# 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
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, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2023 and 2022 and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (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 39 and 40, 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 May 28, 2024
SEC Group A Accredited
Accreditation No. 0300-SEC
Valid until 2024 audit period
BSP Group B Accredited
Accreditation No. 0300-BSP
Valid until 2026 audit period
BIR Accreditation No. 08-007679-000-2023
Valid from January 31, 2023 until January 30, 2026
IC Group A Accredited
Accreditation No. 0300-IC
Valid until 2026 audit period

**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 Group A Accredited
Accreditation No. 86071-IC
Valid until 2026 audit period
PTR No. 9567815
Issued on January 4, 2023 at Makati City

May 9, 2023

**RAMCO SYSTEM INC.**

***(A Wholly-owned Subsidiary of Ramco Systems Limited)***

**STATEMENTS OF FINANCIAL POSITION**

March 31, 2023 and 2022

(In Philippine Peso)

| | NOTES | 2023 | 2022 |
|---|---|---|---|
| **A S S E T S** | | | |
| **Non-current Assets** | | | |
| Financial assets | 6, 9 | **1,001,628** | 1,001,628 |
| Property and equipment – net | 14 | **1,788,732** | 2,423,780 |
| Right-of-use asset – net | 15 | **8,723,423** | 11,802,295 |
| Deferred tax assets – net | 33 | **21,442,796** | 11,552,282 |
| Other non-financial assets | 11, 13 | **19,994,945** | 84,829,748 |
| | | **52,951,524** | 111,609,733 |
| **Current Assets** | | | |
| Financial assets | | | |
| Cash | 6, 7 | **5,062,917** | 8,810,917 |
| Trade and other receivables – net | 6, 8, 21 | **112,986,377** | 108,157,064 |
| Other current financial assets | 9, 10 | **1,513,229** | 497,040 |
| Other non-financial assets | 11, 12, 13 | **116,137,256** | 165,917,431 |
| | | **235,699,779** | 283,382,452 |
| **TOTAL ASSETS** | | **288,651,303** | 394,992,185 |
| **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)** | | **(22,964,081)** | 8,001,726 |
| **Appropriated Retained Earnings** | 23 | **111,000,000** | 111,000,000 |
| **TOTAL STOCKHOLDERS' EQUITY** | | **99,785,919** | 130,751,726 |
| **L I A B I L I T I E S** | | | |
| **Non-current Liabilities** | | | |
| Financial Liability | | | |
| Lease liability – net of current portion | 20 | **5,752,397** | 9,160,344 |
| Provisions | 18 | **437,261** | 339,139 |
| Other non-current liabilities | 19 | **-** | 11,612 |
| | | **6,189,658** | 9,511,095 |
| **Current Liabilities** | | | |
| Financial Liabilities | | | |
| Trade and other payables | 16, 17, 21 | **63,465,313** | 57,252,316 |
| Borrowings | 16, 21 | **37,803,354** | 142,894,509 |
| Lease liability | 16, 20 | **3,407,947** | 3,085,574 |
| Other non-financial liabilities | 17, 19 | **77,802,823** | 51,391,349 |
| Provisions | 18 | **196,289** | 105,616 |
| | | **182,675,726** | 254,729,364 |
| **TOTAL LIABILITIES** | | **188,865,384** | 264,240,459 |
| **TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES** | | **288,651,303** | 394,992,185 |

(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, 2023 and 2022
(In Philippine Peso)

| | NOTES | 2023 | 2022 |
|---|---|---|---|
| **INCOME** | | | |
| Revenue from operations | 24 | **229,746,825** | 215,395,322 |
| Finance income | 25 | **704,965** | 1,726,549 |
| **TOTAL INCOME** | | **230,451,790** | 217,121,871 |
| **EXPENSES** | | | |
| Employee benefits | 26 | **50,212,943** | 47,902,467 |
| Royalties | 21,40 | **37,083,998** | 24,249,175 |
| Software service | 21,40 | **25,488,221** | 19,272,763 |
| Foreign exchange loss – net | 30 | **8,076,605** | 6,827,826 |
| Depreciation | 14,15,27 | **4,123,223** | 4,108,955 |
| Other expenses | 29 | **138,617,434** | 82,838,275 |
| **TOTAL EXPENSES** | | **263,602,424** | 185,199,461 |
| **FINANCE COSTS** | 28 | **6,332,775** | 8,988,121 |
| **PROFIT (LOSS) BEFORE TAX** | | **(39,483,409)** | 22,934,289 |
| **INCOME TAX EXPENSE (BENEFIT)** | | | |
| Current tax expense | 32 | **1,372,912** | 9,129,127 |
| Deferred tax benefit | 32 | **(9,890,514)** | (769,443) |
| **TOTAL INCOME TAX EXPENSE (BENEFIT)** | | **(8,517,602)** | 8,359,684 |
| **PROFIT (LOSS)** | | **(30,965,807)** | 14,574,605 |

(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, 2023 and 2022
(In Philippine Peso)

| | | | Retained Earnings (Deficit) | | |
|---|---|---|---|---|---|
| | Note | **Capital Stock** | **Unappropriated** | **Appropriated** | **Total** |
| Balance, April 1, 2021 | 22 | 11,750,000 | (6,572,879) | 111,000,000 | **116,177,121** |
| Profit | | | 14,574,605 | | **14,574,605** |
| **Balance, March 31, 2022** | 22 | **11,750,000** | **8,001,726** | **111,000,000** | **130,751,726** |
| Loss | | | (30,965,807) | | **(30,965,807)** |
| **Balance, March 31, 2023** | 22 | **11,750,000** | **(22,964,081)** | **111,000,000** | **99,785,919** |

(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, 2023 and 2022
(In Philippine Peso)

| | NOTES | 2023 | 2022 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit (Loss) before tax | | **(39,483,409)** | 22,934,289 |
| Adjustments for: | | | |
| Provision for expected credit losses | 8,12,13,29 | **66,541,057** | 11,116,688 |
| Finance costs from loans | 21,28 | **5,411,838** | 7,809,570 |
| Depreciation | 14,15,27 | **4,123,223** | 4,108,955 |
| Finance costs from lease liability | 20,28 | **920,937** | 1,178,551 |
| Finance income from bank deposits | 7,25 | **(338)** | (101) |
| Finance income from license agreements | 13,25 | **(704,465)** | (1,726,448) |
| Unrealized foreign exchange (gain) loss – net | 30 | **(7,303,689)** | 94,135 |
| Reversal of provision for expected credit losses | 8,12,13,29 | **(10,747,827)** | (636,200) |
| Operating cash flows before changes in working capital | | **18,757,327** | 44,879,439 |
| Decrease (Increase) in operating assets: | | | |
| Trade and other receivables | | **14,254,198** | 56,033,132 |
| Other financial assets | | **(65,622,456)** | 2,249,215 |
| Other non-financial assets | | **129,186,354** | 60,466,395 |
| Increase (Decrease) in operating liabilities: | | | |
| Trade and other payables | | **(6,581,909)** | 3,566,804 |
| Contract liability | | **23,594,857** | (551,765) |
| Due to related parties | | **19,408,244** | (159,513,316) |
| Cash generated from operations | | **132,996,615** | 7,129,904 |
| Income taxes paid | | **(1,372,912)** | (9,129,127) |
| Net cash from (used in) operating activities | | **131,623,703** | (1,999,223) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Finance income received from license agreements | 13,25 | **704,465** | 1,726,448 |
| Finance income received from bank deposits | 7,25 | **338** | 101 |
| Acquisition of equipment | 14 | **(409,303)** | (665,160) |
| Net cash from investing activities | | **295,500** | 1,061,389 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Receipt of loans | 21 | **-** | 29,652,100 |
| Finance costs paid related to lease liability | 20,28 | **(920,937)** | (1,178,551) |
| Payment of lease liability | 20 | **(3,085,574)** | (2,827,961) |
| Finance costs paid related to loans | 21,28 | **(5,411,838)** | (7,809,570) |
| Advances given to related parties | 21 | **(20,928,630)** | - |
| Repayment of loans | 21 | **(105,091,155)** | (12,848,531) |
| Net cash from (used in) financing activities | | **(135,438,134)** | 4,987,487 |
| **EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH** | 7,30 | **(229,069)** | 203,463 |
| **NET INCREASE (DECREASE) IN CASH** | | **(3,748,000)** | 4,253,116 |
| **CASH AT BEGINNING OF YEAR** | | **8,810,917** | 4,557,801 |
| **CASH AT END OF YEAR** | | **5,062,917** | 8,810,917 |

(See Notes to Financial Statements)

## 1. CORPORATE INFORMATION

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

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

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

## 2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Philippine Financial and Sustainability Reporting Standards Council (FSRSC) 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 FSRSC 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 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, *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, 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. 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. 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 per cent' test for derecognition of financial liabilities* - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of PFRS 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 PFRS 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.

**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 FSRSC and Approved by the Board of Accountancy (BOA)*

- 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 PAS 8, *Definition of Accounting Estimates*

  The definition of accounting estimates has been amended as follows: accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The amendment also clarifies the following:

- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.

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

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

  The amendments to PAS 1 are the following:

  - an entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
  - several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;

  The amendments also clarify the following:

  - accounting policy information may be material because of its nature, even if the related amounts are immaterial;
  - accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
  - if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

  In addition, PFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to PAS 1.

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

- Amendment to PAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*

  The amendments introduce an exception to the initial recognition exemption (IRE) in PAS 12. Additional exclusions have been added to the IRE, detailed in paragraphs 15(b)(iii) and 24(c) for deferred tax liabilities and assets respectively. The effects of these amendments essentially mean that the IRE is not available for transactions which involve the recognition of both an asset and liability – which in turn leads to equal and opposite temporary differences – such that deferred taxes are calculated and booked for both temporary differences, both at initial recognition and subsequently. Applying this exception, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

  The initial recognition exemption was initially included within PAS 12 to prevent a lack of reporting transparency for transactions which are not business combinations and, at the time of the transaction, do not affect either accounting or taxable profits. Under this exemption, deferred tax assets/liabilities would neither be recognized at initial recognition of the underlying asset/liability, nor subsequently.

  The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, the amendments also apply to taxable and deductible temporary differences associated with right-of-use assets and lease liabilities, and decommissioning obligations and corresponding amounts recognized as assets at the beginning of the earliest comparative period presented.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early application of the amendments is permitted.

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

  The amendment is a transition option relating to comparative information about financial assets presented on initial application of PFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and Insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

  PFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after January 1, 2025.

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

## 3. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

### 3.01 Statement of Compliance

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

### 3.02 Functional and Presentation Currency

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

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

### 3.03 Current and Non-current Presentation

The Company classifies an asset as current when:

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

The Company classifies all other assets as non-current.

The Company classifies a liability as current when:

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

The Company classifies all other liabilities as non-current.

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

## 4. SIGNIFICANT ACCOUNTING POLICIES

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

### 4.01 Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

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

**4.02 Financial Assets**

*4.02.01 Initial Recognition and Measurement*

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

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

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

*4.02.02 Classification*

- Financial Asset at Amortized Cost

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

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

  The Company's financial assets at amortized cost include cash in banks, trade and other receivables, security deposits and advances to employees under financial assets and other current financial assets.

  *a) Cash in banks*

  Cash in banks pertain 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) 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.

  *d) Advances to Employees*

  Advances to employees pertain to cash advances granted to employees. These are initially recorded at the amount paid and would be settled subsequently through salary deduction.

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 allowance for expected credit losses for trade receivables. 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, other receivables, security deposits, 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 allowance for 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 allowance for 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.

The Company did not apply the 30 days past due rebuttable presumption 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.

If the Company has measured the loss allowance at an amount equal to lifetime allowance for 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 did not apply 90 days past due rebuttable presumption in determining whether a financial statement is credit-impaired or not since based on the Company's historical experience past due amount even over 90 days are still collectible.

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 Other Non-financial Assets**

*4.03.01 Prepayments*

Prepayments represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the statements of financial position as current assets when the expenses related to prepayments are expected to be incurred within one (1) year or the Company normal operating cycle whichever is longer. Otherwise, prepayments are classified as non-current assets.

*4.03.02 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.

*4.03.03 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. The Company applies simplified approach for this account.

*4.03.04 Unbilled License Services*

An unbilled license service pertains to the outstanding balances for license services which are yet to 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.

The Company assesses an unbilled license service for impairment in accordance with PFRS 9. The Company applies simplified approach for this account.

**4.04 Property and Equipment**

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

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

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

| | |
|---|---|
| Office equipment | 5 years |
| Computer equipment | 5 years |
| Furniture | 5 years |

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

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

### 4.05 Borrowing Costs

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

### 4.06 Impairment of Assets

At each reporting date, the Company assesses whether there is any indication that any assets other than deferred tax assets and financial assets that are within the scope of PFRS 9, *Financial Instruments* may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

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

### 4.07 Financial Liabilities

#### *4.07.01 Initial Recognition and Measurement*

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

At initial recognition, the Company measures a financial liability at its fair value minus transaction costs that are directly attributable to the acquisition or issue of the liability.

#### *4.07.02 Classification*

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

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

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

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

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

*4.07.03 Derecognition*

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

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

### 4.08 Equity Instruments

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

Ordinary shares are classified as equity.

### 4.09 Contract Liability

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

### 4.10 Employee Benefits

*4.10.01 Short-term Benefits*

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

### 4.11 Provisions

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

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

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

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

**4.12 Revenue Recognition**

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

*4.12.01 Performance Obligations Satisfied Over Time*

The Company's revenue from rendering services is recognized over time. The Company satisfies a performance obligation and recognizes revenue over time when the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.

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

*4.12.01.01 Application Maintenance Service Fees and Charges*

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

*4.12.01.02 License Fees*

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

*4.12.01.03 Managed Services*

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

*4.12.01.04 Product Support Service Fees*

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

*4.12.01.05 Software as Service (SaaS) Fees*

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

*4.12.01.06 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.

*4.12.02 Performance Obligations Satisfied at a Point in Time*

The Company also satisfies the performance obligation at a point in time. The Company considers indicators of the transfer of control, which include, but are not limited to, the following:

- The Company has a present right to payment for the asset.
- The customer has legal title to the asset.
- The Company has transferred physical possession of the asset.
- The customer has the significant risks and rewards of ownership of the asset.
- The customer has accepted the asset.

The Company derives revenues at a point of time from sale of hardware materials.

*4.12.02.01 Hardware materials*

Hardware materials pertain to resale of hardware materials.

*4.12.03 Finance Income*

Finance income is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Finance income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**4.13 Expense Recognition**

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

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

**4.14 Leases**

*4.14.01 The Company as Lessee*

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

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

*Right-of-Use (ROU) Asset*

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

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

Subsequent to initial recognition, ROU asset is carried at cost less accumulated depreciation and accumulated impairment losses. The Company depreciates the ROU asset on a straight-line basis 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.

The Company has elected to account for short-term leases and low-value assets using the practical expedients. Instead of recognizing an ROU asset and lease liabilities, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

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

**4.15 Foreign Currency Transactions**

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

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

**4.16 Related Parties and Related Party Transactions**

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

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

- The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- The entity is controlled or jointly controlled by a person identified above.
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- Management entity providing key management personnel services to a reporting entity.

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

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

**4.17 Taxation**

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

*4.17.01 Current Tax*

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

*4.17.02 Deferred Tax*

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

*4.17.03 Current and Deferred Taxes for the Period*

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

*4.17.04 Impact of Change in Tax Regime*

Components of tax expense include any adjustments recognized in the period for current tax of prior period and the amount of deferred tax expense (income) relating to changes in tax rates. The provision for current income tax during the year include the difference between income tax per prior year consolidated financial statements and prior year income tax return.

Deferred tax assets and liabilities as of reporting period is remeasured using the new tax rates. The impact of remeasurement is recognized in profit or loss (i.e., provision for/benefit from deferred income tax), unless it can be recognized in other comprehensive income or another equity account.

### 4.18 Events after the Reporting Period

The Company identifies subsequent events as events that occurred after the reporting period but before the date when the financial statements were authorized for issue.

Any subsequent events that provide additional information about the Company's position at the reporting period, adjusting events, are reflected in the financial statements, while subsequent events that do not require adjustments, non-adjusting events, are disclosed in the notes to financial statements when material.

### 4.19 Changes in Accounting Policies

The adoption of the new and revised standards and as disclosed in Note 2.01 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.

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.

As of March 31, 2023 and 2022, the carrying amount of financial assets amounted to ₱99,635,522 and ₱118,466,649, respectively, as disclosed in Notes 6, 7,8, 9, and 10.

*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 it satisfies the performance obligation 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 also performance obligation to be satisfied at a point in time when the Company has transferred physical possession of the asset.

In 2023 and 2022, revenue from customer contracts amounted to ₱229,746,825 and ₱215,395,322, 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, past due amounts even over 90 days are still collectible.

*5.01.07 Determining whether or not a Contract Contains a Lease*

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.

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. The use of these methods requires 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 |
| Hardware materials | Resale of hardware materials |
| Finance income | Accrued on time proportion basis |

The Company has recognized revenues amounting to ₱229,746,825 and ₱215,395,322 in 2023 and 2022, 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 liability since the implicit rate was not readily available.

*5.02.02 Estimating Allowance for Expected Credit Losses*

The Company evaluates the allowance for expected credit losses related to its assets based on an individual assessment for significant assets and collective assessment on other assets by grouping 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 allowance for expected credit losses on its cash in banks. In view of the foregoing factors, Management believes that the allowance for expected credit loss is nil.

The Company uses advancement in technology, growth in software industry and macro-economic factors to assess the allowance for expected credit losses on its trade receivables, contract asset, and unbilled license services.

In view of the foregoing factors, Management believes that the allowance for expected credit losses on trade receivables amounted to ₱6,204,669 and ₱4,269,879 as of March 31, 2023 and 2022, respectively, as disclosed in Note 8, allowance for expected credit losses on contract assets amounted to ₱13,596,824 and ₱15,226,905 as of March 31, 2023 and 2022, respectively, as disclosed in Note 12, and allowance for expected credit losses on unbilled license services amounted to ₱67,059,833 and ₱11,571,310 as of March 31, 2023 and 2022, respectively, as disclosed in Note 13.

In both years, Management believes that the collectability of advances to employees and security deposits is certain and that the allowance for expected credit losses is considered immaterial; hence, the Company did not recognize provision on allowance for expected credit losses.

As of March 31, 2023 and 2022, the carrying amount of financial assets, contract assets and unbilled license services amounted to ₱331,327,576 and ₱384,372,056, 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, 2023 and 2022, the carrying amounts of property and equipment amounted to ₱1,788,732 and ₱2,423,780, 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, and right-of-use asset 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, and right-of-use asset is 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, 2023 and 2022, the aggregate carrying amounts of the aforementioned assets are ₱138,922,560 and ₱254,172,587, 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, 2023 and 2022, deferred tax assets recognized by the Company amounted to ₱23,268,718 and ₱12,082,296, respectively, as disclosed in Note 33.

*5.02.06 Post-employment Benefits*

The determination of the retirement obligation and cost and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rates, mortality of plan members and rates of compensation increase. In accordance with PFRS, actual results that differ from the assumptions and the effects of changes in actuarial assumptions are recognized directly as remeasurements in other comprehensive income. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

In both years, Management assessed not to recognize retirement benefits expense and obligation since the Company does not have any employees qualified for retirement.

*5.02.07 Estimation of Provision for Tax Assessments*

The Company assesses its provision for tax assessments annually. Significant estimates and assumptions are made in determining the provision once letter of assessments is received from the Bureau of Internal Revenue (BIR). Those uncertainties may result in future actual expenditure differing from the amounts currently provided.

While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in the future periods.

As of March 31, 2023 and 2022, the outstanding provisions recognized under accrued expenses amounted to ₱4,774,993 as disclosed in Note 17.

## 6. FINANCIAL ASSETS

Details of financial assets are as follows:

| | | | | | | |
|---|---|---|---|---|---|---|
| **March 31, 2023** | | | | | | |
| | | **Current** | | **Non-current** | | **Total** |
| Cash (Note 7) | **₱** | **5,062,917** | **₱** | - | **₱** | **5,062,917** |
| Trade and other receivables – net (Note 8) | | **112,986,377** | | - | | **112,986,377** |
| Security deposits (Note 9) | | **569,600** | | **1,001,628** | | **1,571,228** |
| Advances to employees (Note 10) | | **943,629** | | **-** | | **943,629** |
| Balance, March 31 | **₱** | **119,562,523** | **₱** | **1,001,628** | **₱** | **120,564,151** |
| March 31, 2022 | | | | | | |
| | | Current | | Non-current | | |
| Cash (Note 7) | ₱ | 8,810,917 | ₱ | - | ₱ | 8,810,917 |
| Trade and other receivables – net (Note 8) | | 108,157,064 | | - | | 108,157,064 |
| Security deposits (Note 9) | | 341,600 | | 1,001,628 | | 1,343,228 |
| Advances to employees (Note 10) | | 155,440 | | - | | 155,440 |
| Balance, March 31 | ₱ | 117,465,021 | ₱ | 1,001,628 | ₱ | 118,466,649 |

## 7. CASH

For the purpose of the statements of cash flows, cash pertains to cash on hand and 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:

| | | | | |
|---|---|---|---|---|
| | | **2023** | | 2022 |
| Cash on hand | **₱** | **32,970** | ₱ | 68 |
| Cash in banks | | **5,029,947** | | 8,810,849 |
| | **₱** | **5,062,917** | ₱ | 8,810,917 |

Cash in banks earn interest at floating rates based on bank's daily deposit rates. Finance income presented in the statements of comprehensive income amounted to ₱338 and ₱101 in 2023 and 2022, respectively, as disclosed in Note 25.

In 2023 and 2022, the Company recognized unrealized foreign exchange loss and gain amounting to ₱229,069 and ₱203,463, 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:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Trade | ₱ | **88,638,133** | ₱ | 106,746,984 |
| Allowance for expected credit losses (Note 35.02) | | **(6,204,669)** | | (4,269,879) |
| | | **82,433,464** | | 102,477,105 |
| Due from related parties (Note 21) | | **20,928,630** | | - |
| Others (Note 21) | | **9,624,283** | | 5,679,959 |
| | ₱ | **112,986,377** | ₱ | 108,157,064 |

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

The average credit period on the 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.

Trade receivables disclosed above include amounts which are past due at the end of the reporting period but against which the Company has not recognized an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company does not hold any collateral or other credit enhancements over these balances, nor does it have a legal right to offset against any amounts owed by the Company to the counterparty.

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

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Balance at April 1 | ₱ | **4,269,879** | ₱ | 4,099,067 |
| Provision for expected credit losses (Note 29) | | **1,934,790** | | 170,812 |
| Balance at March 31 | ₱ | **6,204,669** | ₱ | 4,269,879 |

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

| | | 2023 | | 2022 |
|---|---|---|---|---|
| 31 – 60 days | ₱ | **1,588,553** | ₱ | 11,663,964 |
| 61 – 90 days | | **1,622,834** | | 2,240,103 |
| Over 90 days | | **38,119,556** | | 35,742,486 |
| | ₱ | **41,330,943** | ₱ | 49,646,553 |

In 2023 and 2022, the Company recognized unrealized foreign exchange gain amounting to ₱89,671 and ₱1,066,418, respectively, as disclosed in Note 30.

## 9. SECURITY DEPOSITS

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

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Current | ₱ | **569,600** | ₱ | 341,600 |
| Non-current | | **1,001,628** | | 1,001,628 |
| | ₱ | **1,571,228** | ₱ | 1,343,228 |

## 10. ADVANCES TO EMPLOYEES

As of March 31, 2023 and 2022, the advances to employees of the Company arising from salaries and travel allowance which are subject to salary deduction amounted to ₱943,629 and ₱155,440, respectively, as disclosed in Note 6.

## 11. OTHER NON-FINANCIAL ASSETS

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

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Prepaid expenses | ₱ | **8,196,840** | ₱ | 7,812,343 |
| Excess tax credits | | **13,471,382** | | 8,097,455 |
| Contract assets – net (Note 12) | | **82,345,392** | | 130,695,439 |
| Unbilled license services – net (Note 13) | | **32,118,587** | | 104,141,942 |
| | ₱ | **136,132,200** | ₱ | 250,747,179 |

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

## 12. CONTRACT ASSET – net

Details of the Company's contract asset as shown in Note 13 is as follows:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Contract asset | ₱ | **95,942,216** | ₱ | 145,922,344 |
| Provision for expected credit losses (Note 35.02) | | **(13,596,824)** | | (15,226,905) |
| | ₱ | **82,345,392** | ₱ | 130,695,439 |

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

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

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Balance, April 1 | ₱ | **15,226,905** | ₱ | 4,281,029 |
| Additional provision for expected credit losses (Note 29) | | - | | 10,945,876 |
| Reversal of provision for expected credit losses (Note 29) | | **(1,630,081)** | | - |
| | ₱ | **13,596,824** | ₱ | 15,226,905 |

In 2023 and 2022, the Company recognized unrealized foreign exchange gain amounting to ₱6,242,027 and ₱4,878,512, respectively, as disclosed in Note 30.

## 13. UNBILLED LICENSE SERVICES – net

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

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Current | ₱ | **13,036,174** | ₱ | 21,457,994 |
| Non-current | | **86,142,246** | | 94,255,258 |
| Total unbilled license services | | **99,178,420** | | 115,713,252 |
| Allowance for expected credit losses (Note 35.02) | | **(67,059,833)** | | (11,571,310) |
| Total unbilled license services – net | | **32,118,587** | | 104,141,942 |
| Less: Non-current portion | | **(19,994,945)** | | (84,829,748) |
| Current portion | ₱ | **12,123,642** | ₱ | 19,312,194 |

Unbilled license services pertain 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 to as unbilled revenues. The Company may also charge interest based on agreement with customers amounting to 10% and 8% in 2023 and 2022, respectively. Interest income on licenses charged by the Company in 2023 and 2022 amounted to ₱704,465 and ₱1,726,448, respectively, as disclosed in Note 25.

Details of allowance for expected credit losses are as follows:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Current | ₱ | **912,532** | ₱ | 2,145,800 |
| Non – current | | **66,147,301** | | 9,425,510 |
| | ₱ | **67,059,833** | ₱ | 11,571,310 |

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

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Balance, April 1 | ₱ | **11,571,310** | ₱ | 12,207,510 |
| Provision for expected credit loss (Note 29) | | **64,606,268** | | - |
| Reversal of expected credit loss (Note 29) | | **(9,117,745)** | | (636,200) |
| | ₱ | **67,059,833** | ₱ | 11,571,310 |

In 2023 and 2022, the Company recognized unrealized foreign exchange loss and gain amounting to ₱2,418,478 and ₱4,365,945, respectively, as disclosed in Note 30.

## 14. PROPERTY AND EQUIPMENT – net

The carrying amounts of the Company's property and equipment as of March 31, 2023 and 2022 are as follows:

| | | Computer Equipment | | Office Equipment | | Furniture | | Total |
|---|---|---|---|---|---|---|---|---|
| **April 1, 2021** | | | | | | | | |
| Cost | ₱ | 1,717,099 | ₱ | 2,307,236 | ₱ | 933,895 | ₱ | **4,958,230** |
| Accumulated depreciation | | (832,882) | | (963,090) | | (373,558) | | **(2,169,530)** |
| **Carrying amount** | | **884,217** | | **1,344,146** | | **560,337** | | **2,788,700** |
| **Movements during 2022** | | | | | | | | |
| Balance, April 1, 2021 | | 884,217 | | 1,344,146 | | 560,337 | | **2,788,700** |
| Additions | | 665,160 | | - | | - | | **665,160** |
| Depreciation (Note 27) | | (381,874) | | (461,427) | | (186,779) | | **(1,030,080)** |
| **Balance, March 31, 2022** | | **1,167,503** | | **882,719** | | **373,558** | | **2,423,780** |
| **March 31, 2022** | | | | | | | | |
| Cost | | 2,382,259 | | 2,307,236 | | 933,895 | | **5,623,390** |
| Accumulated depreciation | | (1,214,756) | | (1,424,517) | | (560,337) | | **(3,199,610)** |
| **Carrying amount** | | **1,167,503** | | **882,719** | | **373,558** | | **2,423,780** |
| **Movements during 2023** | | | | | | | | |
| Balance, April 1, 2022 | | 1,167,504 | | 882,718 | | 373,558 | | **2,423,780** |
| Additions | | 409,303 | | - | | - | | **409,303** |
| Depreciation (Note 27) | | (454,215) | | (403,357) | | (186,779) | | **(1,044,351)** |
| **Balance, March 31, 2023** | | **1,122,592** | | **479,361** | | **186,779** | | **1,788,732** |
| **March 31, 2023** | | | | | | | | |
| Cost | | 2,791,562 | | 2,307,236 | | 933,895 | | **6,032,693** |
| Accumulated depreciation | | (1,668,970) | | (1,827,875) | | (747,116) | | **(4,243,961)** |
| **Carrying amount** | ₱ | **1,122,592** | ₱ | **479,361** | ₱ | **186,779** | ₱ | **1,788,732** |

All additions were paid in cash in both years.

In both years, 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:

| | | **2023** | | 2022 |
|---|---|---|---|---|
| **Balance as of April 1** | | | | |
| Cost | ₱ | **21,038,895** | ₱ | 21,038,895 |
| Accumulated depreciation | | **(9,236,600)** | | (6,157,725) |
| **Carrying amount** | | **11,802,295** | | 14,881,170 |
| **Movements during the year** | | | | |
| Balance as of April 1 | | **11,802,295** | | 14,881,170 |
| Depreciation (Note 27) | | **(3,078,872)** | | (3,078,875) |
| **Balance, as of March 31** | | **8,723,423** | | 11,802,295 |
| **Balance as of March 31** | | | | |
| Cost | | **21,038,895** | | 21,038,895 |
| Accumulated depreciation | | **(12,315,472)** | | (9,236,600) |
| **Carrying amount** | ₱ | **8,723,423** | ₱ | 11,802,295 |

The Company's ROU asset pertains 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, 2023 and 2022, lease liability related to right-of-use asset amounted to ₱9,160,344 and ₱12,245,918, respectively, as disclosed in Notes 20 and 31.

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

## 16. FINANCIAL LIABILITIES

Details of financial liabilities are as follows:

| | | **March 31, 2023** | | | | |
|---|---|---|---|---|---|---|
| | | **Current** | | **Non-current** | | **Total** |
| Trade (Notes 17 and 21) | **₱** | **41,597,621** | **₱** | - | **₱** | **41,597,621** |
| Accrued expenses (Note 17) | | **21,867,690** | | - | | **21,867,690** |
| Borrowings (Note 21) | | **37,803,354** | | - | | **37,803,354** |
| Lease liability (Note 20) | | **3,407,947** | | **5,752,397** | | **9,160,344** |
| Balance, March 31 | **₱** | **104,633,862** | **₱** | **5,752,397** | **₱** | **110,429,009** |

| | | March 31, 2022 | | | | |
|---|---|---|---|---|---|---|
| | | Current | | Non-current | | Total |
| Trade (Notes 17 and 21) | ₱ | 41,463,118 | ₱ | - | ₱ | 41,463,118 |
| Accrued expenses (Note 17) | | 15,789,198 | | - | | 15,789,198 |
| Borrowings (Note 21) | | 142,894,509 | | - | | 142,894,509 |
| Lease liability (Note 20) | | 3,153,145 | | 9,092,773 | | 12,245,918 |
| Balance, March 31 | ₱ | 203,299,970 | ₱ | 9,092,773 | ₱ | 212,392,743 |

## 17. TRADE AND OTHER PAYABLES

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

| | | **2023** | | 2022 |
|---|---|---|---|---|
| Trade | **₱** | **5,631,907** | ₱ | 21,286,108 |
| Due to related parties (Note 21) | | **35,965,716** | | 20,177,010 |
| Accrued expenses | | **21,867,690** | | 15,789,198 |
| Payable to government agencies | | **7,359,660** | | 4,554,656 |
| | **₱** | **70,824,973** | ₱ | 61,806,972 |

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 and is considered as 'other non-financial liabilities' in the Statements of Financial Position.

In 2023 and 2022, the Company recognized unrealized foreign exchange loss amounting to nil and ₱7,364, respectively, as disclosed in Note 30.

Breakdown of accrued expenses is as follows:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Commission | ₱ | **9,991,367** | ₱ | 6,326,815 |
| Hosting | | **3,091,851** | | 3,191,416 |
| Transportation and travel | | **2,307,146** | | - |
| Payable to employees | | **304,471** | | 68,710 |
| Provision for loss on tax assessment | | **4,774,993** | | 4,774,993 |
| Others | | **1,397,862** | | 1,427,264 |
| | ₱ | **21,867,690** | ₱ | 15,789,198 |

Provision for loss on BIR tax assessment pertains to provision recognized by the Company arising from the receipt of the 2021 Letter of Assessment from BIR.

Others include accruals of salaries, paid leave encashments, subcontractors, 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:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Current | ₱ | **196,289** | ₱ | 105,616 |
| Non-current | | **437,261** | | 339,139 |
| | ₱ | **633,550** | ₱ | 444,755 |

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:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Balance, April 1 | ₱ | **46,848,306** | ₱ | 65,207,933 |
| Increase (Decrease) arising from a change in the measure of progress | | **23,594,857** | | (18,359,627) |
| Balance, March 31 | ₱ | **70,443,163** | ₱ | 46,848,306 |

Contract liability pertains to advance billing made to customers based on contractual terms.

Details of contract liability are as follows:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Current | ₱ | **70,443,163** | ₱ | 46,836,694 |
| Non – current | | - | | 11,612 |
| | ₱ | **70,443,163** | ₱ | 46,848,306 |

## 20. LEASE LIABILITY

The Company, as lessee, entered into lease arrangement with Equitable Insurance Corporation, as disclosed in Note 31. The weighted average incremental borrowing rate applied to lease liabilities recognized under PFRS 16 *Leases*, was 8.75% in both years.

The following are the amounts of lease liability:

| | Minimum Lease Payments | | Present Value of Minimum Lease Payments | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| Not later than one (1) year | ₱ **4,006,510** | ₱ 4,006,510 | ₱ **3,407,947** | ₱ 3,407,947 |
| Later than one (1) year but not later than five (5) years | **6,171,322** | 10,177,830 | **5,752,397** | 5,752,397 |
| | **10,177,832** | 14,184,340 | **12,245,918** | 12,245,918 |
| Discount | **(1,017,488)** | (1,938,422) | - | - |
| Present value of minimum lease payments | **9,160,344** | 12,245,918 | **12,245,918** | 12,245,918 |
| Current lease liability | **3,407,947** | 3,085,574 | **3,365,197** | 3,085,574 |
| Non-current lease liability | ₱ **5,752,397** | ₱ 9,160,344 | ₱ **5,795,149** | ₱ 9,160,344 |

Payments of lease liability amounted to ₱3,085,574 and ₱2,827,961 in 2023 and 2022, respectively. Finance costs incurred and paid related to the lease amounted to ₱920,937 and ₱1,178,551 in 2023 and 2022, respectively, as disclosed in Note 28.

The Company is compliant with the terms and conditions of the lease.

## 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:

| | | **2023** | | 2022 |
|---|---|---|---|---|
| Parent company | ₱ | **741,622** | ₱ | 2,343,660 |
| Fellow subsidiaries | | **29,811,291** | | 3,336,299 |
| | ₱ | **30,552,913** | ₱ | 5,679,959 |

*21.01.01 Parent Company*

Transaction with parent is detailed below:

| | **March 31, 2023** | | March 31, 2022 | |
|---|---|---|---|---|
| | **Amount/ Volume** | **Outstanding Balance** | Amount/ Volume | Outstanding Balance |
| **Ramco Systems Limited** | | | | |
| Reimbursements | ₱ **6,798,793** | ₱ **741,622** | ₱ 478,465 | ₱ 2,343,660 |

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 allowance for expected credit losses in respect of the amounts owed by the Parent Company.

In 2023 and 2022, the Company received collections from Parent amounting to ₱8,400,831 and nil, respectively.

*21.01.02 Fellow Subsidiaries*

Transactions with fellow subsidiaries are detailed below:

| | March 31, 2023 | | March 31, 2022 | |
|---|---|---|---|---|
| | **Amounts/ Volume** | **Outstanding Balances** | Amount/ Volume | Outstanding Balances |
| **Ramco Systems Pte Ltd., Singapore** | | | | |
| Advances (Note 8) | ₱ **10,910,945** | ₱ **10,910,945** | ₱ - | ₱ - |
| Reimbursements (Note 29) | **2,900,322** | **5,897,253** | 2,510,863 | 2,996,932 |
| **Ramco Systems (Shanghai) Co. Ltd., China** | | | | |
| Reimbursements | - | - | 2,633 | 2,633 |
| **Ramco Systems Pty Ltd, Australia** | | | | |
| Advances (Note 8) | **8,430,049** | **8,430,049** | - | - |
| Unrealized foreign exchange gain (Notes 6 and 30) | **(674,743)** | - | - | - |
| Reimbursements | **2,744,976** | **2,744,976** | 106,214 | 332,351 |
| **Ramco Systems Sdn. Bhd., Malaysia** | | | | |
| Reimbursements (Note 29) | **520,712** | **240,432** | - | 4,383 |
| **Ramco Systems Corporation, USA** | | | | |
| Advances (Note 8) | **1,587,636** | **1,587,636** | - | - |
| | ₱ **26,419,897** | ₱ **29,811,291** | ₱ 2,619,710 | ₱ 3,336,299 |

Advances pertain to payments made to support the working capital requirements of the subsidiaries.

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 allowance for expected credit losses in respect of the amounts owed by the related parties.

In 2023 and 2022, the Company received collections from Parent amounting to ₱1,216,446 and nil, respectively.

### 21.02 Due to Related Parties

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

| | | March 31, 2023 | | | | |
|---|---|---|---|---|---|---|
| | | **Parent Company** | | **Fellow Subsidiaries** | | **Total** |
| Royalties | ₽ | **11,961,240** | ₽ | - | ₽ | **11,961,240** |
| Software service expense | | **10,465,598** | | - | | **10,465,598** |
| Marketing, travel, hosting, salaries and bank charges | | **7,860,293** | | **5,678,585** | | **13,538,878** |
| Loan | | - | | **37,803,354** | | **37,803,354** |
| Balance, March 31 | ₽ | **30,287,131** | ₽ | **43,461,939** | ₽ | **73,769,070** |

| | | March 31, 2022 | | | | |
|---|---|---|---|---|---|---|
| | | Parent Company | | Fellow Subsidiaries | | Total |
| Royalties | ₽ | 5,789,992 | ₽ | - | ₽ | 5,789,992 |
| Software service expense | | 8,001,362 | | - | | 8,001,362 |
| Marketing, travel, hosting, salaries and bank charges | | 2,116,930 | | 4,268,726 | | 6,385,656 |
| Loan | | 15,236,718 | | 127,657,791 | | 142,894,509 |
| Balance, March 31 | ₽ | 31,145,002 | ₽ | 131,926,517 | ₽ | 163,071,519 |

#### *21.02.01 Parent Company*

Transactions with Parent are detailed below:

| | | **March 31, 2023** | | | | March 31, 2022 | | |
|---|---|---|---|---|---|---|---|---|
| | | **Amounts/ Volume** | | **Outstanding Balances** | | Amounts/ Volume | | Outstanding Balances |
| **Ramco Systems Limited** | | | | | | | | |
| Royalties (Note 21.03) | ₽ | **36,937,415** | ₽ | **11,961,240** | ₽ | 34,510,891 | ₽ | 5,789,992 |
| Software service expenses | | **25,488,221** | | **10,465,598** | | 19,272,763 | | 8,001,362 |
| Marketing, travel, hosting, salaries and bank charges (Note 29) | | **12,264,783** | | **7,860,293** | | - | | 2,116,930 |
| Loan | | - | | - | | 1,032,453 | | 15,236,718 |
| | ₽ | **74,690,419** | ₽ | **30,287,131** | ₽ | 54,816,107 | ₽ | 31,145,002 |

The following are the nature, payment 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. Total royalties paid amounted to ₱37,083,998 and ₱24,249,175 in 2023 and 2022, respectively.

- 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 2023 and 2022, respectively, unsecured, on demand, and will be settled in cash. In 2023 and 2022, the Company incurred and paid finance cost amounting to ₱383,953 and ₱1,289,082 to its Parent Company while payments of loan amounted to nil in both years, respectively, as disclosed in Note 21.03.02.

In 2023 and 2022, the Company recognized unrealized foreign exchange gain and loss on loan amounting to ₱4,884,390 and ₱10,437,981, respectively, as disclosed in Note 30.

In 2023 and 2022, the Company made the following payments to Parent amounting to ₱77,390,409 and ₱146,263,218, respectively. Out of the total payments, the Company paid final withholding taxes amounted to ₱5,411,838 and ₱9,754,223 in 2023 and 2022, respectively.

## *21.02.02 Fellow Subsidiaries*

Transactions with fellow subsidiaries are detailed below:

| | March 31, 2023 | | March 31, 2022 | |
|---|---|---|---|---|
| | **Amounts/ Volume** | **Outstanding Balances** | Amounts/ Volume | Outstanding Balances |
| **Ramco Systems Pte Ltd., Singapore** | | | | |
| Reimbursement of salary and travel expenses (Note 29) | ₱ **14,590,427** | ₱ - | ₱ - | ₱ 3,391,193 |
| Royalties | - | - | 162,504 | - |
| Unrealized foreign exchange loss (Note 30) | - | - | - | 54,392 |
| | **14,590,427** | - | 162,504 | 3,416,662 |
| **Ramco Systems Limited Switzerland** | | | | |
| Loan | - | **37,803,354** | - | 35,462,762 |
| Finance cost (Note 21.03.02) | **1,845,926** | - | 1,797,518 | - |
| Unrealized foreign exchange loss (Note 30) | **5,877,920** | - | 3,053,673 | - |
| Realized foreign exchange loss | - | - | - | 206,575 |
| | **7,723,846** | **37,803,354** | 4,851,191 | 35,669,337 |
| **Ramco Systems Sdn. Bhd., Malaysia** | | | | |
| Reimbursement of salary and travel expenses (Note 29) | **7,951,940** | **5,553,521** | - | 251,428 |
| Unrealized foreign exchange gain (Note 30) | **44,847** | - | - | - |
| | **7,996,787** | **5,553,521** | - | 251,428 |
| **Ramco Systems Corporation, USA** | | | | |
| Loan | - | - | 29,652,100 | 84,742,243 |
| Finance cost (Note 21.03.02) | **3,181,959** | - | 4,722,970 | - |
| Hosting | **15,461,189** | - | | |
| Unrealized foreign exchange loss (Note 30) | - | - | - | 6,351,855 |
| Realized foreign exchange loss | - | - | - | 894,356 |
| | **18,643,148** | - | 34,348,070 | 91,988,454 |
| **Ramco Systems Australia Pty. Ltd, Australia** | | | | |
| Reimbursement of salary and travel expenses (Note 29) | **1,556,864** | - | 206,234 | 306,712 |
| Unrealized foreign exchange loss (Note 30) | - | - | 8,248 | - |
| | **1,556,864** | - | 214,482 | 306,712 |
| **PT Ramco Systems Indonesia, Indonesia** | | | | |
| Reimbursements (Note 29) | **595,295** | **125,064** | - | 293,924 |
| Unrealized foreign exchange loss (Note 30) | **1,484** | - | 2,950 | - |
| | **596,779** | **125,064** | 2,950 | 293,924 |
| | ₱ **51,107,851** | ₱ **43,481,939** | ₱ 28,823,659 | ₱ 131,926,517 |

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 2023 and 2022, the Company made payments to fellow subsidiaries amounting to ₱147,975,570 and ₱35,297,898, 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 2023 and 2022, royalty expenses incurred and paid by the Company amounted to ₱36,937,415 and ₱34,510,891, 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 2023 and 2022, royalty expense incurred and paid amounted to ₱36,937,415 and ₱34,510,891, respectively.

*21.03.02 Loan Agreements*

*21.03.02.01*

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 USD 1,000,000 subject to 9.85% interest until March 2019 and 8.75% effective April 2019.

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

| | 2023 | 2022 |
|---|---|---|
| Balance, April 1 | **₱ 15,236,718** | ₱ 14,204,265 |
| Finance cost (Note 21.02.01) | **383,953** | 1,289,082 |
| Unrealized foreign exchange loss (gain) (Note 21.02.01) | - | 1,032,453 |
| Payments of finance cost | **(383,953)** | (1,289,082) |
| Payment of loan | **(15,236,718)** | - |
| Balance, March 31 | **₱ -** | ₱ 15,236,718 |

*21.03.02.02 Ramco Systems Corporation, USA*

On December 18, 2019, the Company entered into an unsecured loan agreement with Ramco Systems Corporation, USA (fellow subsidiary) wherein the former can acquire loans in one or more tranches not exceeding USD 2,000,000 subject to 5% interest per annum.

In 2023 and 2022, the Company borrowed loans amounting to nil and USD 620,000 or ₱29,652,100, respectively.

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

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Balance, April 1 | ₱ | **91,988,454** | ₱ | 66,495,219 |
| Availments | | - | | 29,652,100 |
| Finance cost (Note 21.02.02) | | **3,181,959** | | 4,722,970 |
| Realized foreign exchange loss | | - | | 894,356 |
| Unrealized foreign exchange loss (Note 21.02.02) | | - | | 6,351,855 |
| Payment of finance cost | | **(3,181,959)** | | (4,722,970) |
| Payments of loan | | **(91,988,454)** | | (11,405,076) |
| Balance, March 31 | ₱ | - | ₱ | 91,988,454 |

*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.

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

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Balance, April 1 | ₱ | **35,669,337** | ₱ | 33,852,544 |
| Finance cost (Note 21.02.02) | | **1,845,926** | | 1,797,518 |
| Realized foreign exchange loss | | - | | 206,575 |
| Unrealized foreign exchange loss (Note 21.02.02) | | **5,877,920** | | 3,053,673 |
| Payments of loan | | **(3,743,903)** | | (1,443,455) |
| Payment of finance cost | | **(1,845,926)** | | (1,797,518) |
| Balance, March 31 | ₱ | **37,803,354** | ₱ | 35,669,337 |

**21.04 Remuneration of Key Management Personnel**

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

**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:

| | **2023** | | 2022 | |
|---|---|---|---|---|
| | **Shares** | **Amount** | Shares | Amount |
| Authorized shares<br>₱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

Appropriated retained earnings of the Company amounted to ₱111,000,000 as of March 31, 2023 and 2022.

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:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Implementation, installation and hosting | ₱ | **93,493,042** | ₱ | 101,134,708 |
| License fees | | **67,043,674** | | 18,059,861 |
| Application maintenance services and charges | | **45,028,104** | | 63,810,158 |
| Software as Service (SaaS) fees | | **13,226,924** | | 2,813,293 |
| Managed services | | **7,354,978** | | 23,389,482 |
| Product support service fee | | **3,600,103** | | 5,162,820 |
| Hardware materials | | - | | 1,025,000 |
| | ₱ | **229,746,825** | ₱ | 215,395,322 |

## 25. OTHER INCOME

Details of other income are as follows:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| License agreements (Note 13) | ₱ | **704,465** | ₱ | 1,726,448 |
| Bank deposits (Note 7) | | **338** | | 101 |
| Others | | **162** | | - |
| | ₱ | **704,965** | ₱ | 1,726,549 |

## 26. SHORT-TERM EMPLOYEE BENEFITS

Aggregate employee benefits expense is as follows:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Salaries and wages | ₱ | **45,353,324** | ₱ | 41,940,170 |
| SSS, Philhealth and HDMF contributions | | **1,472,373** | | 1,188,950 |
| Separation pay | | **761,086** | | - |
| Other employee costs | | **2,626,160** | | 4,773,347 |
| | ₱ | **50,212,943** | ₱ | 47,902,467 |

## 27. DEPRECIATION

The account is composed of the following:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Right-of-use asset (Note 15) | ₱ | **3,078,872** | ₱ | 3,078,875 |
| Property and equipment (Note 14) | | **1,044,351** | | 1,030,080 |
| | ₱ | **4,123,223** | ₱ | 4,108,955 |

## 28. FINANCE COST

The account is composed of the following:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Finance cost from loans (Note 21) | ₱ | **5,411,838** | ₱ | 7,809,570 |
| Finance cost from lease liability (Note 20) | | **920,937** | | 1,178,551 |
| | ₱ | **6,332,775** | ₱ | 8,988,121 |

## 29. OTHER EXPENSES – net

The account is composed of the following expenses:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Provision for expected credit losses – net (Note 35.02) | ₱ | **55,793,232** | ₱ | 10,480,488 |
| Hosting | | **21,131,774** | | 18,376,586 |
| Commission | | **14,333,615** | | - |
| Salaries and wages reimbursements (Note 21) | | **10,042,653** | | 10,200,584 |
| Transportation and travel | | **8,358,413** | | 643,560 |
| Transportation and travel reimbursements (Note 21) | | **6,959,889** | | 214,767 |
| Subcontractors | | **6,736,528** | | 24,007,128 |
| Taxes and licenses | | **3,251,530** | | 3,397,662 |
| Professional fees | | **2,648,548** | | 2,521,643 |
| Communication, light and water | | **1,887,849** | | 1,701,135 |
| Rent (Note 31) | | **1,678,466** | | 1,404,998 |
| Representation | | **1,348,210** | | 353,811 |
| Marketing | | **891,304** | | 577,292 |
| Repairs and maintenance | | **336,877** | | 520,540 |
| Printing and stationery | | **264,582** | | 154,396 |
| Recruitment charges | | **85,794** | | 172,002 |
| Penalties | | **1,500** | | 1,837 |
| Customer claims | | - | | 5,207,873 |
| Miscellaneous | | **2,866,670** | | 2,901,973 |
| | ₱ | **138,617,434** | ₱ | 82,838,275 |

Provision for expected credit losses – net is composed of the following:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Additional provision for: | ₱ | | ₱ | |
| Trade and other receivables – net (Note 8) | | **1,934,790** | | 170,812 |
| Contract assets – net (Note 12) | | - | | 10,945,876 |
| Unbilled license services – net (Note 13) | | **64,606,268** | | - |
| Reversal of provision for: | | | | |
| Contract assets – net (Note 12) | | **(1,630,081)** | | |
| Unbilled license services – net (Note 13) | | **(9,117,745)** | | (636,200) |
| | ₱ | **55,793,232** | ₱ | 10,480,488 |

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

Commission pertains to amounts paid to Shearwater Health Inc. and DigiStation Software Services for 25% share for the performance of license services to the Company's customers.

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

## 30. FOREIGN EXCHANGE LOSS – net

Components of foreign exchange losses are as follows:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Effects of foreign exchange gain (loss) on outstanding balances of: | | | | |
| Contract asset (Note 12) | ₱ | **6,242,027** | ₱ | 4,878,512 |
| Loans payable (Note 21) | | **4,884,390** | | (10,437,981) |
| Trade receivables (Note 8) | | **89,671** | | 1,066,418 |
| Trade payable (Note 17) | | - | | (7,364) |
| Cash in banks (Note 7) | | **(229,069)** | | 203,463 |
| Due to related parties (Note 21) | | **(1,264,852)** | | (163,128) |
| Unbilled license services (Note 13) | | **(2,418,478)** | | 4,365,945 |
| Unrealized foreign exchange gain (loss) – net | | **7,303,689** | | (94,135) |
| Realized foreign exchange loss | | **(15,380,294)** | | (6,733,691) |
| Foreign exchange loss – net | ₱ | **(8,076,605)** | ₱ | (6,827,826) |

## 31. LEASE AGREEMENTS

Summary of lease agreements are summarized as follows:

### 31.01 The Company as a Lessee

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

*31.01.01 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.

As of March 31, 2023 and 2022, lease liability relative to the right-of-use asset amounted to ₱9,160,344 and ₱12,245,918, respectively, as disclosed in Notes 15 and 20.

As of March 31, 2023 and 2022, right-of-use asset relative to the lease liability amounted to ₱3,085,574 and ₱2,827,961, respectively, as disclosed in Note 20.

**31.02 Lease Payments not recognized as a Liability**

The Company has elected not to recognize a lease liability for short term leases of equipment. Payments made under such leases are expensed on a straight-line basis. The expense relating to payments not included in the measurement of the lease liabilities in 2023 and 2022 are summarized as follows:

| | | Rent Expense (Note 29) | | Security Deposits (Note 11) |
|---|---|---|---|---|
| | | | | **Current** |
| **March 31, 2023** | | | | |
| Carjolin Farms, Inc. | ₱ | **408,000** | ₱ | **136,000** |
| JTL Realty Corporation | | **366,333** | | **140,000** |
| Kong Fan Ling | | **251,840** | | **66,000** |
| Hombiance Ventures | | **180,978** | | **60,000** |
| Others | | **471,315** | | **167,600** |
| | ₱ | **1,678,466** | ₱ | **569,600** |
| March 31, 2022 | | | | |
| Chen, Hong-Ming | | 692,317 | ₱ | 120,000 |
| D.T.A.P. Property Management | | 403,837 | | 50,000 |
| Hombiance Ventures | | 143,684 | | - |
| Kong Fan Ling | | 165,160 | | 66,000 |
| Others | | - | | 105,600 |
| | ₱ | 1,404,998 | ₱ | 341,600 |

*31.02.01 Carjolin Farms, Inc.*

The Company leased an office space located at San Rafael Street, Sta Clara Subdivision Bacolod City. The lease shall be for a period of one (1) year starting from August 1, 2022 to July 31, 2023, renewable for another year thereafter upon mutual agreement. In 2023, the Company paid security deposit amounting to ₱136,000.

In 2023 and 2022, rent expense charged to operations amounted to ₱408,000 and nil, respectively.

*31.02.02 JTL Realty Corporation*

The Company leased an office space located at 1767 Taft Avenue Pasay City. The lease shall be for a period of one (1) year starting October 1, 2022 to September 30, 2023, renewable for another year thereafter upon mutual agreement. In 2023, the Company paid security deposit amounting to ₱140,000.

In 2023 and 2022, rent expense charged to operations amounted to ₱366,333 and nil, respectively.

*31.02.03 Kong Fan Ling*

The Company leased a residential condominium located at Greenbelt Hamilton, Tower 1, No. 147, Legazpi Street, Legazpi Village, Philippines. The lease shall be for a period of one (1) year starting from November 8, 2021, renewable for another year thereafter upon mutual agreement. In 2022, the Company paid security deposit amounted to ₱66,000.

In 2023 and 2022, rent expense charged to operations amounted to ₱251,840 and ₱165,160, respectively.

*31.02.04 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, the Company renewed another year thereafter upon mutual agreement. On May 05, 2022, the Company renewed the lease contract for three (3) months. In both years, the security deposits amounted to ₱120,000.

In 2023 and 2022, rent expense charged to operations amounted to nil and ₱692,317, respectively.

*31.02.05 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, the Company renewed for another year thereafter upon mutual agreement. In 2021, the Company paid security deposit amounted to ₱90,000.

In 2023 and 2022, rent expense charged to operations amounted to ₱180,978 and ₱143,684, respectively.

*31.02.06 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, the Company renewed for one (1) month and eleven (11) days thereafter upon mutual agreement. In 2023 and 2022, the Company paid security deposit amounted to P50,000 and P110,000, respectively.

In 2023 and 2022, rent expense charged to operations amounted to nil and ₱403,837, respectively.

*31.02.07 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. In 2023 and 2022, the Company paid security deposit amounting to ₱62,000 and ₱105,600, respectively.

In 2023 and 2022, rent expense charged to operations amounted to ₱471,315 and nil, respectively.

## 32. INCOME TAXES

### 32.01 Income Tax Recognized in Profit or Loss

Components of income tax expense (benefit) are as follows:

| | 2023 | 2022 |
|---|---|---|
| Current tax expense | ₱ **1,372,912** | ₱ 9,129,127 |
| Deferred tax benefit (Note 33) | **(9,890,514)** | (769,443) |
| | ₱ **(8,517,602)** | ₱ 8,359,684 |

A numerical reconciliation between tax expense and the product of accounting profit (loss) multiplied by the tax rates in 2023 and 2022 is as follows:

| | 2023 | 2022 |
|---|---|---|
| Accounting profit (loss) | ₱ **(39,483,409)** | ₱ 22,934,289 |
| Tax expense (benefit) at 25% | **(9,870,852)** | 5,733,572 |
| Tax effects of the following: | | |
| Unallowable finance cost | **1,352,960** | 1,952,392 |
| Non-deductible penalties | **375** | 459 |
| Effect of CREATE Act on DTA | **-** | 673,261 |
| Finance income subjected to final tax | **(85)** | - |
| | ₱ **(8,517,602)** | ₱ 8,359,684 |

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

| Year Incurred | Amount | Applied Previous Year | Applied Current Year | Expired | Unapplied | Expiry Date |
|---|---|---|---|---|---|---|
| 2021 | ₱ 5,164,406 | ₱ - | ₱ 5,164,406 | ₱ - | ₱ - | 2026 |

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

| Year Incurred | Amount | Applied Previous Year | Applied Current Year | Expired | Unapplied | Expiry Date |
|---|---|---|---|---|---|---|
| 2021 | ₱ 917,984 | ₱ - | ₱ 917,984 | ₱ - | ₱ - | 2024 |

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 statements of financial position is as follows:

| | | **2023** | | 2022 |
|---|---|---|---|---|
| Deferred tax asset (Note 33.01) | **P** | **23,268,718** | ₱ | 12,082,296 |
| Deferred tax liability (Note 33.02) | | **(1,825,922)** | | (530,014) |
| | **₱** | **21,442,796** | ₱ | 11,552,282 |

*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, 2021 | ₱ 5,404,246 | ₱ 1,377,771 | ₱ 313,515 | ₱ 1,355,657 | ₱ 1,129,120 | ₱ 1,253,436 | **₱ 10,833,745** |
| Adjustment for CREATE Act | (257,345) | (65,608) | (14,929) | (64,555) | (211,136) | (59,688) | **(673,261)** |
| Recognized in profit or loss | 2,620,122 | (761,039) | 62,729 | - | - | - | **1,921,812** |
| **Balance, March 31, 2022** | **7,767,023** | **551,124** | **361,315** | **1,291,102** | **911,984** | **1,193,748** | **12,082,296** |
| Recognized in profit or loss | 13,948,308 | (551,124) | (1,676) | (1,291,102) | (911,984) | - | **11,186,422** |
| **Balance, March 31, 2023** | **₱ 21,715,331** | **₱ -** | **₱ 359,639** | **₱ -** | **₱ -** | **₱ 1,193,748** | **₱ 23,268,718** |

*33.02 Deferred Tax Liability*

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

| | **2023** | 2022 |
|---|---|---|
| Balance, April 1 | **₱ 530,015** | ₱ 50,907 |
| Recognized in profit or loss | **1,295,907** | 479,108 |
| **Balance, March 31** | **₱ 1,825,922** | ₱ 530,015 |

## 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, 2023 and 2022 are presented below:

| | **2023** | | 2022 | |
|---|---|---|---|---|
| | **Carrying Amounts** | **Fair Values** | Carrying Amounts | Fair Values |
| **Financial Assets:** | | | | |
| Cash | **₱ 5,062,917** | **₱ 5,062,917** | ₱ 8,810,917 | ₱ 8,810,917 |
| Trade and other receivable – net | **112,986,377** | **112,986,377** | 108,157,064 | 108,157,064 |
| Security deposits | **1,571,228** | **1,571,228** | 1,343,228 | 1,343,228 |
| Advances to employees | **943,630** | **943,630** | 155,440 | 155,440 |
| | **₱ 120,564,152** | **₱ 120,564,152** | ₱ 118,466,649 | ₱ 118,466,649 |
| **Financial Liabilities:** | | | | |
| Trade and other payables | **₱ 63,465,311** | **₱ 63,465,311** | ₱ 57,253,016 | ₱ 57,253,016 |
| Borrowings | **37,803,354** | **37,803,354** | 142,894,509 | 142,894,509 |
| Lease liability | **9,160,344** | **9,160,344** | 12,245,918 | 12,245,918 |
| | **₱ 110,429,009** | **₱ 110,429,009** | ₱ 212,393,443 | ₱ 212,393,443 |

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 advances to employees approximates their fair value.
- Management believes that the carrying amount security deposit approximates its fair value because the discount using current market interest rate is relatively immaterial.
- Borrowings 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) 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:

##### *35.01.01.01 United States Dollar (USD)*

| | **2023** | | 2022 | |
|---|---|---|---|---|
| | **PHP** | **USD** | PHP | USD |
| **Monetary Assets** | | | | |
| Cash | ₱ **462,244** | **8,544** | ₱ 2,266,398 | 43,880 |
| Trade receivables | **15,068,603** | **278,533** | 18,646,622 | 361,020 |
| Contract asset | **54,974,363** | **1,016,165** | 62,842,091 | 1,216,694 |
| Other asset | **22,070,987** | **407,968** | 26,724,786 | 517,422 |
| | ₱ **92,576,197** | **1,711,210** | ₱ 110,479,897 | 2,139,016 |
| **Monetary Liabilities** | | | | |
| Due to related parties | ₱ - | - | ₱ 107,225,172 | 2,076,000 |

##### *35.01.01.02 Singapore Dollar (SGD)*

| | **PHP** | **SGD** | PHP | SGD |
|---|---|---|---|---|
| **Monetary Assets** | | | | |
| Contract assets | ₱ **10,910,945** | **269,260** | ₱ 2,266,398 | 43,880 |
| **Monetary Liabilities** | | | | |
| Due to related parties | ₱ - | - | ₱ 3,416,662 | 90,066 |

##### *35.01.01.03 Malaysian Ringgit (MYR)*

| | **PHP** | **MYR** | PHP | MYR |
|---|---|---|---|---|
| **Monetary Liabilities** | | | | |
| Due to related parties | ₱ **5,553,521** | **442,445** | ₱ 251,429 | 251,429 |

*35.01.01.04 Swiss Franc (CHF)*

| | | PHP | CHF | | PHP | CHF |
|---|---|---|---|---|---|---|
| **Monetary Liabilities** | | | | | | |
| Due to related parties | ₱ | **37,803,354** | **644,000** | ₱ | 35,669,337 | 644,000 |

*35.01.01.05 Australian Dollar (AUD)*

| | | PHP | AUD | | PHP | AUD |
|---|---|---|---|---|---|---|
| **Monetary Liabilities** | | | | | | |
| Due to related parties | ₱ | **8,430,049** | **234,338** | ₱ | 306,712 | 8,008 |

*35.01.01.06 Indonesian Rupiah (IDR)*

| | | PHP | IDR | | PHP | IDR |
|---|---|---|---|---|---|---|
| **Monetary Liabilities** | | | | | | |
| Due to related parties | ₱ | **125,064** | **34,663,292** | ₱ | 293,924 | 81,178,751 |

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

| | **2023** | 2022 |
|---|---|---|
| US Dollar(USD) | **54.10** | 51.65 |
| Singaporean Dollar (SGD) | **40.52** | 37.94 |
| Malaysian Ringgit (MYR) | **12.55** | 12.55 |
| Swiss Franc (CHF) | **58.70** | 55.39 |
| Australian Dollar (AUD) | **35.97** | 38.30 |
| Indonesian Rupiah (IDR) | **0.0036** | 0.0036 |

The following table details the Company's sensitivity as of March 31, 2023 and 2022, respectively, increase in the Philippine Peso against the relevant foreign currencies. The sensitivity rates of shown below are used when reporting foreign currency risk internally to key management personnel and represents Management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for the rates changes, as shown below, in foreign currency rates. The sensitivity analysis includes loans to foreign operations within the Company where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit where the Philippine Peso against the relevant currency contrary to the negative number weakening of the Philippine Peso against the relevant currencies, there would be a comparable impact on the profit and the balances below would be negative.

| | | Monetary Assets | Monetary Liabilities | Net Effect to Profit | |
|---|---|---|---|---|---|
| | Change in assumption | Increase / (Decrease) in assumption | (Increase) / Decrease in assumption | Increase in assumption | Decrease in assumption |
| **2023** | | | | | |
| US Dollar | **1.96%** | **2,067,358/ (2,067,358)** | - | **2,067,358** | **(2,067,358)** |
| SG Dollar | **2.02%** | **187,603/ (187,603)** | - | **187,603** | **(187,603)** |
| MY Ringgit | **1.52%** | - | **99,032/ (99,032)** | **99,032** | **(99,032)** |
| Swiss Franc | **2.32%** | - | **1,009,149/ (1,009,149)** | **1,009,149** | **(1,009,149)** |
| AU Dollar | **2.87%** | - | **135,301/ (135,301)** | **135,301** | **(135,301)** |
| ID Rupiah | **2.40%** | - | **2,251/ (2,251)** | **2,251** | **(2,251)** |
| **2022** | | | | | |
| US Dollar | 1.05% | 885,629/ (885,629) | 1,133,802/ (1,133,802) | 248,173 | (248,173) |
| SG Dollar | 1.30% | - | (45,004)/ 45,004 | (45,004) | 45,004 |
| MY Ringgit | 1.42% | - | (3,505)/ 3,505 | (3,505) | 3,505 |
| Swiss Franc | 1.82% | - | (658,832)/ 658,832 | (658,832) | 658,832 |
| AU Dollar | 2.89% | - | 9,040/ (9,040) | 9,040 | (9,040) |
| ID Rupiah | 1.98% | - | (5,773)/ 5,773 | (5,773) | 5,773 |

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.

Loss and Profit for the years ended March 31, 2023 and 2022 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 banks, contract assets, unbilled licenses services, trade and other receivables, security deposits, and advances to employees, 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.

➢ Unbilled license services and Trade and other receivables

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, contract assets, and unbilled license services are as follows:

| | | **2023** | | 2022 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash in banks | ₱ | **5,029,947** | ₱ | 8,810,849 |
| Contract assets – net | | **135,968,240** | | 145,922,344 |
| Unbilled license services – net | | **99,178,420** | | 115,713,252 |
| Trade and other receivables – net | | **88,638,134** | | 112,426,943 |
| Security deposits | | **1,571,228** | | 1,343,228 |
| Advances to employees | | **943,630** | | 155,440 |
| | ₱ | **331,327,576** | ₱ | 384,372,056 |

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 gross carrying amount of financial asset.

Below is the summary of computation of allowance for expected credit losses in 2023 and 2022:

| | PD rate | LGD rate | EAD | ECL |
|---|---|---|---|---|
| | a | b | c | d=a*b*c |
| **Cash in banks** | **0.00%** | **0.00% to 90.06%** | **₱ 5,029,947** | **₱ -** |
| **Contract assets** | **10.00%** | **100.00%** | **135,968,240** | **13,596,824** |
| **Unbilled license services** | **67.62%** | **100.00%** | **99,178,420** | **67,059,833** |
| **Trade and other receivables** | **7.00%** | **100.00%** | **88,638,134** | **6,204,669** |
| **Security deposits** | **0.00%** | **100.00%** | **1,571,228** | **-** |
| **Advances to employees** | **0.00%** | **100.00%** | **943,630** | **-** |
| | | | **₱ 331,327,576** | **₱ 86,861,326** |

| | PD rate | LGD rate | EAD | ECL |
|---|---|---|---|---|
| | a | b | c | d=a*b*c |
| Cash in banks | 0.00% | 0.00 % to 94.00% | ₱ 8,810,849 | ₱ - |
| Contract assets | 10.43% | 100.00% | 145,922,344 | 15,226,905 |
| Unbilled license services | 10.00% | 100.00% | 115,713,252 | 11,571,310 |
| Trade and other receivables | 3.80% | 100.00% | 112,426,943 | 4,269,879 |
| Security deposits | 0.00% | 100.00% | 1,343,228 | - |
| Advances to employees | 0.00% | 100.00% | 155,440 | - |
| | | | ₱ 384,372,056 | ₱ 31,068,094 |

*Cash in Banks*

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 90.05% and 0.00% to 94.00% in 2023 and 2022, respectively.

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

*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 10.00% and 10.43% in 2023 and 2022, respectively.

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.

*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 2023 and 2022, the Company estimated the probability of default to be 7.00% and 3.80% for trade and other receivable outstanding for more than 365 days 67.62% and 10.00% for unbilled license services, respectively. Balances of unbilled license services and trade and other receivable outstanding amounted to ₱124,176,335 and ₱212,299,006 as of March 31, 2023 and 2022, respectively, based on the aging schedule.

Unbilled license services and trade and other receivable 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 unbilled license services and trade and other receivable.

*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.

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

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

| | **2023** | 2022 |
|---|---|---|
| Balance at April 1 | **₱ 31,068,094** | ₱ 20,587,606 |
| Allowance for expected credit losses | **66,541,058** | 11,116,688 |
| Reversal of expected credit losses | **(10,747,826)** | (636,200) |
| Balance at March 31 | **₱ 86,861,326** | ₱ 31,068,094 |

*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 one (1) Year | | One (1) – five (5) Years | | Total |
|---|---|---|---|---|---|---|---|---|---|
| **March 31, 2023** | | | | | | | | | |
| Trade and other payables | **0.00%** | **₱** | **35,965,716** | **₱** | **27,499,595** | **₱** | **-** | **₱** | **63,465,311** |
| Borrowings | **0.00% - 8,75%** | | **37,803,354** | | **-** | | **-** | | **37,803,354** |
| Lease liability | - | | **-0** | | **3,340,373** | | **5,819,971** | | **9,160,344** |
| | | **₱** | **73,769,070** | **₱** | **30,839,968** | **₱** | **5,819,971** | **₱** | **110,429,009** |
| March 31, 2022 | | | | | | | | | |
| Trade and other payables | 0.00% | ₱ | 20,177,010 | ₱ | 37,075,306 | ₱ | - | ₱ | 57,252,316 |
| Borrowings | 0.00% - 8.75% | | 142,894,509 | | - | | - | | 142,894,509 |
| Lease liability | - | | - | | 3,153,145 | | 9,092,773 | | 12,245,918 |
| | | ₱ | 163,071,519 | ₱ | 40,228,451 | ₱ | 9,092,773 | ₱ | 212,392,743 |

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 one (1) Year | | One (1) – five (5) Years | | Total |
|---|---|---|---|---|---|---|---|---|---|
| **March 31, 2023** | | | | | | | | | |
| **Cash** | **floating rates** | **₱** | **5,029,947** | **₱** | **-** | **₱** | **-** | **₱** | **5,029,947** |
| **Trade and other receivables – net** | **-** | | **30,552,913** | | **82,433,464** | | **-** | | **112,986,377** |
| **Security deposits** | **-** | | **-** | | **464,000** | | **1,107,228** | | **1,571,228** |
| **Advances to employees** | **-** | | **-** | | **943,630** | | **-** | | **943,630** |
| | | **₱** | **35,582,860** | **₱** | **83,841,094** | **₱** | **1,107,228** | **₱** | **120,531,182** |
| March 31, 2022 | | | | | | | | | |
| Cash | floating rates | ₱ | 8,810,917 | ₱ | - | ₱ | - | ₱ | 8,810,917 |
| Trade and other receivables – net | - | | 5,679,959 | | 102,477,105 | | - | | 108,157,064 |
| Security deposits | - | | - | | 236,000 | | 1,107,228 | | 1,343,228 |
| Advances to employees | - | | - | | 155,440 | | - | | 155,440 |
| | | ₱ | 14,490,876 | ₱ | 102,868,545 | ₱ | 1,107,228 | ₱ | 118,466,649 |

## 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 2022.

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 of the Philippines, 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:

| | **2023** | 2022 |
|---|---|---|
| Debt | **₱ 188,865,384** | ₱ 264,240,459 |
| Cash | **5,062,917** | 8,810,917 |
| Net debt | **183,802,467** | 255,429,542 |
| Equity | **99,785,919** | 130,751,726 |
| Net debt to equity ratio | **1:84:1** | 1.95:1 |

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:

| | 2023 | 2022 |
|---|---|---|
| Balance, April 1 | ₱ **155,140,427** | ₱ 141,164,819 |
| Receipt of loans | - | 29,652,100 |
| Finance cost incurred on loans | **5,411,838** | 7,809,570 |
| Finance cost incurred on lease liability | **920,937** | 1,178,551 |
| Finance cost paid related to lease liability | **(920,937)** | (1,178,551) |
| Repayment of lease liability | **(3,085,574)** | (2,827,961) |
| Finance cost paid related to loans | **(5,411,838)** | (7,809,570) |
| Advances given to related parties | **(20,928,630)** | - |
| Repayment of loans | **(105,091,155)** | (12,848,531) |
| Total changes from financing cash flows | **(134,983,279)** | 13,975,608 |
| **Balance, March 31** | ₱ **26,035,068** | ₱ 155,140,427 |

## 38. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issuance by the Board of Directors on ______________.

## 39. 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:

*39.01 Taxes and Licenses Paid or Accrued*

The details of the Company's taxes and licenses fees paid or accrued in 2023 are as follows:

*39.01.01 Output VAT*

The Company is VAT-registered with VAT output declaration of ₱33,558,584 for the year based on the amount of revenue billed to customers amounting to ₱279,654,868; hence, may not be comparable with the amounts recognized in the statement of comprehensive income.

*39.01.02 Input VAT*

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

| | | |
|---|---|---|
| Current year's domestic purchases/payments for: | | |
| Domestic purchases of good other than capital goods | ₱ | 33,398 |
| Services lodged under cost of goods sold | | 2,619,280 |
| **Total available input VAT** | | **2,652,678** |
| Applied against output VAT | | 2,652,678 |
| **Balance, March 31** | **₱** | - |

*39.01.03 Taxes and Licenses*

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

| | | |
|---|---|---|
| Permit fees | **₱** | **2,802,725** |

*39.01.04 Withholding Taxes*

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

| | | |
|---|---|---|
| Withholding tax on compensation | ₱ | 7,374,877 |
| Expanded withholding taxes | | 2,243,526 |
| Final withholding taxes | | 5,411,838 |
| Fringe benefits taxes | | 448,805 |
| | **₱** | **15,479,046** |

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.

*30.01.05 Deficiency Tax Assessments*

The Company received a letter of authority with LOA No. AUDM14-050-2022-017899 (eLA2019000026836) dated November 24, 2022 from BIR to conduct an examination of its book of accounts for all internal revenue taxes for the period covering April 1, 2021 to March 31, 2022 pursuant to SEC. 6(A) & SEC. 10(C) of the National Internal Revenue Code of 1997, as amended.

## 40. 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:

### 40.01 Revenue from operations

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

| | | |
|---|---|---|
| Implementation, installation, and hosting | ₱ | 93,493,042 |
| License fees | | 67,043,674 |
| Application maintenance services and charges | | 45,028,104 |
| Software as Service (SaaS) fees | | 13,226,924 |
| Managed services | | 7,354,978 |
| Product support service fee | | 3,600,103 |
| | **₱** | **229,746,825** |

### 40.02 Cost of Services

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

| | | |
|---|---|---|
| Salaries and wages | ₱ | 43,961,093 |
| Royalties | | 37,083,998 |
| Software service expense | | 25,488,221 |
| Hosting | | 21,131,774 |
| Salaries and wages reimbursements | | 11,434,884 |
| Subcontractors | | 6,736,528 |
| SSS, Philhealth and HDMF contributions | | 1,472,373 |
| Other employee costs | | 3,387,246 |
| | **₱** | **150,696,117** |

### 40.03 Taxable Other Income

The following are taxable other income for the taxable year:

| | | |
|---|---|---|
| Realized foreign exchange gain | ₱ | 3,886,140 |
| License agreements | | 704,465 |
| Others | | 162 |
| | **₱** | **4,590,767** |

### 40.04 Itemized Deductions

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

| | | |
|---|---|---|
| Realized foreign exchange loss | ₱ | 19,350,874 |
| Commission | | 14,333,615 |
| Transportation and travel | | 8,358,413 |
| Transportation and travel reimbursements | | 6,959,889 |
| Rent | | 5,684,978 |
| Professional fees | | 2,648,548 |
| Taxes and licenses | | 3,251,530 |
| Communication, light and water | | 1,887,849 |
| Representation | | 1,348,210 |
| Depreciation | | 1,044,351 |
| Marketing | | 891,304 |
| Repairs and maintenance | | 336,877 |
| Printing and stationery | | 264,582 |
| Recruitment charges | | 85,794 |
| Miscellaneous | | 2,866,670 |
| | **₱** | **69,313,484** |

### 40.05 Application of NOLCO

The Company applied NOLCO amounting to ₱5,164,406 to its taxable income during the year.

### 40.06 Application of MCIT

The Company applied MCIT amounting to ₱917,984 against its regular corporate income tax (RCIT) expense during the year.

## 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
Makati City

We have audited the financial statements of **RAMCO SYSTEM INC.** for the years ended March 31, 2023 and 2022 on which we have rendered the attached report dated May 9, 2023.

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

**R.S. BERNALDO & ASSOCIATES**
BOA/PRC No. 0300
Valid until May 28, 2024
SEC Group A Accredited
Accreditation No. 0300-SEC
Valid until 2024 audit period
BSP Group B Accredited
Accreditation No. 0300-BSP
Valid until 2026 audit period
BIR Accreditation No. 08-007679-000-2023
Valid from January 31, 2023 until January 30, 2026
IC Group A Accredited
Accreditation No. 0300-IC
Valid until 2026 audit period

**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 Group A Accredited
Accreditation No. 86071-IC
Valid until 2026 audit period
PTR No. 9567815
Issued on January 4, 2023 at Makati City

May 9, 2023