544,299**	₱	223,555,744
Implementation, installation and hosting		**117,375,317**		28,214,098
Application maintenance services and charges		**22,384,107**		4,494,565
Time and materials		**15,000,000**		-
Interest on licenses (Note 9)		**6,881,597**		2,974,332
Change request		**2,431,248**		700,700
Subscription		**2,080,813**		-
Partner training		-		125,000
	₱	**410,697,381**	₱	260,064,439

19. COST OF SERVICES

The following is an analysis of the Company's cost of services from its operations:

		2019		2018
Royalties (Note 15)	₱	**108,428,648**	₱	93,533,723
Transfer pricing services (Note 15)		**80,735,167**		49,136,993
Salaries and wages reimbursements (Note 22)		**39,473,894**		1,976,562
Salaries and wages (Note 22)		**31,688,844**		11,430,320
Hosting		**5,656,760**		3,054,932
Marketing		**884,237**		343,886
Subcontractors		**768,544**		3,257,701
SSS, Philhealth and HDMF contributions (Note 22)		**523,503**		191,910
Other employee costs (Note 22)		**975,356**		99,480
	₱	**269,134,953**	₱	163,025,507

Royalties pertain to payment for the ongoing use of the software under the name of related parties in relation to the revenue derive therefrom.

Transfer pricing services pertain to the cost paid to the related parties on an arm's length transaction such as payments of salaries and travel expenses.

Hosting charges pertain to payments made to parent company for usage by customers to the revenue derived therefrom.

20. OPERATING EXPENSES

The account is composed of the following expenses:

		2019		2018
Transportation and travel reimbursements	₱	**28,468,440**	₱	12,821,429
Rent (Note 23)		**8,674,259**		3,779,128
Commission		**7,309,361**		7,346,403
Transportation and travel		**6,621,164**		2,193,025
Expected credit losses (Notes 8 and 9)		**5,615,000**		-
Taxes and licenses		**2,637,100**		161,107
Recruitment charges		**2,201,215**		-
Professional fees		**2,002,456**		3,718,026
Communication, light and water		**1,731,601**		1,550,289
Marketing		**872,045**		551,100
Representation		**695,562**		176,074
Depreciation (Note 12)		**200,867**		129,641
Repairs and maintenance		**76,063**		-
Printing and stationery		**73,658**		17,258
Miscellaneous		**1,162,236**		593,272
	₱	**68,341,027**	₱	33,036,752

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

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

21. FOREIGN EXCHANGE GAINS (LOSSES) – net

Components of foreign exchange losses are as follows:

		2019		2018
Effects of foreign exchange gain (loss) on outstanding balances of:				
Contract liability (Note 14)	₱	**754,875**	₱	-
Cash in banks (Note 7)		**91,894**		915,898
Trade receivables (Note 8)		**24,695**		-
Trade payable (Note 13)		**14,446**		1,696
Due to related parties		**(1,080)**		-
Loans payable (Note 15)		**(82,845)**		-
Contract asset (Note 9)		**(1,477,087)**		2,221,497
Unrealized foreign exchange gain (loss)		**(675,102)**		3,139,091
Realized foreign exchange gain (loss)		**161,233**		(1,333,819)
	₱	**(513,869)**	₱	1,805,272

22. EMPLOYEE BENEFITS

Aggregate employee benefits, as disclosed in Note 19, are comprised of:

		2019		2018
Salaries and wages reimbursements	₱	**39,473,894**	₱	1,976,562
Salaries and wages		**31,688,844**		11,430,320
SSS, Philhealth and HDMF contributions		**523,503**		191,910
Other employee costs		**975,356**		99,480
	₱	**72,661,597**	₱	13,698,272

23. OPERATING LEASE AGREEMENTS

Summary of operating lease agreements are summarized as follows:

	Rent Expense (Note 20)	Security Deposits (Notes 10 and 11)		Prepaid Rent (Note 10)	Advance Rental (Note 11)
		Current	Non-current	Current	Non-current
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**
March 31, 2018					
Compass Offices	2,539,362	105,600	-	-	-
Smartman Properties, Inc.	1,239,766	150,000	-	139,272	-
	3,779,128	255,600	-	139,272	-
March 31, 2017					
Masterman Land Corporation	₱ 658,918	₱ 170,000	₱ -	₱ 414,766	₱ -

23.01 The Company as a Lessee

23.01.01 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, 2019, 2018 and 2017, security deposit amounted to ₱105,600, ₱105,600 and nil, respectively.

During 2019, the Company terminated the lease agreement. In 2019 and 2018, rent expense charged to operations amounted to ₱2,244,000 and ₱2,539,362, respectively, as disclosed in Note 20.

23.01.02 Smartman Properties, Inc.

The Company leased a condominium apartment unit located at Salcedo Street, Legazpi Village, Makati 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 April 30, 2017 to April 29, 2018, renewable for another year thereafter upon mutual agreement. As of March 31, 2019, 2018 and 2017, security deposit amounted to ₱150,000, ₱150,000 and nil, respectively.

As of March 31, 2019, 2018 and 2017, prepaid rent amounted to nil, ₱139,272 and nil, respectively, as disclosed in Note 10.

During 2019, the Company terminated the lease agreement. In 2019 and 2018, rent expense charged to operations amounted to nil and ₱1,239,766, respectively, as disclosed in Note 20.

23.01.03 Masterman Land Corporation

The Company leased a condominium apartment unit located at 153 Legazpi Street, Legazpi Village, Makati 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 August 20, 2016 to August 19, 2017, renewable for another year thereafter upon mutual agreement. The contract was not renewed for the fiscal year 2018.

Prior to signing the contract of lease, the lessee shall pay the amount of ₱170,000, representing security deposit which was refunded to the Company in 2018, as disclosed in Note 10. This shall be applied to answer for the lessee's obligations, subject to refund to lessee sixty (60) days after termination of lease, after deducting therefrom whatever accounts owing by the lessee to the lessor. The bond shall in no case be applied for payment of unpaid rentals in case of renewal of the period of lease. As of March 31, 2019, 2018 and 2017, prepaid rent amounted to nil, nil and ₱414,766, respectively, as disclosed in Note 10.

In 2019 and 2018, rent expense charged to operations amounted to nil in both years, as disclosed in Note 20.

23.01.04 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, 2018 to May 13, 2019, renewable for another year thereafter upon mutual agreement. As of March 31, 2019, 2018 and 2017, security deposit amounted to ₱63,200, nil and nil, respectively.

In 2019 and 2018, rent expense charged to operations amounted to ₱347,600 and nil, respectively, as disclosed in Note 20.

23.01.05 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, 2018 to October 1, 2019, renewable for another year thereafter upon mutual agreement. As of March 31, 2019, 2018 and 2017, security deposit amounted to ₱63,000, nil and nil, respectively.

In 2019 and 2018, rent expense charged to operations amounted to ₱189,000 and nil, respectively, as disclosed in Note 20.

23.01.06 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 lessee 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 2019 and 2018, rent expense charged to operations amounted to ₱1,001,628 and nil, respectively, as disclosed in Note 20.

23.01.07 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 2019 and 2018, rent expense charged to operations amounted to ₱4,309,418 and nil, respectively, as disclosed in Note 20.

23.01.08 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, 2019, 2018 and 2017, security deposit amounted to ₱2,000, nil and nil, respectively.

In 2019 and 2018, rent expense charged to operations amounted to ₱582,613 and nil, respectively, as disclosed in Note 20.

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

	2019	2018	2017
Not later than one (1) year	₱ 4,006,512	₱ -	₱ -
Later than one (1) year but not later than five (5) years	7,011,396	-	-
	₱ 11,017,908	₱ -	₱ -

24. INCOME TAXES

24.01 Income Tax Recognized in Profit or Loss

Components of income tax expense are as follows:

	2019	2018
Current tax expense	₱ 24,641,017	₱ 19,133,275
Deferred tax expense (benefit) (Note 25)	(2,828,758)	242,299
	₱ 21,812,259	₱ 19,375,574

A numerical reconciliation between tax expense and the product of accounting profit multiplied by the tax rates in 2019 and 2018 is as follows:

	2019	2018
Accounting profit	₱ 71,967,801	₱ 64,596,659
Tax benefit at 30%	21,590,340	19,378,998
Tax effects of the following:		
Unallowable finance cost	223,568	-
Finance income subject to final tax	(1,649)	(3,424)
	₱ 21,812,259	₱ 19,375,574

25. DEFERRED TAXES – net

Components of deferred taxes are as follows:

	2019	2018	2017
Deferred tax assets	₱ 1,887,031	₱ -	₱ -
Deferred tax liability	-	(941,727)	(699,428)
	₱ 1,887,031	₱ (941,727)	₱ (699,428)

25.01 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		Total
Balance, April 1, 2016	₱	-	₱	-	₱	-
Recognized in profit or loss		-		-		-
Balance, March 31, 2017		-		-		-
Recognized in profit or loss		-		-		-
Balance, March 31, 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**

25.02 Deferred Tax Liability

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

		2019		2018		2017
Balance, January 1	₱	**941,727**	₱	699,428	₱	-
Recognized in profit or loss		**(941,727)**		242,299		699,428
	₱	-	₱	941,727	₱	699,428

26. FAIR VALUE MEASUREMENTS

26.01 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, 2019, 2018 and 2017 are presented below:

	2019		2018		2017	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Assets:						
Cash	**₱ 3,950,375**	**₱ 3,950,375**	₱ 7,374,886	₱ 7,374,886	₱ 8,677,038	₱ 8,677,038
Contract asset – net	**338,542,875**	**338,542,875**	241,266,382	241,266,382	108,039,450	108,039,450
Trade and other receivable – net	**101,042,911**	**101,042,911**	6,437,407	6,437,407	1,128,033	1,128,033
Security deposits	**1,409,628**	**1,409,628**	255,600	255,600	170,000	170,000
	₱ 444,945,789	**₱ 444,945,789**	₱ 255,334,275	₱ 255,334,275	₱ 118,014,521	₱ 118,014,521
Financial Liabilities:						
Trade and other payables	**₱ 25,351,840**	**₱ 25,351,840**	₱ 16,486,844	₱ 16,486,844	₱ 11,911,887	₱ 11,911,887
Due to related parties	**214,049,868**	**214,049,868**	90,306,228	90,306,228	58,400,373	58,400,373
	₱ 239,401,708	**₱ 239,401,708**	₱ 106,793,072	₱ 106,793,072	₱ 70,312,260	₱ 70,312,260

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 receivable and security deposits presented under prepayments and other current assets approximates their fair value.
- Contract asset and loans payable presented under 'due to related parties' bear market interest rates; hence, Management believes that 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.

27. 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.

27.01 Market Risk Management

27.01.01 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:

	2019		2018		2017	
	PHP	**USD**	PHP	USD	PHP	USD
Monetary Assets						
Cash	**298,255**	**5,692**	4,521,479	86,868	1,790,488	35,924
Contract asset	**193,925,607**	**3,700,941**	166,022,792	3,189,679	44,724,124	897,336
	194,223,862	**3,706,633**	170,544,271	3,276,547	46,514,612	933,260
Monetary Liabilities						
Trade and other payables	**19,163,886**	**365,730**	30,053,670	577,400	3,434,045	68,900
Due to related parties	**24,365,535**	**465,000**	-	-	-	-
	43,529,421	**830,730**	30,053,670	577,400	3,434,045	68,900

	PHP	**SGD**	PHP	SGD	PHP	SGD
Monetary Liabilities						
Due to related parties	**17,267,066**	**15,652,452**	3,555,080	1,226,367	-	-

The Company is mainly exposed to US and SG Dollar. The exchange rates used are shown below:

	2019	2018	2017
US Dollar(USD)	**52.399**	52.050	49.841
Singaporean Dollar (SGD)	**1.448**	3.592	9.668

The following table details the Company's sensitivity as of March 31, 2019, 2018 and 2017, 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**
2019					
US Dollar	**1.18%**	**110,887,952 / (110,887,952)**	**(24,852,424) / 24,852,424**	**86,035,529**	**(86,035,529)**
SG Dollar	**1.25%**	**-**	**(1,800,443) / 1,800,443**	**(1,800,443)**	**1,800,443**
2018					
US Dollar	1.09%	95,728,208 / (95,728,208)	(16,869,459) / 16,869,459	78,858,749	(78,858,749)
SG Dollar	6.38%	-	(657,792) / 657,792	(657,792)	657,792
2017					
US Dollar	1.09%	27,389,016 / (27,389,016)	(339,988) / 339,988	27,049,028	(27,049,028)
SG Dollar	9.45%	-	-	-	-

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.

27.01.02 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 and loans from related parties which are subject to fixed interest rates.

Profits for the years ended March 31, 2019 and 2018 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.

27.02 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 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:

		2019		2018		2017
Financial assets						
Cash in bank	₱	**3,950,375**	₱	7,374,886	₱	8,677,038
Contract assets – net		**333,042,875**		241,266,382		108,039,450
Trade and other receivable – net		**101,042,911**		6,437,405		
Security deposits		**1,409,628**		255,600		170,000
	₱	**439,445,789**	₱	255,334,273	₱	118,014,521

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 (LCG)

  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 2019:

	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%		333,042,875		5,500,000
Trade and other receivable	3.00%	100.00%		101,042,911		115,000
Security deposits	0.00%	100.00%		1,409,628		-
			₱	**439,445,789**	**₱**	**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 87.34%.

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

Contract Asset 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. The Company estimated the probability of default to be 3% for receivables outstanding for more than 365 days. Balance of contract asset and trade and other receivable outstanding amounted to ₱187,166,964 as of March 31, 2019 basing 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.

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:

	2019	2018	2017
Balance at April 1	₱ -	₱ -	₱ -
Expected credit losses	**5,615,000**	-	-
Balance at March 31	**₱ 5,615,000**	₱ -	₱ -

27.03 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, 2019				
Trade and other payables	**0.00%**	₱ -	**₱ 25,759,840**	**₱ 25,759,840**
Due to related parties	**0.00% - 9.85%**	**24,365,916**	**189,683,951**	**214,049,868**
		₱ 24,365,916	**₱ 208,847,866**	**₱ 239,809,708**
March 31, 2018				
Trade and other payables	0.00%	₱ -	₱ 16,486,844	₱ 16,486,844
Due to related parties	0.00% - 12.50%	90,306,228	-	90,306,228
		₱ 90,306,228	₱ 16,486,844	₱ 106,793,072
March 31, 2017				
Trade and other payables	0.00%	₱ -	₱ 9,174,192	₱ 9,174,192
Due to related parties	0.00% - 12.50%	58,400,373	-	58,400,373
		₱ 58,400,373	₱ 9,174,192	₱ 67,574,565

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, 2019					
Cash	**floating rates**	**₱ 3,950,375**	**₱ -**	**₱ -**	**₱ 3,950,375**
Contract asset – net	**0.00%**	-	**204,711,631**	**128,331,244**	**333,042,875**
Trade and other receivable – net	**0.00%**	-	**101,042,911**	-	**101,042,911**
Security deposits	**0.00%**	-	**408,000**	**1,001,628**	**1,409,628**
		₱ 3,950,375	**₱ 306,162,542**	**₱ 129,332,872**	**₱ 439,445,789**
March 31, 2018					
Cash	floating rates	₱ 7,374,886	₱ -	₱ -	₱ 7,374,886
Contract asset – net	0.00%	-	135,582,304	105,684,078	241,266,382
Trade and other receivable – net	0.00%	-	5,068,218	-	5,068,218
Security deposits	0.00%	-	255,600	-	255,600
		₱ 7,374,886	₱ 140,906,122	₱ 105,684,078	₱ 253,965,086
March 31, 2017					
Cash	floating rates	₱ 8,677,038	₱ -	₱ -	₱ 8,677,038
Contract asset – net			69,807,517	38,231,933	108,039,450
Trade and other receivable – net	0.00%	-	1,128,033	-	1,128,033
Security deposits	0.00%	-	170,000	-	170,000
		₱ 8,677,038	₱ 71,105,550	₱ 38,231,933	₱ 118,014,521

28. 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 2018.

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 43 of the 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:

	2019	2018	2017
Debt	**₱ 322,644,356**	₱ 179,908,057	88,236,904
Cash	**3,950,375**	7,374,886	8,677,038
Net debt	**318,693,981**	172,533,171	79,559,866
Equity	**125,390,706**	75,235,164	30,014,079
Net debt to equity ratio	**2.54:1**	2.29:1	2.65:1

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

29. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities is as follows:

		2019		2018	2017
Balance, April 1	₱	-	₱	-	-
Changes from financing cash flows					
Receipt of loans		**29,244,130**		54,672,929	-
Repayment of loans		**(4,961,058)**		(54,672,929)	-
Finance cost incurred		**745,226**		1,222,205	-
Finance cost paid		**(745,226)**		(1,222,205)	-
Effect of foreign exchange in loans		**82,844**		-	-
Total changes from financing cash flows		**24,365,916**		-	-
Balance, March 31	**₱**	**24,365,916**	₱	-	-

30. CHANGE IN ACCOUNTING POLICIES

30.01 Adoption of PFRS 9 Financial Instruments

PFRS 9 introduces the following new requirements or improvements: the single classification and measurement approach; the forward-looking expected credit loss model; the accounting for "own credit issue" of financial liabilities measured at fair value through profit or loss; and the improved hedge accounting model to better link the economics of risk management with its accounting treatment.

The Company's financial assets consist of cash in bank, contract asset, trade and other receivable, security deposits presented under prepayments and other current asset and other non-current assets. In prior years under PAS 39, these were classified as loans and receivables, which were subsequently measured at amortized cost. Under PFRS 9, the classification of financial assets is determined on the basis of business model within which they are held and their contractual cash flow characteristics. Based on the assessment, the contractual cash flow characteristics of these financial assets are solely for payments of principal and interest and consistent with the basic lending arrangement. While, the Company's business model is to hold these financial assets in order to collect contractual cash flows. Hence, these are classified under amortized cost category.

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

The Company's financial liabilities consist of trade and other payable (except for payable to government agencies) and due to related parties. In prior years under PAS 39, these were classified under other financial liabilities, which were subsequently measured at amortized cost. Under PFRS 9, these are classified under amortized cost category.

The Company has no financial liabilities at fair value though profit or loss. Hence, it is not affected by the accounting requirements for own credit issue.

In prior years under PAS 39, the Company adopted the incurred loss model to measure impairment of its financial assets. Under PFRS 9, the Company adopted the expected credit loss model. The Company applies general approach to cash in banks. In addition, the Company always measures the loss allowance at an amount equal to lifetime expected credit losses for contract asset, trade receivables and security deposits. The details are disclosed in Notes 4.02, 5.02.01, and 27.02.

The Company does not have hedge transactions. Hence, it is not affected by the new disclosure requirements under PFRS 9.

The adoption of PFRS 9 has no significant impact in 2018 statement of comprehensive income and cash flows and on April 1, 2017 retained earnings, except for the reclassification of installment and other trade receivables into two (2) separate accounts, trade and other receivable and contract asset. The reclassification was made since April 1, 2017; hence, a third statement of financial position was presented.

30.02 Adoption of PFRS 15 Revenue from Contracts with Customers

PFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of the revenue model is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company's revenue recognition models for its customer contracts have not been affected by the adoption of PFRS 15. In addition, the Company assessed that the performance obligation for each revenue stream is dependent on the multiple element arrangement; hence, there is a need to separate the transaction price per element present on the contract, as disclosed in Notes 4.12, 5.01.04 and 5.02.04.

The adoption of PFRS 15 has no significant impact in 2018 statement of comprehensive income and cash flows and on April 1, 2018 retained earnings, except for the disaggregation of revenue costumer contracts. The summary is as follows:

	2018	
	Under PAS 11	Under PFRS 15
Revenues	₱ 260,064,439	₱ -
Licenses	-	223,555,744
Implementation, installation and hosting	-	28,214,098
Application maintenance services and charges	-	4,494,565
Interest on licenses	-	2,974,332
Change request	-	700,700
Partner training	-	125,000
	₱ 260,064,439	₱ 260,064,439

31. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issuance by the Board of Directors on May 15, 2019.

32. 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:

32.01 Taxes and Licenses Paid or Accrued

The details of the Company's taxes and licenses fees paid or accrued in 2018 are as follows:

32.01.01 Output VAT

The Company is VAT-registered with VAT output declaration of ₱30,714,867 for the year based on the amount of revenue collected from sale of services amounting to ₱255,957,225; hence, may not be comparable with the amounts recognized in the statement of comprehensive income.

32.01.02 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	₱	11,797,663
Services lodged under cost of goods sold		6,164,243
Total available input VAT		**17,961,906**
Applied against output VAT		(17,961,906)
Balance, March 31	**₱**	-

32.01.03 Taxes and Licenses

An analysis on the Company's other taxes and licenses and permit fees paid or accrued during the year is as follows:

Permit fees	₱	2,594,200
Others		42,900
	₱	**2,637,100**

32.01.04 Withholding Taxes

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

Final withholding taxes	₱	36,129,633
Expanded withholding taxes		1,011,294
Withholding tax on compensation		553,774
	₱	**37,694,701**

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 director's fees and purchases of goods and services

33. 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:

33.01 Revenues

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

Licenses	₱	244,544,299
Implementation, installation and hosting		117,375,317
Application maintenance services and charges		22,384,107
Time and materials		15,000,000
Interest on licenses (Note 9)		6,881,597
Change request		2,431,248
Subscription		2,080,813
	₱	**410,697,381**

33.02 Cost of Services

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

Royalties	₱	108,428,648
Transfer pricing services		80,735,167
Salaries and wages reimbursements		39,473,894
Salaries and wages		31,688,844
Hosting		5,656,760
Marketing		884,237
Subcontractors		768,544
SSS, Philhealth and HDMF contributions (Note 22)		523,503
Other employee costs (Note 22)		975,356
		269,134,953

33.03 Taxable Other Income

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

Reversal of prior year unrealized foreign exchange gains	₱	3,139,091
Realized foreign exchange gains		161,233
	₱	**3,300,324**

33.04 Itemized Deductions

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

Transportation and travel	₱	35,089,604
Rent		8,674,259
Commission		7,309,361
Taxes and licenses		2,637,100
Recruitment charges		2,201,215
Professional fees		2,002,456
Communication, light and water		1,731,601
Marketing expenses		872,045
Representation expense		695,562
Depreciation		200,867
Repairs and maintenance		76,063
Printing and stationery		73,658
Miscellaneous		1,162,236
	₱	**62,726,027**

RAMCO SYSTEM, INC.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2019		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✔		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics				
PFRSs Practice Statement Management Commentary				✔
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✔		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✔		
	Amendment to PFRS 1: Limited Exception from Comparative PFRS 7 Disclosures for First-time Adopters	✔		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✔
	Amendments to PFRS 1: Government Loans			✔
	Amendments to PFRS 1: Deletion of short-term exemptions for first-time adopters	✔		
PFRS 2	Share-based Payment			✔
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✔
	Amendments to PFRS 2: Group Cash-Settled Share-based Payment Transactions			✔
	Amendment to PFRS 2: Definitin of Vesting Condition			✔
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✔
PFRS 3 (Revised)	Business Combinations			✔
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✔
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures			✔
	Amendment to PFRS 3: Remeasurement of previously held interest in joint operation acquired			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2019		Adopted	Not Adopted	Not Applicable
PFRS 3 (Revised)	Amendments to PFRS 3: Definition of a Business			✔
PFRS 4	Insurance Contracts			✔
	Amendments to PFRS 4: Financial Guarantee Contracts			✔
	Amendments to PFRS 4, Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			✔
PFRS 5	Non-current Asset Held for Sale and Discontinued Operations			✔
	Amendments to PFRS 5: Changes in Methods of Disposal			✔
PFRS 6	Exploration for and Evaluation of Mineral Resources			✔
PFRS 7	Financial Instruments: Disclosures	✔		
	Amendments to PFRS 7: Transition			✔
	Amendments to PFRS 7: Reclassification of Financial Assets			✔
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✔
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✔		
	Amendments to PFRS 7: Disclosures - Transfer of Financial Assets			✔
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✔
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✔
	Amendments to PFRS 7: Hedge Accounting			✔
	Amendments to PFRS 7: Servicing Contracts			✔
	Amendments to PFRS 7: Applicability of the amendments to PFRS 7 to condensed interim financial statements			✔
PFRS 8	Operating Segments			✔
	Amendment to PFRS 8: Aggregation of Operating Segments			✔
	Amendment to PFRS 8: Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2019		Adopted	Not Adopted	Not Applicable
PFRS 9 (2014)	Financial Instruments	✔		
	Financial Instruments (Hedge accounting and amendments to PFRS 9, PFRS 7 and PAS 39)			✔
	Amendments to PFRS 9: Prepayment Features with Negative Compensation			✔
PFRS 10	Consolidated Financial Statements			✔
	Amendments to PFRS 10: Transition Guidance			✔
	Amendments to PFRS 10: Investment Entities			✔
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✔
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✔
PFRS 11	Joint Arrangements			✔
	Amendments to PFRS 11: Transition Guidance			✔
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✔
	Amendments to PFRS 11: Interest remeasurement when an entity obtains joint control of a business that is a joint operation			✔
PFRS 12	Disclosure of Interest in Other Entities			✔
	Amendments to PFRS 12: Transition Guidance			✔
	Amendments to PFRS 12: Investment Entities			✔
	Amendments to PFRS 12: Invesment Entities: Applying the Consolidation Exception			✔
	Amendments to PFRS 12: Clarification of the scope of the standard			✔
PFRS 13	Fair Value Measurements	✔		
	Amendment to PFRS 13: Portfolio Exception			✔
PFRS 14	Regulatory Deferral Accounts			✔
PFRS 15	PFRS 15, Revenue from Contracts with Customers	✔		
	Amendments to PFRS 15, Clarifications to PFRS 15	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2019		Adopted	Not Adopted	Not Applicable
PFRS 16	Leases		✔	
PFRS 17	Insurance Contracts			✔

Philippine Accounting Standards

PAS 1 (Revised)	Presentation of Financial Statements	✔		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✔
	Amendments to PAS 1: Presentation of items Other than Comprehensive Income	✔		
	Amendments to PAS 1: Disclosure Initiative	✔		
	Amendments to PAS 1: Definition of Material		✔	
PAS 2	Inventories			✔
PAS 7	Statement of Cash Flows	✔		
	Amendments to PAS 7 - Disclosure Initiative	✔		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✔		
PAS 10	Events After the Reporting Period	✔		
PAS 11	Construction Contracts			✔
PAS 12	Income Taxes	✔		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✔		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	✔		
	Amendments to PAS 12 - Income tax on Dividends		✔	
	Amendments to PAS 12 - Income tax consequences of payments on financial instruments classified as equity		✔	
PAS 16	Property, Plant and Equipment	✔		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✔
	Amendments to PAS 16: Bearer Plants			✔
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation			✔
PAS 17	Leases	✔		
PAS 18	Revenue		✔	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2019		Adopted	Not Adopted	Not Applicable
PAS 19 (Amended)	Employee Benefits	✔		
	Amendments to PAS 19 (Revised): Defined Benefit Plans: Employee Contributions			✔
	Plan Amendment, Curtailment or Settlement			✔
	Amendment to PAS 19: Discount Rate: Regional Market Issue			✔
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✔
PAS 21	The Effects of Changes in Foreign Exchange Rates			✔
	Amendment: Net Investment in a Foreign Operation			✔
PAS 23 (Revised)	Borrowing Costs	✔		
	Amendment to PAS 23: Borrowing costs eligible for capitalization		✔	
PAS 24 (Revised)	Related Party Disclosures	✔		
	Amendment to PAS 24: Key Management Personnel	✔		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✔
PAS 27 (Amended)	Separate Financial Statements			✔
	Amendments to PAS 27 (Amended): Investment Entities			✔
	Amendments to PAS 27 (Amended): Equity Method in Separate Financial Statements			✔
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✔
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✔
	Amendments to PAS 28: Invesment Entities: Applying the Consolidation Exception			✔
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures			✔
	Amendments to PAS 28: Measuring an associate or joint venture at fair value			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2019		Adopted	Not Adopted	Not Applicable
PAS 29	Financial Reporting in Hyperinflationary Economies			✔
PAS 32	Financial Instruments: Disclosure and Presentation	✔		
	Financial Instruments: Presentation	✔		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✔
	Amendments to PAS 32: Classification of Right Issues			✔
	Amendment to PAS 32: Offsetting Financial Assets and Financial Liabilities			✔
PAS 33	Earnings Per Share			✔
PAS 34	Interim Financial Reporting			✔
	Amendment to PAS 34: Disclosure of Information 'elsewhere in the interim financial report'			✔
PAS 36	Impairment of Assets	✔		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✔		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✔		
PAS 38	Intangible Assets			✔
	Amendment to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✔
	Amendments to PAS 38: Clarification of Acceptable Methods of Amortization			✔
PAS 39	Financial Instruments: Recognition and Measurement		✔	
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities		✔	
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions		✔	
	Amendments to PAS 39: The Fair Value Option		✔	
	Amendments to PAS 39: Financial Guarantee Contract		✔	
	Amendments to PAS 39: Reclassification of Financial Assets		✔	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2019		Adopted	Not Adopted	Not Applicable
PAS 39	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition		✔	
	Amendments to PAS 39: Embedded Derivatives		✔	
	Amendment to PAS 39: Eligible Hedged Items		✔	
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting		✔	
	Amendments to PAS 39: Hedge Accounting		✔	
PAS 40	Investment Property			✔
	Amendment to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property			✔
	Amendments to PAS 40, Transfers of Investment Property			✔
PAS 41	Agriculture			✔
	Amendments to PAS 41: Bearer Plants			✔

Philippine Interpretations

IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✔
IFRIC 2	Member's Share in Co-operative Entities and Similar Instruments			✔
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✔		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✔
IFRIC 6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment			✔
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✔
IFRIC 9	Reassessment of Embedded Derivatives			✔
	Amendments to Philippine Interpretation IFRIC-9: Embedded Derivatives			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2019		Adopted	Not Adopted	Not Applicable
IFRIC 10	Interim Financial Reporting and Impairment			✔
IFRIC 12	Service Concession Arrangements			✔
IFRIC 13	Customer Loyalty Programs			✔
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✔
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✔
IFRIC 15	Agreements for the Construction of Real Estate			✔
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✔
IFRIC 17	Distribution of Non-Cash Assets to Owners			✔
IFRIC 18	Transfer of Assets from Customers			✔
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✔
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✔
IFRIC 21	Levies	✔		
IFRIC 22	Foreign Currency Transactions and Advance Consideration	✔		
IFRIC 23	Uncertainty Over Income Tax Treatments		✔	
SIC - 7	Introduction of the Euro			✔
SIC - 10	Government Assistance - No Specific Relation to Operating Activities			✔
SIC - 15	Operating Leases - Incentives			✔
SIC - 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✔
SIC - 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✔
SIC - 29	Service Concession Arrangements: Disclosures			✔
SIC - 31	Revenue - Barter Transaction Involving Advertising Services			✔
SIC - 32	Intangible Assets - Web Site Costs			✔