

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **RAMCO SYSTEM INC.** (the "Company"), which comprise the statements of financial position as of March 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2021 and 2020 and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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



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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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

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

Report on Other Legal and Regulatory Requirements

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

R.S. BERNALDO & ASSOCIATES

BOA/PRC No. 0300

Valid until October 10, 2021

SEC Group A Accredited

Accreditation No. 0300-SEC

Valid until 2024 audit period

BSP Group B Accredited

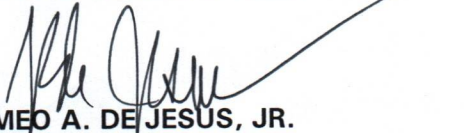
Valid until 2021 audit period

BIR Accreditation No. 08-007679-000-2020

Valid from February 24, 2020 until February 23, 2023

IC Accreditation No. F-2019-004-R

Valid until October 1, 2022



ROMEO A. DE JESUS, JR.

Managing Partner

CPA Certificate No. 86071

SEC Group A Accredited

Accreditation No. 86071-SEC

Valid until 2024 audit period

BIR Accreditation No. 08-004744-001-2021

Valid from January 25, 2021 until January 24, 2024

Tax Identification No. 109-227-897

IC Accreditation No. SP-2019-004-R

Valid until October 1, 2022

PTR No. 8539809

Issued on January 7, 2021 at Makati City

May 17, 2021

RAMCO SYSTEM INC.*(A Wholly-owned Subsidiary of Ramco Systems Limited)***STATEMENTS OF FINANCIAL POSITION**

March 31, 2021 and 2020

(In Philippine Peso)

	NOTES	2021	2020
A S S E T S			
Non-current Assets			
Financial assets	10, 11	96,227,053	152,983,256
Property and equipment – net	14	2,788,700	3,719,998
Right-of-use asset – net	15	14,881,170	17,960,045
Deferred tax assets – net	33	10,782,837	5,809,514
Other non-financial assets	13	-	105,600
		124,679,760	180,578,413
Current Assets			
Financial assets			
Cash	6, 7	4,557,801	6,468,534
Trade and other receivables – net	6, 8	163,294,590	108,704,896
Other current financial assets	7, 8, 10, 11, 12	48,972,414	123,215,294
Other non-financial assets	13	170,827,210	95,897,112
		387,652,015	334,285,836
TOTAL ASSETS		512,331,775	514,864,249
STOCKHOLDERS' EQUITY AND LIABILITIES			
S T O C K H O L D E R S ' E Q U I T Y			
Capital Stock	22	11,750,000	11,750,000
Unappropriated Retained Earnings (Deficit)		(6,572,880)	11,619,879
Appropriated Retained Earnings	23	111,000,000	111,000,000
TOTAL STOCKHOLDERS' EQUITY		116,177,120	134,369,879
L I A B I L I T I E S			
Non-current Liabilities			
Financial Liability			
Lease liability – net of current portion	9, 19	12,245,921	14,962,686
Provisions	18	728,210	513,267
		12,974,131	15,475,953
Current Liabilities			
Financial Liabilities			
Trade payables	16, 17	33,501,138	47,596,139
Borrowings	16, 21	114,552,028	60,450,884
Lease liability	16, 20	2,827,958	2,703,050
Other current financial liabilities	16, 17	223,502,273	247,530,182
Liability for current tax		-	416,459
Other current liabilities	17	8,517,205	6,155,051
Provisions	18	279,922	166,652
		383,180,524	365,018,417
TOTAL LIABILITIES		396,154,655	380,494,370
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		512,331,775	514,864,249

(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, 2021 and 2020

(In Philippine Peso)

	NOTES	2021	2020
INCOME			
Revenue from operations	24	384,024,921	444,268,931
Other income	25	3,403,140	5,777,337
TOTAL INCOME		387,428,061	450,046,268
EXPENSES			
Employee benefits	26	63,515,657	67,117,375
Software service	21	134,716,858	125,891,733
Royalty	21	31,289,233	30,480,943
Depreciation	14,15,27	4,068,530	3,922,842
Foreign exchange loss – net	30	11,181,016	5,999,857
Other expenses	29	158,848,261	199,225,398
TOTAL EXPENSES		403,619,555	432,638,148
FINANCE COSTS	28	5,845,469	3,840,571
PROFIT BEFORE TAX		(22,036,963)	13,567,549
INCOME TAX EXPENSE			
Current tax expense	32	1,129,120	8,510,859
Deferred tax benefit	32	(4,973,324)	(3,922,483)
TOTAL INCOME TAX EXPENSE		(3,844,204)	4,588,376
PROFIT		(18,192,759)	8,979,173

(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, 2021 and 2020

(In Philippine Peso)

	Notes	Capital Stock	Retained Earnings		Total
			Unappropriated	Appropriated	
Balance, April 1, 2019		11,750,000	10,640,706	103,000,000	125,390,706
Profit			8,979,173		8,979,173
Appropriation	23		(8,000,000)	8,000,000	-
Balance, March 31, 2020		11,750,000	11,619,879	111,000,000	134,369,879
Profit			(18,192,759)		(18,192,759)
Balance, March 31, 2021	22	11,750,000	(6,572,880)	111,000,000	116,177,120

(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, 2021 and 2020

(In Philippine Peso)

	NOTES	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (Loss) before tax		(22,036,963)	13,567,549
Adjustments for:			
Expected credit losses	8,9	8,073,239	6,899,367
Unrealized foreign exchange loss – net	30	5,054,725	6,143,361
Depreciation	14,15,27	4,068,530	3,922,842
Finance costs from loans	21,28	4,430,813	2,205,591
Finance costs from lease liability	20,28	1,414,656	1,634,980
Finance income from bank deposits	7,25	-	(611)
Operating cash flows before changes in working capital		1,005,000	34,373,079
Decrease (Increase) in operating assets:			
Trade and other receivables		(61,976,857)	(10,025,661)
Contract asset		124,526,391	(46,914,937)
Other non-financial assets		(74,824,498)	5,080,348
Increase (Decrease) in operating liabilities:			
Trade and other payables		(15,206,248)	6,478,652
Contract liability		28,866,453	431,441
Due to related parties		(49,685,109)	18,423,041
Cash generated from (used in) operations		(47,294,868)	7,845,963
Income taxes paid		(1,545,579)	(29,146,792)
Net cash used in operating activities		(48,840,447)	(21,300,829)
CASH FLOWS FROM INVESTING ACTIVITIES			
Finance income received	7,25	-	611
Addition to right-of-use asset	15	-	(1,001,628)
Acquisition of property and equipment	14	(58,357)	(3,389,660)
Net cash used in investing activities		(58,357)	(4,390,677)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of loans	21	71,824,710	49,613,693
Finance costs paid related to lease liability	20,27	(1,414,656)	(1,634,980)
Payment of lease liability	20	(2,591,853)	(2,371,532)
Finance costs paid related to loans	21,28	(4,430,813)	(2,205,591)
Repayment of loans	21	(16,346,153)	(15,144,282)
Net cash from financing activities		47,041,235	28,257,308
EFFECTS OF FOREIGN EXCHANGE			
RATE CHANGES ON CASH	7,30	(53,164)	(47,643)
NET INCREASE (DECREASE) IN CASH		(1,910,733)	2,518,159
CASH AT BEGINNING OF YEAR		6,468,534	3,950,375
CASH AT END OF YEAR		4,557,801	6,468,534

(See Notes to Financial Statements)

RAMCO SYSTEM INC.
(A Wholly-owned Subsidiary of Ramco Systems Limited)
NOTES TO FINANCIAL STATEMENTS
March 31, 2021 and 2020

1. CORPORATE INFORMATION AND STATUS OF OPERATION

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

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

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

Effect of COVID-19 Pandemic

The outbreak of Novel Coronavirus (COVID19) continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact. The Company has, based on information available, taken into account the possible impact of COVID-19, including on the carrying amounts of financial and non-financial assets and as per the current assessment of the Company, there is no material impact in respect of these in the preparation of the financial statements. However, the impact of COVID-19 on the Company's financial statements may differ from that estimated as at the date of approval of these financial statements and the Company will continue to monitor the uncertainties caused by COVID-19 to assess the impact on our future economic conditions.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

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

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

2.01 New and Revised PFRSs 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 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.

- 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.

2.02 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.

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

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The following are the amendments to PFRS 16:

- provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification;
- require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications;
- require lessees that apply the exemption to disclose that fact; and
- require lessees to apply the exemption retrospectively in accordance with PAS 8, but not require them to restate prior period figures.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted.

- 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, 2025. 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, *Reference to the Conceptual Framework*

The following are the amendments in reference to the conceptual framework:

- update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of 1989 Framework;
- add to PFRS 3 a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add to PFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

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

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

The amendments are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

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

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

The amendments are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. Entities apply the amendments to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.

- Annual Improvements to PFRS Standards 2018-2020 Cycle

Amendments to PFRS 1, *Subsidiary as a first-time adopter* – The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to PFRSs.

Amendments to PFRS 9, *Fees in the ‘10 percent’ test for derecognition of financial liabilities* – The amendment clarifies which fees an entity includes when it applies the ‘10 percent’ test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

Amendments to PFRS 16, *Lease Incentives* – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

Amendments to PAS 41, *Taxation in fair value measurements* – The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

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

The amendments to PAS 1 are the following:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments defer the effective date of the January 2020 Classification of Liabilities as Current or Non-Current (Amendments to PAS 1) to annual reporting periods beginning on or after January 1, 2023. Earlier application of the January 2020 amendments continues to be permitted.

- Amendments to PFRS 17, *Insurance Contracts*

The amendments cover the following areas:

- Insurance acquisition cash flows for renewals outside the contract boundary;
- Reinsurance contracts held – onerous underlying insurance contracts;
- Reinsurance contracts held – underlying insurance contracts with direct participation features; and
- Recognition of the contractual service margin in profit or loss in the general model.

The amendments are effective to annual reporting periods beginning on or after January 1, 2025.

2.02.02 Deferred

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

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

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

3. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

3.01 Statement of Compliance

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

3.02 Functional and Presentation Currency

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

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

3.03 Current and Non-current Presentation

The Company classifies an asset as current when:

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

The Company classifies all other assets as non-current.

The Company classifies a liability as current when:

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

The Company classifies all other liabilities as non-current.

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.01 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Company takes into consideration the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

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

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

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

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

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

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

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

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

4.02 Financial Assets

4.02.01 Initial Recognition and Measurement

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

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

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

4.02.02 Classification

➤ Financial Asset at Amortized Cost

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

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

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

a) Cash in banks

Cash in banks 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 Receivables – net

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

c) Unbilled license services – net

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

d) Security Deposits

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

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

e) Advances to Employees

Advances to employees pertain to cash advances granted to employees which is subject to 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.

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

4.02.03 Reclassification

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

4.02.04 Effective Interest Method

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

4.02.05 Impairment

The Company measures expected losses of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable assumption that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Company adopted the following approaches in accounting for impairment.

➤ Simplified Approach

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

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

➤ General Approach

The Company applies general approach to cash in banks, security deposit, and advances to employees. At each reporting date, the Company measures the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition.

However, if the credit risk has not increased significantly, the Company measures the loss allowance equal to 12-month expected credit losses. The Company compares the risk of default occurring as at the reporting date with the risk of default occurring as at the date of initial recognition and consider the macro-economic factors such as GDP, interest, and inflation rates, the performance of the counterparties' industry, and the available financial information of each counterparty to determine whether there is a significant increase in credit risk or not since initial recognition.

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

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

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

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

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

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

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

4.02.06 Derecognition

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

4.02.07 Write-off

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

4.03 Contract Assets

A contract asset pertains to the Company's right to consideration in exchange for goods or services that the Company has transferred to a customer when that right is conditioned on something other than the passage of time. The Company assesses a contract asset for impairment in accordance with PFRS 9.

4.04 Prepayments

4.04.01 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 (1) year or the Company normal operating cycle whichever is longer. Otherwise, prepayments are classified as non-current assets.

4.04.02 Excess Tax Credits

Excess tax credits arise from creditable withholding tax certificates obtained from the Company's customers and overpayment of income taxes in prior years. These are accumulated and are reduced when deducted from income tax payables.

4.05 Property and Equipment

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

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

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

Office equipment	5 years
Computer equipment	5 years
Furniture	5 years

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

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

4.06 Borrowing Costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.07 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.

4.08 Financial Liabilities

4.08.01 Initial Recognition and Measurement

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

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

4.08.02 Classification

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

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and

- contingent consideration recognized by an acquirer in a business combination.

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

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

4.08.03 Derecognition

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

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

4.09 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.

4.10 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 4.13.

4.11 Employee Benefits

4.11.01 Short-term Benefits

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

4.12 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.

4.13 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.

4.13.01 Performance Obligations Satisfied Over Time

The Company transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; or
- the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced;

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

4.13.01.01 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.

4.13.01.02 Software/Implementation, Hosting, and Installation Services

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

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

4.13.01.03 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.

4.13.01.04 Application Maintenance Service Fees and Charges

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

4.13.01.05 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.

4.13.01.06 Managed Services

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

4.13.02 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.

4.14 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.

4.15 Leases

4.15.01 The Company as Lessee

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

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company.
- The Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.

- The Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

Right-of-Use (ROU) Asset

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

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

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

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

Lease Liability

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

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

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

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

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

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

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

4.16 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.

4.17 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.

4.18 Taxation

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

4.18.01 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.

4.18.02 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.

4.18.03 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.

4.19 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.

4.20 Changes in Accounting Policies

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Company's accounting policies, which are described in Note 4, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

5.01 Critical Judgments in Applying Accounting Policies

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

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

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

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

For lease contract entered into in 2021, Management assessed that the Company cannot extend the lease term beyond the non-cancelable lease period on the Company's leased office spaces because the renewal is subject to mutual consent by both parties. Hence, extension of lease contract without mutual consent of both parties is not enforceable under the Philippine law.

5.01.02 Assessment of Contractual Terms of a Financial Asset

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

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

As of March 31, 2021 and 2020, the carrying amount of financial assets amounted to P311,685,838 and P391,362,033, respectively, as disclosed in Note 35.02.

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 2021 and 2020, revenue from customer contracts amounted to P384,024,921 and P444,268,931, respectively, as disclosed in Note 24.

5.01.04 Assessment of the Allocation of Transaction Price to Performance Obligations

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

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

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

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

5.01.05 Assessment of 30 days Rebuttable Presumption

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

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

5.01.06 Assessment of 90 days rebuttable presumption

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

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

5.01.07 Determining whether or not a Contract Contains a Lease

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

For lease contract entered into in 2021, Management assessed that lease of office space qualified as a lease since the contract contains an identified asset, the Company has the right to obtain substantially all of the economic benefits, and the Company has the right to direct the use of the identified asset throughout the period of use.

5.01.08 Functional Currency

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

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

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

5.01.09 Revenue Recognition

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

Table below summarizes the revenue recognition per revenue account:

Revenue account	Recognition process
License	Upon delivery of license
Software implementation and installation	Percentage of completion
Product support service	Ratably on straight-line basis
Application maintenance services and charges	Ratably on straight-line basis
Software as Service (SaaS)	Ratably on straight-line basis
Managed services	Upon service provided
Finance income	Accrued on time proportion basis

The Company has recognized revenues amounting to ₱384,024,921 and ₱444,268,931 in 2021 and 2020, respectively, as disclosed in Note 24.

5.02 Key Sources of Estimation Uncertainties

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

5.02.01 Estimating the Appropriate Discount Rate to Use

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

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

5.02.02 Estimating Expected Credit Losses of Financial Assets

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

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

The Company uses advancement in technology, growth in software industry and macro-economic factors to assess the expected credit losses on its contract asset and trade receivables. In view of the foregoing factors, Management believes that the expected credit loss on trade receivables amounted to ₱4,099,067 and ₱2,126,672 as of March 31, 2021 and 2020, respectively, as disclosed in Note 8, while expected credit loss on unbilled license services amounted to ₱12,207,510 and ₱8,186,762 as of March 31, 2021 and 2020, respectively, as disclosed in Note 10.

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

As of March 31, 2021 and 2020, the carrying amount of financial assets amounted to ₱311,685,838 and ₱391,362,033, respectively, as disclosed in Note 35.02.

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

The residual values, useful lives and depreciation method of the Company's property and equipment is reviewed at least annually, and adjusted prospectively, if appropriate, if there is an indication of a significant change in how an asset is used; significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date. The useful lives of the Company's property and equipment are estimated based on the period over which the equipment is expected to be available for use. In determining the useful life of equipment, the Company considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Company's property and equipment. In addition, the estimation of the useful lives is based on Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of equipment would increase the recognized operating expenses and decrease non-current assets. The Company uses a depreciation method that reflects the pattern in which it expects to consume the equipment's future economic benefits. If there is an indication that there has been a significant change in the pattern used by which the Company expects to consume equipment's future economic benefits, the Company shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern.

In both years, Management assessed that there are no indications of any change in pattern used by the Company in consuming its property and equipment's future economic benefits. As of March 31, 2021 and 2020, the carrying amounts of property and equipment are ₱2,788,700 and ₱3,719,998, respectively, as disclosed Note 14.

5.02.04 Impairment of Non-financial Assets

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

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

In both years, Management assessed that there is no indication of impairment existed on the aforementioned assets. As of March 31, 2021 and 2020, the aggregate carrying amounts of the aforementioned assets are ₱30,236,582 and ₱22,023,875, respectively, as disclosed in Notes 13, 14 and 15.

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, 2021 and 2020, deferred tax assets recognized by the Company amounted to ₱10,833,744 and ₱5,809,514, respectively, as disclosed in Note 33.

6. FINANCIAL ASSETS

Details of financial assets are as follows:

March 31, 2021		
	Current	Non-current
Cash (Note 7)	₱ 4,557,801	₱ -
Trade and other receivables – net (Note 8)	163,294,590	-
Unbilled license services – net (Note 10)	45,266,540	95,119,825
Security deposits (Note 11)	1,633,200	1,107,228
Advances to employees (Note 12)	2,072,674	-
Balance, March 31	₱ 212,271,642	₱ 96,227,053

March 31, 2020		
	Current	Non-current
Cash (Note 7)	₱ 6,468,534	₱ -
Trade and other receivables – net (Note 8)	108,704,896	-
Unbilled license services – net (Note 10)	113,564,988	151,140,308
Security deposits (Note 10)	6,126,400	1,001,628
Advances to employees (Note 11)	3,523,906	841,320
Balance, March 31	₱ 238,388,724	₱ 152,983,256

7. CASH

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

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

	2021	2020
Cash on hand	₱ 10,421	₱ 9,947
Cash in banks	4,547,380	6,458,587
	₱ 4,557,801	₱ 6,468,534

Cash in banks earns interest at floating rates based on bank's daily deposit rates. Finance income presented in the statements of comprehensive income amounted to nil and ₱611 in 2021 and 2020, respectively, as disclosed in Note 25.

In 2021 and 2020, the Company recognized unrealized foreign exchange loss amounting to ₱53,164 and ₱47,643, respectively, as disclosed in Note 30.

8. TRADE AND OTHER RECEIVABLES – net

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

	2021	2020
Trade	₱ 163,962,687	₱ 106,333,621
Allowance for expected credit losses (Note 35.02)	(4,099,067)	(2,126,672)
	159,863,620	104,206,949
Others (Note 21)	3,430,970	4,497,947
	₱ 163,294,590	₱ 108,704,896

Trade receivables pertain to billed portion of contract asset and current asset.

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

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

	2021	2020
Balance at April 1	₱ 2,126,672	₱ 115,000
Expected credit losses	1,972,395	2,011,672
Balance at March 31	₱ 4,099,067	₱ 2,126,672

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

	2021	2020
31 – 60 days	₱ 1,074,488	₱ 12,625,285
61 – 90 days	19,007,697	3,550,830
Over 90 days	60,701,290	23,929,152
	₱ 80,783,475	₱ 40,105,267

In 2021 and 2020, the Company recognized unrealized foreign exchange gain and loss amounting to ₱818,239 and ₱352,004, respectively, as disclosed in Note 30.

9. CONTRACT ASSET – net

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

	2021	2020
Contract asset	P 162,541,524	P 97,859,813
Allowance for expected credit loss (Note 35.02)	(4,281,029)	(2,200,933)
	P 158,260,495	P 95,658,880

Contract asset pertains to outstanding balances for service fees which will be billed by the Company. This arises from revenues in excess of billings and is often referred as unbilled revenues.

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

	2021	2020
Balance, April 1	P 2,200,933	P 99,252
Expected credit loss (Note 29)	2,080,096	2,101,681
	P 4,281,029	P 2,200,933

In 2021 and 2020, the Company recognized unrealized foreign exchange loss amounting to P1,850,361 and P3,789,931, respectively, as disclosed in Note 30.

10. UNBILLED LICENSE SERVICES – net

Details of the Company's unbilled license services shown in the statements of financial position are as follows:

	2021	2020
Current	P 49,202,762	P 117,077,307
Non-current	103,391,114	155,814,751
	152,593,876	272,892,058
Allowance for expected credit loss (Note 35.02)	(12,207,510)	(8,186,762)
	P 140,386,366	P 264,705,296

Unbilled license services pertains to outstanding balances for license services which will be billed upon passage of time by the Company based on contractual terms and with an average term of one (1) to five (5) years. This arises from revenues in excess of billings and is often referred as unbilled revenues. The Company may also charge interest based on agreement with customers amounting to 3.5% in both years. Interest earned on licenses charged by the Company in 2021 and 2020 amounted to P3,403,140 and P5,776,726, respectively, as disclosed in Note 25.

Details of allowance for expected credit loss are as follows:

	2021		2020	
Current	₱	3,936,221	₱	3,512,319
Non – current		8,271,289		4,674,443
	₱	12,207,510	₱	8,186,762

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

	2021		2020	
Balance, April 1	₱	8,186,762	₱	5,400,748
Expected credit loss (Note 29)		4,020,748		2,786,014
	₱	12,207,510	₱	8,186,762

In 2021 and 2020, the Company recognized unrealized foreign exchange loss amounting to ₱3,118,014 and ₱1,074,116, respectively, as disclosed in Note 30.

11. SECURITY DEPOSITS

The details of the Company's security deposits as disclosed in Note 31 are as follows:

	2021		2020	
Current	₱	1,633,200	₱	6,126,400
Non-current		1,107,228		1,001,628
	₱	2,740,428	₱	7,128,028

Security deposit amounting to ₱1,250,000 pertains to a bid deposit made by the Company for a specific project during the year.

12. ADVANCES TO EMPLOYEES

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

	2021		2020	
Current	₱	2,072,674	₱	3,523,906
Non-current		-		841,320
	₱	2,072,674	₱	4,365,226

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

13. OTHER NON-FINANCIAL ASSETS

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

	2021	
	Current	Non-current
Prepaid expenses	₱ 1,347,479	₱ -
Excess tax credits	11,219,233	-
	₱ 12,566,712	₱ -

	2020	
	Current	Non-current
Prepaid expenses	₱ 152,666	₱ 105,600
Advances to vendors	85,566	-
	₱ 238,232	₱ 105,600

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

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

14. PROPERTY AND EQUIPMENT – net

The carrying amounts of the Company’s property and equipment as of March 31, 2021 and 2020 are as follows:

	Computer Equipment	Office Equipment	Furniture	Total
April 1, 2019				
Cost	₱ 1,123,429	₱ 386,784	-	₱ 1,510,213
Accumulated depreciation	(200,457)	(135,427)	-	(335,884)
Carrying amount	922,972	251,357	-	1,174,329
Movements during 2020				
Balance, April 1, 2019	922,972	251,357	-	1,174,329
Additions	535,313	1,920,452	933,895	3,389,660
Depreciation (Note 26)	(290,976)	(366,236)	(186,779)	(843,991)
Balance, March 31, 2020	1,167,309	1,805,573	747,116	3,719,998
March 31, 2020				
Cost	1,658,742	2,307,236	933,895	4,899,873
Accumulated depreciation	(491,433)	(501,663)	(186,779)	(1,179,875)
Carrying amount	1,167,309	1,805,573	747,116	3,719,998
Movements during 2020				
Balance, April 1, 2020	1,167,309	1,805,573	747,116	3,719,998
Additions	58,357	-	-	58,357
Depreciation (Note 26)	(341,449)	(461,427)	(186,779)	(989,655)
Balance, March 31, 2021	884,217	1,344,146	560,337	2,788,700
March 31, 2021				
Cost	1,717,098	2,307,236	933,895	4,958,229
Accumulated depreciation	(832,881)	(963,090)	(373,558)	(2,169,529)
Carrying amount	₱ 884,217	₱ 1,344,146	₱ 560,337	₱ 2,788,700

All additions were paid by bank transfer in both years.

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

15. RIGHT-OF USE ASSET – net

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

	2021	2020
Balance as of April 1		
Cost	P 21,038,895	P 20,037,267
Accumulated depreciation	(3,078,850)	-
Carrying amount	17,960,045	20,037,267
Movements during the year		
Balance as of April 1	17,960,045	20,037,267
Addition	-	1,001,628
Depreciation (Note 27)	(3,078,875)	(3,078,850)
Balance, as of March 31	14,881,170	17,960,045
Balance as of March 31		
Cost	21,038,895	21,038,895
Accumulated depreciation	(6,157,725)	(3,078,850)
Carrying amount	P 14,881,170	P 17,960,045

The Company’s ROU assets pertain to the office space located at 17/F BDO Equitable Tower located at No. 8751 Paseo de Roxas, Makati City, as detailed in Note 20.

As of March 31, 2021 and 2020, lease liability related to right-of-use assets amounted to P15,073,883 and P17,665,736, respectively, as disclosed in Note 20.

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

16. FINANCIAL LIABILITIES

Details of financial liabilities are as follows:

March 31, 2021		
	Current	Non-current
Trade (Note 17)	₱ 5,267,069	₱ -
Accrued expenses (Note 17)	28,234,067	-
Contract liability (Note 19)	65,207,933	-
Borrowings (Note 20)	114,552,028	-
Lease liability (Note 20)	2,827,960	12,245,923
Due to related parties (Note 21)	158,294,340	-
Balance, March 31	₱ 374,383,397	₱ 12,245,923

March 31, 2020		
	Current	Non-current
Trade (Note 17)	₱ 3,352,208	₱ -
Accrued expenses (Note 17)	44,243,931	-
Contract liability (Note 19)	36,341,480	-
Borrowings (Note 20)	60,450,884	-
Lease liability (Note 20)	2,703,050	14,962,686
Due to related parties (Note 20)	207,379,725	-
Other financial liabilities (Note 21)	3,808,977	-
Balance, March 31	₱ 358,280,255	₱ 14,962,686

17. TRADE AND OTHER PAYABLES

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

	2021	2020
Trade	₱ 5,267,069	₱ 3,352,208
Accrued expenses	28,234,069	44,243,931
Payable to government agencies	8,517,205	6,155,051
Other current financial liabilities	-	3,808,977
	₱ 42,018,343	₱ 57,560,167

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

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

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

In 2021 and 2020, the Company recognized unrealized foreign exchange gain amounting to ₱7,364 and ₱8,624, respectively, as disclosed in Note 30.

Breakdown of accrued expenses is as follows:

	2021	2020
Subcontractors	₱ 11,993,416	₱ 16,524,132
Commission	6,326,815	12,606,085
Hosting	1,863,113	1,792,610
Payable to employees	410,986	1,143,795
Travel	-	4,520,484
Others	7,639,739	7,656,825
	₱ 28,234,069	₱ 44,243,931

Others pertains to accruals of salaries, paid leave encashments, BIR assessment provision, audit fee, bonuses and support service cost.

18. PROVISIONS

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

	2021	2020
Current	₱ 279,922	₱ 166,652
Non-current	728,210	513,267
	₱ 1,008,132	₱ 679,919

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

19. CONTRACT LIABILITY

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

	2021	2020
Balance, April 1	₱ 36,341,480	₱ 35,910,039
Increase arising from a change in the measure of progress	28,866,453	431,441
Balance, March 31	₱ 65,207,933	₱ 36,341,480

Contract liability pertains to advance billing made to customers based on contractual terms. In both years, the Company recognized unrealized foreign exchange gain amounting to nil, respectively as disclosed in Note 30.

20. LEASE LIABILITY

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

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2021	2020	2021	2020
Not later than one year	₱ 4,006,510	₱ 2,783,240	₱ 2,827,958	₱ 2,703,050
Later than one year but not later than five years	14,184,342	15,194,571	12,245,921	14,962,686
	18,190,852	17,977,811	15,073,879	17,665,736
Discount	(3,116,973)	(312,075)	-	-
Present value of minimum lease payments	15,073,879	17,665,736	15,073,879	17,665,736
Current lease liability	2,827,958	2,703,050	2,827,958	2,703,050
Non-current lease liability	₱ 12,245,921	₱ 14,962,686	₱ 12,245,921	₱ 14,962,686

Payments of lease liabilities amounted to ₱2,591,853 and ₱2,371,532 in 2021 and 2020, respectively. Finance cost paid related to the lease amounted to ₱1,414,656 and ₱1,634,980 in 2021 and 2020, respectively, as disclosed in Note 28.

21. RELATED PARTY TRANSACTIONS

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

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

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

21.01 Due from Related Parties

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

	2021	2020
Parent company	₱ 1,865,195	₱ 328,785
Fellow subsidiaries	1,565,775	4,169,162
	₱ 3,430,970	₱ 4,497,947

21.01.01 Parent Company

Transaction with parent is detailed below:

	March 31, 2021		March 31, 2020	
	Amount/ Volume	Outstanding Balance	Amount/ Volume	Outstanding Balance
Ramco Systems Limited				
Reimbursements	₱ 4,807,887	₱ 1,865,195	₱ 1,271,311	₱ 328,785

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.

21.01.02 Fellow Subsidiaries

Transactions with fellow subsidiaries are detailed below:

	March 31, 2021		March 31, 2020	
	Amounts/ Volume	Outstanding Balances	Amount/ Volume	Outstanding Balance
Ramco Systems Pte Ltd., Singapore				
Reimbursements	₱ 3,068,459	₱ 486,069	₱ 5,279,898	₱ 4,079,898
Ramco Systems (Shanghai) Co. Ltd., China				
Reimbursements	-	-	98,049	88,244
Ramco Systems Pty Ltd, Australia				
Reimbursements	651,011	226,137	1,020	1,020
Ramco Systems Sdn. Bhd., Malaysia				
Reimbursements	1,872,825	696,188	-	-
Ramco Systems Limited, Switzerland				
Reimbursements	157,381	157,381	-	-
Ramco Systems Corporation, USA				
Transactions	284,942	-	-	-
	₱ 6,034,618	₱ 1,565,775	₱ 5,378,967	₱ 4,169,162

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

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

21.02 Due to Related Parties

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

March 31, 2021					
	Parent Company		Fellow Subsidiaries		Total
Royalties	₱	16,214,212	₱	-	₱ 16,214,212
Software service expense		89,887,310		-	89,887,310
Marketing, travel, hosting, salaries and bank charges		12,620,361		39,477,722	52,098,083
Loan		14,204,265		100,347,763	114,552,028
Balance, March 31	₱	132,926,148	₱	139,825,485	₱ 272,751,633

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

21.02.01 Parent Company

Transactions with Parent are detailed below:

	March 31, 2021		March 31, 2020	
	Amounts/ Volume	Outstanding Balances	Amounts/ Volume	Outstanding Balances
Ramco Systems Limited				
Royalties	₱ 31,141,003	₱ 16,214,212	₱ 30,948,478	₱ 13,874,123
Software service expenses	134,716,858	89,887,310	125,891,733	91,688,986
Marketing, travel, hosting, salaries and bank charges	16,217,929	12,620,361	73,505,327	51,215,867
Loan	-	14,204,265	6,122,514	14,941,723
Finance cost	1,253,928	-	1,622,434	-
	₱ 183,329,718	₱132,926,148	₱238,090,486	₱171,720,699

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

- Royalties pertain to expenses incurred for the right to use the license of the Parent Company. The Company was granted a non-exclusive and non-transferable license to use, market, distribute, sub-license and make derivative works of the Parent Company's software which include Virtual Works ERP solution, Maintenance & Engineering (M&E), Maintenance Repair and Overhaul (MRO) in aviation, foods and beverages and Third Party Administration.
- Software service expenses are the amounts charged for off-shore services on upgrades, modifications, bug-fixes, patches or enhancements to the software of the Parent Company.

- Marketing, travel, hosting, salary expenses and bank charges are paid by the Company as a form of reimbursement to its related party.

Loan transaction with related party is subject to 8.75% interest per annum in 2021 and 2020, respectively, unsecured and will be settled in cash. In 2021 and 2020, the Company paid finance cost amounting to ₱1,253,928 and ₱1,622,434 to its Parent Company while payments of loan amounted to nil and ₱15,144,282, respectively, as disclosed in Note 21.03.02.

In 2021 and 2020, the Company recognized unrealized foreign exchange loss and gain on loan amounting to ₱737,458 and ₱402,425, respectively, as disclosed in Note 29.

In 2021 and 2020, the Company made the following payments to Parent amounting to ₱215,832,642 and ₱244,997,644, respectively. Out of the total payments, the Company paid final withholding taxes amounted to ₱10,222,610 and ₱37,316,157, respectively.

21.02.02 Fellow Subsidiaries

Transactions with fellow subsidiaries are detailed below:

	March 31, 2021		March 31, 2020	
	Amounts/ Volume	Outstanding Balances	Amounts/ Volume	Outstanding Balances
Ramco Systems				
Pte Ltd., Singapore				
Reimbursement of salary and travel expenses	P 32,129,091	P 23,030,008	P 45,735,677	P 42,102,668
Royalties	148,230	-	-	-
Reversal of royalties	-	-	(467,535)	(350,651)
Unrealized foreign exchange gain (Note 29)	-	54,392	(1,051,609)	(1,051,609)
	32,277,321	23,084,400	44,216,533	40,700,408
Ramco Systems				
Limited Switzerland				
Loan	(1,533,731)	33,162,314	34,696,045	34,696,045
Finance cost	1,810,052	-	496,805	-
Unrealized foreign exchange loss (Note 29)	-	690,230	1,949,382	1,949,382
	276,321	33,852,544	37,142,232	36,645,427
Ramco Systems				
Sdn. Bhd., Malaysia				
Reimbursement of salary and travel expenses	9,181,988	15,214,753	15,675,099	9,605,997
Unrealized foreign exchange loss (Note 29)	-	(179,913)	213,589	213,589
	9,181,988	15,034,840	15,888,688	9,819,586
Ramco Systems				
Corporation, USA				
Loan	57,008,947	65,804,081	8,795,134	8,795,134
Hosting expenses	9,884,390	926,630	-	-
Finance cost	1,366,833	-	86,352	-
Unrealized foreign exchange loss (Note 29)	-	688,262	68,600	68,600
	68,260,170	67,418,973	8,950,086	8,863,734

[Forwarded]

[Continued]

Ramco Systems				
Pty. Ltd.				
Reimbursement of salary and travel expenses	-	92,230	92,230	92,230
Unrealized foreign exchange gain (Note 29)	-	2,504	(11,474)	(11,474)
	-	94,734	80,756	80,756
PT Ramco Systems				
Indonesia, Indonesia				
Reimbursements	549,239	435,296	512,650	-
Unrealized foreign exchange gain (Note 29)	569	569	-	-
	549,808	435,865	512,650	-
	₱ 110,545,608	₱ 139,921,356	₱ 106,790,945	₱ 96,109,911

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

In 2020, there was a reversal of revenue from a customer which affected the balance of royalties with Ramco Systems Pte Ltd., Singapore and resulted to a negative balance.

In 2021 and 2020, the Company made payments to fellow subsidiaries amounting to ₱69,504,607 and ₱42,340,555, respectively.

21.03 Significant Contracts

21.03.01 Service Agreements

21.03.01.01 Ramco Systems Limited

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

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

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

In 2021 and 2020, royalty expenses incurred by the Company amounted to ₱31,141,003 and ₱30,948,478, respectively, as disclosed in Note 21.02.

21.03.01.02 Ramco Systems Pte. Ltd

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

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

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

In 2021, royalty expense incurred and reversed amounted to P148,230 and P467,535, respectively.

21.03.02 Loan Agreements

21.03.02.01 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 USD1,000,000 subject to 9.85% interest until March 2019 and 8.75% effective April 2019. In 2021 and 2020, the Company borrowed loans amounting to nil and USD120,000 or P6,122,514, respectively.

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

	2021	2020
Balance, April 1	P 14,941,723	P 24,365,916
Finance cost (Note 21.02.01)	1,253,928	1,622,434
Receipt of loan	-	6,122,514
Payments of loans	-	(15,144,282)
Unrealized foreign exchange loss (gain) (Note 21.02.01)	(737,458)	(402,425)
Payments of finance cost	(1,253,928)	(1,622,434)
Balance, March 31	P 14,204,265	P 14,941,723

21.03.02.02 Ramco Systems Corporation

On December 18, 2019, the Company entered into an unsecured loan agreement with Ramco Systems Corporation (fellow subsidiary) wherein the former can acquire loans in one or more tranches not exceeding USD2,000,000 subject to 5% interest per annum. In 2021 and 2020, the Company borrowed loans amounting to USD 1,505,000 or ₱71,824,710 and USD175,000 or ₱8,795,134, respectively.

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

	2021	2020
Balance, April 1	₱ 8,863,734	₱ -
Receipt Loan	71,824,710	8,795,134
Finance cost (Note 21.02.02)	1,366,833	86,352
Unrealized foreign exchange loss (Note 21.02.02)	622,538	68,600
Payment of finance cost	(1,366,833)	(86,352)
Payments of loan	(14,815,763)	
Balance, March 31	₱ 66,495,219	₱ 8,863,734

21.03.02.03 Ramco Systems Limited, Switzerland

On December 18, 2019, the Company entered into an unsecured loan agreement with Ramco Systems Limited, Switzerland (fellow subsidiary) wherein the former can acquire loans in one or more tranches not exceeding CHF2,000,000 subject to 5% interest per annum. In 2021 and 2020, the Company borrowed loans amounting to CHF700,000 or ₱34,696,045 and nil, respectively.

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

	2021	2020
Balance, April 1	₱ 36,645,427	₱ -
Finance cost (Note 21.02.02)	1,810,052	496,805
Receipt of loan	-	34,696,045
Unrealized foreign exchange loss (Note 21.02.02)	(1,259,152)	1,949,382
Payments of loan	(1,533,731)	-
Payment of finance cost	(1,810,052)	(496,805)
Balance, March 31	₱ 33,852,544	₱ 36,645,427

21.04 Remuneration of Key Management Personnel

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

21.05 Revenue Regulations No. 34 – 2020

The Company is not covered by the requirements and procedures for related transactions provided in RR 34-2020.

22. CAPITAL STOCK

The capital stock of the Company is as follows:

	2021		2020	
	Shares	Amount	Shares	Amount
Authorized shares				
₱1 par value per share	47,000,000	₱ 47,000,000	47,000,000	₱ 47,000,000
Issued and fully paid	11,750,000	₱ 11,750,000	11,750,000	₱ 11,750,000

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

23. APPROPRIATED RETAINED EARNINGS

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

	2021	2020
Balance, April 1	₱ 111,000,000	₱ 103,000,000
Additional appropriation	-	8,000,000
Balance, March 31	₱ 111,000,000	₱ 111,000,000

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

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

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

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

24. REVENUE FROM OPERATIONS

Details of revenue from operations are as follows:

	2021	2020
Implementation, installation and hosting	₱ 241,244,866	₱ 311,376,699
Application maintenance services and charges	96,863,467	59,794,568
License fees	25,084,767	36,327,863
Product support service fee	15,928,572	13,951,152
Software as Service (SaaS) fees	3,299,592	2,718,649
Managed services	1,603,657	20,100,000
	₱ 384,024,921	₱ 444,268,931

25. FINANCE INCOME

Details of finance income are as follows:

	2021	2020
License agreements (Note 8)	₱ 3,403,140	₱ 5,776,726
Bank deposits (Note 7)	-	611
	₱ 3,403,140	₱ 5,777,337

26. EMPLOYEE BENEFITS

The account is composed of the following:

	2021	2020
Salaries and wages	₱ 60,151,584	₱ 64,022,009
SSS, Philhealth and HDMF contributions	1,374,892	1,271,056
Other employee costs	1,989,181	1,824,310
	₱ 63,515,657	₱ 67,117,375

27. DEPRECIATION

The account is composed of the following:

	2021	2020
Right-of-use asset (Note 15)	₱ 3,078,875	₱ 3,078,850
Property and equipment (Note 14)	989,655	843,992
	₱ 4,068,530	₱ 3,922,842

28. FINANCE COST

The account is composed of the following:

	2021	2020
Finance cost from loans (Note 21)	₱ 4,430,813	₱ 2,205,591
Finance cost from lease liability (Note 20)	1,414,656	1,634,980
	₱ 5,845,469	₱ 3,840,571

29. OTHER EXPENSES

The account is composed of the following expenses:

	2021	2020
Bad debts written – off	₱ 39,990,392	₱ -
Salaries and wages reimbursements	31,099,398	69,957,137
Subcontractors	20,667,932	17,747,609
Hosting	14,340,614	12,609,697
Customer claims	11,423,770	-
Expected credit losses (Note 35.02)	8,073,239	6,899,367
Transportation and travel reimbursements	7,230,138	46,924,397
Transportation and travel	3,946,535	13,083,939
Taxes and licenses	6,224,901	5,143,264
Provision for tax assessment (Note 18)	4,774,993	-
Professional fees	3,448,331	7,004,873
Communication, light and water	1,784,089	2,379,614
Rent (Note 31)	1,289,142	4,738,560
Marketing	843,789	2,462,130
Repairs and maintenance	351,396	1,781,052
Representation	256,133	857,154
Penalties	195,129	104,960
Printing and stationery	162,784	396,859
Recruitment charges	35,600	1,366,823
Commission	-	2,674,042
Donations	-	69,900
Miscellaneous	2,709,953	3,024,021
	₱ 158,848,258	₱ 199,225,398

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

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

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

Commission pertains to the payments made to the Company's business partner for identified opportunity.

30. FOREIGN EXCHANGE LOSS – net

Components of foreign exchange losses are as follows:

	2021	2020
Effects of foreign exchange gain (loss) on outstanding balances of:	-	-
Cash in banks (Note 7)	P (53,164)	P (47,643)
Trade receivables (Note 8)	(818,239)	(352,004)
Trade payable (Note 17)	7,364	8,624
Due to related parties (Note 21)	(599,726)	727,267
Loans payable (Note 21)	1,377,413	(1,615,557)
Unbilled license services (Note 10)	(3,118,014)	(1,074,116)
Contract asset (Note 9)	(1,850,361)	(3,789,931)
Unrealized foreign exchange loss	(5,054,725)	(6,143,361)
Realized foreign exchange (loss) gain	(6,126,291)	143,504
	P (11,181,016)	P (5,999,857)

31. LEASE AGREEMENTS

Summary of operating lease agreements are summarized as follows:

	Rent Expense (Note 28)		Security Deposits (Note 10)		Advance Rental (Note 12)
			Current	Non-current	Non-current
March 31, 2021					
FTL Hotels, Inc.	P -	P -	-	-	-
Equitable Insurance Corporation	4,006,512	-	1,001,628	-	-
Gateway Garden Heights	-	-	-	-	-
Gateway Regency Residences	378,000	63,200	-	-	-
Chen, Hong-Ming D.T.A.P Property Management	325,263	120,000	-	-	-
Homebiance Ventures	370,023	110,000	-	-	-
	282,632	90,000	-	-	-
	P 5,362,430	P 383,200	P 1,001,628	P -	-
March 31, 2020					
Compass Offices	P -	P -	P -	P -	-
FTL Hotels, Inc.	4,190,415	-	-	-	-
Equitable Insurance Corporation	4,006,512	-	1,001,628	-	-
Gateway Garden Heights	117,600	63,200	-	-	-
Gateway Regency Residences	283,737	63,200	-	-	-
Others	146,808	-	-	-	-
	P 8,745,072	P 126,400	P 1,001,628	P -	-

31.01 The Company as a Lessee

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

31.01.01 Chen, Hong-Ming

The Company leased a residential condominium located at 24th floor of SIGNA Designer Residence Tower I, Makati City. The lease shall be for a period of one (1) year starting from November 5, 2020, renewable for another year thereafter upon mutual agreement.

In 2021 and 2020, rent expense charged to operations amounted to ₱325,263 and nil, respectively, as disclosed in Note 31.

31.01.02 Gateway Gardens Heights

The Company leased a condominium apartment unit located at Pioneer street corner Robinsons Road, Barangay Barangka, Ilaya, Mandaluyong City. The unit is to be used by employees travelling from abroad for project execution for Philippine customers. The lease shall be for a period of one (1) year from May 14, 2019 to May 13, 2020, renewable for another year thereafter upon mutual agreement. In 2021 and 2020, the security deposit amounted to nil and ₱63,200, respectively.

In 2021 and 2020, rent expense charged to operations amounted to nil and ₱117,600, respectively, as disclosed in Note 31.

31.01.03 Gateway Regency Residences

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

In 2021 and 2020, rent expense charged to operations amounted to ₱378,000 and ₱283,737, respectively, as disclosed in Note 31.

31.01.04 FTL Hotels Inc.

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

In 2021 and 2020, rent expense charged to operations amounted to nil and ₱4,190,415, respectively, as disclosed in Note 31.

31.01.05 Equitable Insurance Corporation

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

In 2019, the Company paid ₱1,001,628 for the security deposit equivalent to three (3) months rent which shall cover for any lessee obligation other than rent. Upon termination of lease, the amount equivalent to two (2) months rental shall be returned to the lessee and the balance will be returned upon settlement of lease obligation other than rent.

In both years, rent expense charged to operations amounted to ₱4,006,512, as disclosed in Note 31.

31.01.06 D.T.A.P Property Management

The Company leased a residential condominium located at 105 C. Palanca Street, Makati City Legaspi Village, Makati City. The lease shall be for a period of one (1) year starting from September 20, 2020, renewable for another year thereafter upon mutual agreement.

In 2021 and 2020, rent expense charged to operations amounted to ₱370,023 and nil, respectively, as disclosed in Note 31.

31.01.07 Homebiance Ventures

The Company leased a residential condominium located at West Tower, Lumiere Residences, Shaw Blvd, Pasig City. The lease shall be for a period of one (1) year starting from October 2, 2020, renewable for another year thereafter upon mutual agreement.

In 2021 and 2020, rent expense charged to operations amounted to ₱282,632 and nil, respectively, as disclosed in Note 31.

31.01.08 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.

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

	2021	2020
Not later than one (1) year	₱ 1,232,135	₱ 220,600
Later than one (1) year but not later than five (5) years	-	-
	₱ 1,232,135	₱ 220,600

32. INCOME TAXES

32.01 Income Tax Recognized in Profit or Loss

Components of income tax expense are as follows:

	2021	2020
Current tax expense	₱ 1,129,120	₱ 8,510,859
Deferred tax benefit (Note 33)	(4,973,324)	(3,922,483)
	₱ (3,844,204)	₱ 4,588,376

A numerical reconciliation between tax expense and the product of accounting profit multiplied by the tax rates in 2021 and 2020 is as follows:

	2021	2020
Accounting profit (loss)	P (22,036,963)	P 13,567,549
Tax benefit at 26.25% and 30%	(5,784,703)	4,070,265
Tax effects of the following:		
Unallowable finance cost	1,163,089	486,806
Effect of CREATE Act on DTA	726,189	-
Non-deductible penalties	51,221	31,488
Finance income subject to final tax	-	(183)
	P (3,844,204)	P 4,588,376

Details of the Company's NOLCO covered by Revenue Regulation No. 25-2020 is as follows:

Year incurred	Amount	Expired	Unapplied	Expiry Date
2021	P 5,164,406	P -	P 5,164,406	2025

Details of Company's MCIT which can be claimed as tax credits against regular income tax are as follows:

Year Incurred	Amount	Expired	Unapplied	Expiry Date
2021	P 1,129,120	P -	P 1,129,120	2023

The Bureau of Internal Revenue (BIR) has recently issued Revenue Regulations (RR) 25-2020 to inform all concerned on the longer period for claiming NOLCO from taxable years 2020 and 2021.

Pursuant to Section 4 (bbb) of Bayanihan II and as implemented under RR 25-2020, the net operating losses of a business or enterprise incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years following the year of such loss. Ordinarily, NOLCO can be carried over as deduction from gross income for the next three consecutive years only.

33. DEFERRED TAXES – net

The breakdown of the Company's deferred taxes presented in the statement of financial position is as follows:

	2021	2020
Deferred tax asset (Note 33.01)	P 10,833,744	P 5,809,514
Deferred tax liability (Note 33.02)	(50,906)	-
	P 10,782,838	P 5,809,514

33.01 Deferred Tax Assets

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

	Allowance for Expected Credit Losses	Unrealized Foreign Exchange Loss – net	Effect of PFRS 16	NOLCO	MCIT	Provision for tax assessment	Total
Balance, April 1, 2019	P 1,684,500	P 202,531	P -	P -	P -	P -	P 1,887,031
Recognized in profit or loss	2,069,810	1,640,477	212,196	-	-	-	3,922,483
Balance, March 31, 2020	3,754,310	1,843,008	212,196	-	-	-	5,809,514
Adjustment for CREATE Act	(469,289)	(230,376)	(26,524)	-	-	-	(726,190)
Recognized in profit or loss	2,119,225	(234,861)	127,843	1,355,657	1,129,120	1,253,436	5,750,420
Balance, March 31, 2021	P 5,404,246	P 1,377,771	P 313,515	P 1,355,657	P 1,129,120	P 1,253,436	P 10,833,744

33.02 Deferred Tax Liability

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

	2021	2020
Balance, April 1	P -	P -
Recognized in profit or loss	50,907	-
	P 50,907	P -

34. FAIR VALUE MEASUREMENTS

34.01 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, 2021 and 2020 are presented below:

	2021		2020	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Assets:				
Cash	₱ 4,557,801	₱ 4,557,801	₱ 6,468,534	₱ 6,468,534
Trade and other receivable – net	163,294,590	163,294,590	108,704,896	108,704,896
Unbilled license services – net	140,386,366	140,386,366	269,162,625	269,162,625
Security deposits	2,740,428	2,740,428	7,128,028	7,128,028
Advances to employees	2,072,674	2,072,674	4,365,226	4,365,226
	₱ 313,051,859	₱ 313,051,859	₱ 395,829,309	₱ 395,829,309
Financial Liabilities:				
Trade and other payables	₱ 33,501,136	₱ 33,501,136	₱ 51,405,116	₱ 51,405,116
Contract liability	65,207,933	65,207,933	36,341,480	36,341,480
Due to related parties	158,294,340	158,294,340	267,830,609	267,830,609
Lease liability	15,073,883	15,073,883	17,665,736	17,665,736
	₱ 272,077,292	₱ 272,077,292	₱ 373,242,941	₱ 373,242,941

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

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

35. 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.

35.01 Market Risk Management

35.01.01 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:

		2021		2020	
		PHP	USD	PHP	USD
Monetary Assets					
Cash	P	1,126,391	23,393	P 1,279,834	25,268
Trade receivables		15,413,324	320,110	22,849,802	451,132
Contract asset		60,130,467	1,248,814	39,494,056	779,746
Other asset		53,562,014	1,112,398	112,370,022	2,218,563
	P	130,232,196	2,704,715	P 175,993,714	3,474,709
Monetary Liabilities					
Trade and other payables	P	181,851	3,777	P 530,494	10,474
Due to related parties		81,623,238	1,695,185	23,805,458	470,000
	P	81,805,089	1,698,962	P 24,335,952	480,474
		PHP	SGD	PHP	SGD
Monetary Liabilities					
Due to related parties	P	23,084,400	649,608	P 41,051,059	1,160,599
		PHP	MYR	PHP	MYR
Monetary Liabilities					
Due to related parties	P	15,034,841	1,271,231	P 9,819,585	813,989
		PHP	CHF	PHP	CHF
Monetary Liabilities					
Due to related parties	P	33,852,544	669,000	P 36,645,427	700,000

	PHP	AUD	PHP	AUD
Monetary Liabilities				
Due to related parties	₱ 94,734	2,609	₱ 80,756	2,609

	PHP	IDR	PHP	IDR
Monetary Liabilities				
Due to related parties	₱ 434,727	130,878,804	₱ -	-

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

	2021	2020
US Dollar(USD)	48.15	50.65
Singaporean Dollar (SGD)	35.54	35.37
Malaysian Ringgit (MYR)	11.83	12.06
Swiss Franc (CHF)	50.60	52.35
Australian Dollar (AUD)	36.31	30.95
Indonesian Rupiah (IDR)	0.0033	0.0031

The following table details the Company's sensitivity as of March 31, 2021 and 2020, 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.

	Change in assumption	Monetary Assets	Monetary Liabilities	Net Effect to Profit	
		Increase / (Decrease) in assumption	(Increase) / Decrease in assumption	Increase in assumption	Decrease in assumption
2021					
US Dollar	0.71%	928,156/ (928,156)	(582,867)/ 582,867 (157,006)/	345,288	(345,288)
SG Dollar	0.68%	-	157,006 (86,305)/	(157,006)	157,006
MY Ringgit	0.56%	-	86,305 (517,866)/	(86,305)	86,305
Swiss Franc	1.52%	-	517,866	(517,866)	517,866
AU Dollar	2.72%	-	(2,585)/2,585	(2,585)	2,585
ID Rupiah	1.05%	-	(4,684)/4,684	(4,684)	4,684
2020					
US Dollar	2.63%	234,019,194 / (234,019,194)	(32,359,564) / 32,359,564 (55,555,727) /	201,659,630	(201,659,630)
SG Dollar	3.83%	-	55,555,727 (5,162,691) /	(55,555,727)	55,555,727
MY Ringgit	4.36%	-	5,162,691	5,162,691	(5,162,691)
Swiss Franc	1.85%	-	(35,463,515) / 35,463,515	(35,463,515)	35,463,515

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 Dollar, SG Dollar, MY Ringgit, Swiss Franc, Australian Dollar and Indonesia Rupiah cash flows.

35.01.02 Interest Rate Risk Management

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

Profits for the years ended March 31, 2021 and 2020 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.

35.02 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.

➤ Trade and other receivables and Unbilled license services

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 and contract asset are as follows:

	2021	2020
Financial assets		
Cash in banks	P 4,547,380	P 6,458,587
Trade and other receivables – net	163,294,590	108,704,896
Unbilled license services – net	140,386,366	264,705,296
Security deposits	1,384,828	7,128,028
Advances to employees	2,072,674	4,365,226
Contract asset – net	158,260,495	95,658,880
	P 469,946,333	P 487,020,913

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

➤ Probability of Default (PD)

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

➤ Loss Given Default (LGD)

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

➤ Exposure at Default (EAD)

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

Below is the summary of computation of allowance for expected credit losses in 2021 and 2020:

	PD rate	LGD rate	EAD	ECL
	a	b	c	d = a*b*c
Cash in banks	0.00%	0.00 % to 89.00%	₱ 4,547,380	-
Trade and other receivables – net	2.50%	100.00%	163,294,590	4,099,067
Unbilled license services – net	8.00%	100.00%	140,386,366	12,207,510
Security deposits	0.00%	100.00%	1,384,828	-
Advances to employees	0.00%	100.00%	2,072,674	-
Contract asset – net	2.50%	100.00%	158,260,495	4,281,029
			₱ 469,946,333	20,587,606
	PD rate	LGD rate	EAD	ECL
	a	b	c	d = a*b*c
Cash in banks	0.00%	0.00 % to 92.26%	₱ 6,458,587	₱ -
Trade and other receivables – net	2.00%	100.00%	108,704,896	2,126,672
Unbilled license services – net	3.00%	100.00%	264,705,296	8,186,762
Security deposits	0.00%	100.00%	7,128,028	-
Advance to employees	0.00%	100.00%	4,365,226	-
Contract asset – net	2.50%	100.00%	95,658,880	2,200,933
			₱ 487,020,913	₱ 12,514,367

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 89.00% and 0.00% to 92.26% in 2021 and 2020, respectively.

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

Unbilled license services – net and Trade and Other Receivable – net

The Company patterned its determination of the probability of default rate to its Parent Company by using a provision matrix which is based on historical loss experience, reflecting current conditions and forecasts of future economic conditions, which are group on the basis of similar credit characteristics such as nature of industry, customer segment, past due status and other factors that are relevant to the estimation of the expected cash losses from these assets. In 2021 and 2020, the Company estimated the probability of default to be 2.50% and 2%, for receivables outstanding for more than 365 days and 8% and 3% for unbilled license services, respectively. Balances of unbilled license services and trade and other receivables outstanding amounted to P303,680,956 and P373,410,192 as of March 31, 2021 and 2020, respectively, based on the aging schedule.

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

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

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

Security Deposits

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

Contract asset

The Company determined the probability of default rate by considering the credit ratings, credit history and forecast of macro-economic factors affecting the industry. The PD rate is estimated to be 2.50% in both years.

Loss given default rate is 100% because the Company expects to lose the whole amount in case of default.

Exposure at default is equal to the carrying amount of contract asset.

The movements in the allowance for expected credit losses as disclosed in Notes 8, 9 and 10 as shown below:

	2021		2020
Balance at April 1	P 12,514,367	P	5,615,000
Expected credit losses	8,073,239		6,899,367
Balance at March 31	P 20,587,606	P	12,514,367

35.03 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, 2021				
Trade and other payables	0.00%	₱ -	₱ 33,501,136	₱ 33,501,136
Due to related parties	0.00% - 9.85%	114,552,028	158,294,340	272,846,368
		₱ 114,552,028	₱ 191,795,476	₱ 306,347,504
March 31, 2020				
Trade and other payables	0.00%	₱ -	₱ 51,485,871	₱ 51,485,781
Due to related parties	0.00% - 9.85%	60,450,885	207,379,724	267,830,609
		₱ 60,450,885	₱ 258,865,595	₱ 319,316,390

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, 2021					
Cash	floating rates	P 4,557,801	P -	P -	P 4,557,801
Trade and other receivable – net	0.00%	3,430,970	159,863,620	-	163,294,590
Unbilled license services – net	3.50%	-	45,266,540	95,119,825	140,386,365
Security deposits	0.00%	-	1,633,200	1,107,228	2,740,428
Advances to employees	0.00%	-	2,072,674	-	2,072,674
		P 7,988,771	P 208,836,035	P 96,227,053	P 313,051,858
March 31, 2020					
Cash	floating rates	P 6,468,534	P -	P -	P 6,468,534
Trade and other receivable – net	0.00%	4,497,947	104,206,949	-	108,704,896
Unbilled license services – net	3.50%	-	113,564,988	151,140,308	264,705,296
Security deposits	0.00%	-	-	7,128,028	7,128,028
Advances to employees	0.00%	-	-	4,365,226	4,365,226
		P 10,966,481	P 217,771,937	P 162,633,562	P 391,371,980

36. 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 2020.

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

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

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

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

	2021	2020
Debt	P 396,154,655	P 380,494,370
Cash	4,557,801	6,468,534
Net debt	378,622,723	374,025,836
Equity	P 116,177,120	P 134,369,879
Net debt to equity ratio	3.37:1	2.78:1

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

37. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities is as follows:

	2021	2020
Balance, April 1	P 58,079,352	P 24,365,916
Changes from financing cash flows		
Receipt of loans	71,824,710	49,613,693
Repayment of loans	(16,346,153)	(15,144,282)
Finance cost incurred on loans	4,430,813	2,205,591
Finance cost paid related to loans	(4,430,813)	(2,205,591)
Finance cost incurred on lease liability	1,414,656	1,634,980
Finance cost paid related to lease liability	(1,414,656)	(1,634,980)
Repayment of lease liability	(2,591,853)	(2,371,532)
Effect of foreign exchange in loans	(1,377,413)	1,615,557
Total changes from financing cash flows	51,509,291	33,713,436
Balance, March 31	P 109,588,643	P 58,079,352

38. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issuance by the Board of Directors on May 17, 2021.

39. RECLASSIFICATIONS OF COMPARATIVE AMOUNTS

Certain amounts in the comparative financial statements and note disclosures have been reclassified to conform to the current year's presentation as follows:

Current Year Classification	Previous Year Classification	Amount
Current assets	Current assets	
Unbilled license services	Contract Asset	₱ 264,705,296

Management believes that the above reclassifications resulted to a better presentation of accounts and did not have any impact on prior year's change in Company.

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

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

40.01 Taxes and Licenses Paid or Accrued

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

40.01.01 Output VAT

The Company is VAT-registered with VAT output declaration of ₱42,902,719 for the year based on the amount of revenue billed to customers amounting to ₱424,201,786; hence, may not be comparable with the amounts recognized in the statement of comprehensive income.

40.01.02 Input VAT

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

Current year's domestic purchases/payments for:		
Capital goods subject to amortization	₱	7,002
Services lodged under cost of goods sold		2,046,255
Total available input VAT		2,053,257
Applied against output VAT		2,053,257
Balance, March 31	₱	-

40.01.03 Taxes and Licenses

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

Business permits	₱	3,054,670
Others		3,170,231
	₱	6,224,901

40.01.04 Withholding Taxes

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

Final withholding taxes	₱	11,604,214
Expanded withholding taxes		1,050,483
Withholding tax on compensation		13,125,640
Fringe benefit tax		787,929
	₱	26,568,266

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

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

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

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

41.01 Revenue from operations

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

Implementation, installation and hosting	₱	241,244,866
Application maintenance services and charges		96,863,467
License fees		25,084,767
Change request		15,928,572
Subscription		3,299,592
Time and materials		1,603,657
	₱	384,024,921

41.02 Cost of Services

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

Software service expense	P	134,716,858
Salaries and wages		60,628,550
Royalties		31,289,233
Salaries and wages reimbursements		31,099,398
Subcontractors		20,667,932
Hosting		14,340,614
Other employee costs		1,512,216
SSS, Philhealth and HDMF contributions		1,374,892
	P	295,629,693

41.03 Taxable Other Income

Taxable other income pertains to finance income on licenses amounting to P3,403,140.

41.04 Itemized Deductions

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

Bad debts written - off	P	39,990,392
Realized foreign exchange loss		12,269,654
Customer claims		11,423,770
Transportation and travel reimbursements		7,230,138
Taxes and licenses		6,224,901
Rent		5,295,654
Transportation and travel		3,946,535
Professional fees		3,448,331
Communication, light and water		1,784,089
Depreciation		989,655
Marketing		843,789
Repairs and maintenance		351,396
Representation		256,133
Printing and stationery		162,784
Recruitment charges		35,600
Miscellaneous		2,709,953
	P	96,962,774

41.05 Reconciliation on Effect of PFRS 16

	Per PFRS	Effect of Adoption of PFRS 16	Per Tax Code
Depreciation expense from:			
Right-of-use assets	₱ 3,078,875	₱ 3,078,875	₱ -
Property and equipment	989,655	989,655	989,655
Finance cost from			
Lease liabilities	1,414,656	1,414,656	-
Rental expense	1,289,142	1,289,142	4,006,512

SUPPLEMENTAL INDEPENDENT AUDITORS' REPORT

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

We have audited the financial statements of **RAMCO SYSTEM INC.** for the years ended March 31, 2021 and 2020 on which we have rendered the attached report dated May 17, 2021.

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

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

R.S. BERNALDO & ASSOCIATES

BOA/PRC No. 0300
Valid until October 10, 2021
SEC Group A Accredited
Accreditation No. 0300-SEC
Valid until 2024 audit period
BSP Group B Accredited
Valid until 2021 audit period
BIR Accreditation No. 08-007679-000-2020
Valid from February 24, 2020 until February 23, 2023
IC Accreditation No. F-2019-004-R
Valid until October 1, 2022


ROMEO A. DE JESUS, JR.

Managing Partner
CPA Certificate No. 86071
SEC Group A Accredited
Accreditation No. 86071-SEC
Valid until 2024 audit period
BIR Accreditation No. 08-004744-001-2021
Valid from January 25, 2021 until January 24, 2024
Tax Identification No. 109-227-897
IC Accreditation No. SP-2019-004-R
Valid until October 1, 2022
PTR No. 8539809
Issued on January 7, 2021 at Makati City

May 17, 2021

