

## 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, 2025 and 2024, 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, 2025 and 2024 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 Nos. 15-2010, 19-2011, and 34-2020 in Note 40 to the financial statements, is presented for purposes of filing with Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the Management of **RAMCO SYSTEM INC.** The information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**R.S. BERNALDO & ASSOCIATES**

BOA/PRC No. 0300

Valid until November 19, 2026

SEC Group A Accreditation No. 0300-SEC

Valid until 2024 audit period

BSP Group B 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 Accreditation No. 0300-IC

Valid until 2026 audit period



**ROSE ANGELI S. BERNALDO**

Partner

CPA Certificate No. 114127

BOA/PRC No. 0300/P-006

Valid until November 19, 2026

SEC Group A Accreditation No. 114127-SEC

Valid until 2027 audit period

BSP Group B Accreditation No. 114127-BSP

Valid until 2025 audit period

BIR Accreditation No. 08-007679-001-2023

Valid from October 20, 2023 until October 19, 2026

Tax Identification No. 211-870-290

PTR No. 10481163

Issued on January 15, 2025 at Makati City

May 9, 2025

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

March 31, 2025 and 2024

(In Philippine Peso)

	NOTES	2025	2024
<b>A S S E T S</b>			
<b>Non-current Asset</b>			
Financial assets	6	1,146,428	1,001,628
Property and equipment – net	14	459,255	783,100
Right of use asset – net	15	9,046,135	5,644,560
Deferred taxes – net	34	8,559,834	20,360,554
		19,211,652	27,789,842
<b>Current Assets</b>			
Financial assets			
Cash and cash equivalents	7	10,658,926	2,856,279
Trade and other receivables – net	8	121,640,732	106,414,141
Other current financial assets	6	1,070,919	1,136,870
Other non-financial assets	11	35,040,294	10,634,557
		168,410,871	121,041,847
<b>TOTAL ASSETS</b>		<b>187,622,523</b>	<b>148,831,689</b>
<b>STOCKHOLDERS' EQUITY AND LIABILITIES</b>			
<b>S T O C K H O L D E R S ' E Q U I T Y</b>			
Equity share capital	23	11,750,000	11,750,000
Unappropriated Retained Earnings		7,596,140	13,957,527
Appropriated Retained Earnings	24	20,000,000	8,000,000
<b>TOTAL STOCKHOLDER'S EQUITY</b>		<b>39,346,140</b>	<b>33,707,527</b>
<b>L I A B I L I T I E S</b>			
<b>Non-current Liabilities</b>			
Financial Liability			
Lease liability – net of current portion	21	6,063,630	2,106,281
Provisions	18	466,066	192,559
		6,529,696	2,298,840
<b>Current Liabilities</b>			
Financial Liabilities			
Trade and other payables	17	35,921,151	38,666,554
Lease liability	21	3,014,498	3,688,864
Provisions	18	9,363,550	128,784
Other non-financial liabilities	19	93,447,488	70,341,120
		141,746,687	112,825,322
<b>TOTAL LIABILITIES</b>		<b>148,276,383</b>	<b>115,124,162</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>187,622,523</b>	<b>148,831,689</b>

(See Notes to Financial Statements)

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

For the Years Ended March 31, 2025 and 2024

(In Philippine Peso)

	NOTES	2025	2024
<b>INCOME</b>			
Revenue from operations	25	328,514,386	277,079,429
Finance income	7,22	4,376,830	155,280
Other income	26	72,237,556	74,538,736
		<b>405,128,772</b>	<b>351,773,445</b>
<b>EXPENSES</b>			
Software service	22	112,898,328	73,973,709
Employee benefits	27	55,489,042	45,984,933
Royalties	22	43,982,950	41,814,318
Depreciation	28	3,458,283	4,084,495
Foreign exchange loss – net	31	27,800	2,079,827
Other expenses	30	170,270,385	245,149,485
		<b>386,126,788</b>	<b>413,086,767</b>
<b>FINANCE COST</b>	29	<b>364,207</b>	<b>2,406,141</b>
<b>INCOME (LOSS) BEFORE TAX</b>		<b>18,637,777</b>	<b>(63,719,463)</b>
<b>INCOME TAX EXPENSE</b>			
Current tax expense	33	1,198,445	1,276,685
Deferred tax expense	33	11,800,719	1,082,244
		<b>12,999,164</b>	<b>2,358,929</b>
<b>PROFIT (LOSS)</b>		<b>5,638,613</b>	<b>(66,078,392)</b>

(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, 2025 and 2024

(In Philippine Peso)

	Notes	Capital stock	Retained Earnings		Total
			Unappropriated	Appropriated	
Balance, April 1, 2023		11,750,000	(22,964,081.00)	111,000,000	<b>99,785,919</b>
Loss			(66,078,392)		<b>(66,078,392)</b>
Reversal of appropriation	24		103,000,000	(103,000,000)	-
<b>Balance at March 31, 2024</b>		<b>11,750,000</b>	<b>13,957,527</b>	<b>8,000,000</b>	<b>33,707,527</b>
Profit			5,638,613		<b>5,638,613</b>
Reversal of appropriation	24		8,000,000	(8,000,000)	-
Additional appropriation	24		(20,000,000)	20,000,000	-
<b>Balance at March 31, 2025</b>		<b>11,750,000</b>	<b>7,596,140</b>	<b>20,000,000</b>	<b>39,346,140</b>

(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, 2025 and 2024

(In Philippine Peso)

	NOTES	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		18,637,777	(63,719,463)
Adjustments for:			
Bad debts written-off	30	61,100,700	112,815,883
Unrealized foreign exchange loss (gain) – net	31	7,103,906	(6,270,005)
Depreciation	14,15,28	3,458,283	4,084,495
Loss on termination of leased asset	15,30	435,882	-
Finance costs from lease liability	20,29	364,207	641,314
Provision for expected credit losses	8,12,13,30	-	8,150,417
Finance costs from loans	22,29	-	1,764,827
Finance income from bank deposits	7	(1,898)	(1,659)
Finance income from license agreements	22	(4,374,932)	(153,621)
Reversal of provision for expected credit losses	30	(69,659,995)	(69,449,801)
Operating cash flows before changes in working capital		17,063,930	(12,137,613)
Decrease (Increase) in operating assets:			
Trade and other receivables		132,464,171	(43,404,124)
Other financial assets		34,499,614	5,611,042
Other non-financial assets		(65,573,385)	124,086,480
Increase (Decrease) in operating liabilities:			
Trade and other payables		(2,745,403)	(13,735,513)
Contract liability		7,703,634	(10,457,624)
Other non-financial liabilities		25,516,177	3,482,674
Cash generated from operations		148,928,738	53,445,322
Income taxes paid		(1,198,445)	(1,276,686)
Net cash from operating activities		147,730,293	52,168,636
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Repayment of loans from a related party	17	23,100,052	-
Finance income received from license agreements	23	4,374,932	153,621
Finance income received from bank deposits	7	1,898	1,659
Acquisition of equipment	14	(43,740)	-
Loans provided to a related party	17	(64,800,000)	-
Net cash from (used in) investing activities		(37,366,858)	155,280
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayments received from related parties	22	-	13,050,615
Finance costs paid related to loans	22,28	-	(1,764,827)
Repayment of loans	22	-	(37,803,354)
Finance costs paid related to lease liability	20,28	(364,207)	(641,314)
Payment of lease liability	20	(3,645,172)	(3,365,199)
Advances given to related parties	22	(98,977,712)	(25,043,599)
Net cash used in financing activities		(102,987,091)	(55,567,678)
<b>EFFECTS OF FOREIGN EXCHANGE</b>			
RATE CHANGES ON CASH	7,31	426,303	1,037,124
NET INCREASE (DECREASE) IN CASH		7,802,647	(2,206,638)
CASH AT BEGINNING OF YEAR		2,856,279	5,062,917
CASH AT END OF YEAR		10,658,926	2,856,279

(See Notes to Financial Statements)



# **RAMCO SYSTEM INC.**

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

## **NOTES TO FINANCIAL STATEMENTS**

March 31, 2025 and 2024

### **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, and selling of hardware materials.

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 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, 2024.

- Amendments to PAS 7 and PFRS 7, *Supplier Finance Arrangements*

The amendments introduce new disclosure requirements to enhance the transparency and, thus, the usefulness of the information provided by entities about supplier finance arrangements.

The amendments are effective to annual reporting periods beginning on or after January 1, 2024.

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

The amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current. Additional disclosures are required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period.

The amendments are effective to annual reporting periods beginning on or after January 1, 2024.

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

The amendments clarify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective to annual reporting periods beginning on or after January 1, 2024.

## 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)

- 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. However, the effectivity date for all Health Maintenance Organizations (HMOs) is beginning on or after January 1, 2027, and all Mutual Benefits Associations (MBAs) doing business in the Philippines is effective beginning on or after January 1, 2030. 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. However, the effectivity date for all Health Maintenance Organizations (HMOs) is beginning on or after January 1, 2027, and all Mutual Benefits Associations (MBAs) doing business in the Philippines is effective beginning on or after January 1, 2030.

- 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. However, the effectivity date for all Health Maintenance Organizations (HMOs) is beginning on or after January 1, 2027, and all Mutual Benefits Associations (MBAs) doing business in the Philippines is effective beginning on or after January 1, 2030.

- Amendments to PAS 21, *Lack of Exchangeability*

The amendments contains guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

The amendments cover the following areas:

- Specify when a currency is exchangeable into another currency and when it is not — a currency is exchangeable if it can be exchanged for another currency through markets or mechanisms that establish enforceable rights and obligations without delay, while it is not exchangeable if an entity can only obtain a small amount of the other currency.
- Specify how an entity determines the exchange rate to apply when a currency is not exchangeable — when a currency isn't exchangeable at a measurement date, an entity estimates the spot exchange rate as the rate that would have applied in an orderly transaction.
- Require the disclosure of additional information when a currency is not exchangeable - when a currency is not exchangeable, an entity discloses information to its financial statements, allowing users to assess its financial performance, position, and cash flows.

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

- Amendments to PFRS 9 and PFRS 7, *Amendments to the Classification and Measurement of Financial Instruments*

The amendments cover the following areas:

- Derecognition of a financial liability settled through electronic transfer – the amendments allow entities to discharge a financial liability settled in cash using an electronic payment system if specific criteria are met, and apply the derecognition option to all settlements made through the same system.
- Classification of financial assets:

- Contractual terms that are consistent with a basic lending arrangement – the amendments outline how entities can evaluate whether contractual cash flows of a financial asset align with a basic lending arrangement, illustrating this through examples of financial assets with or without principal and interest payments.
  - Assets with non-recourse features – the term 'non-recourse' is enhanced, defining a financial asset has non-recourse features if an entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets.
  - Contractually linked instruments – the amendments clarify that not all transactions with multiple debt instruments meet classification criteria, and that instruments in the underlying pool can include financial instruments not covered by classification requirements.
- There are amendments in the required disclosure for financial assets and liabilities with contractual terms that reference a contingent event and equity instruments classified at fair value through other comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Earlier application of either all the amendments at the same time or only the amendments to the classification of financial assets is permitted.

An entity is required to apply the amendments retrospectively. An entity is not required to restate prior periods to reflect the application of the amendments, but may do so if, and only if, it is possible to do so without the use of hindsight.

- Annual Improvements to PFRS Accounting Standards - Volume 11

The International Accounting Standards Board (IASB) has published proposed narrow-scope amendments to PFRS Accounting Standards and accompanying guidance as part of its periodic maintenance of the Accounting Standards.

The proposed amendments included in the Exposure Draft *Annual Improvements to PFRS Accounting Standards— Volume 11* relate to:

- PFRS 1 *First-time Adoption of International Financial Reporting Standards, Hedge Accounting by a First-Time Adopter* – the amendment addresses a potential confusion arising from an inconsistency in wording between paragraph B6 of PFRS 1 and requirements for hedge accounting in PFRS 9, *Financial Instruments*.
- PFRS 7 *Financial Instruments: Disclosures*
  - Gain or Loss on Derecognition – the amendment addresses a potential confusion in paragraph B38 of PFRS 7 arising from an obsolete reference to a paragraph that was deleted from the standard when PFRS 13, *Fair Value Measurement* was issued.
  - Disclosure of Deferred Difference Between Fair Value and Transaction Price – the amendment addresses an inconsistency between paragraph 28 of PFRS 7 and its accompanying implementation guidance that arose when a consequential amendment resulting from the issuance of PFRS 13 was made to paragraph 28, but not to the corresponding paragraph in the implementation guidance.

- Introduction and Credit Risk Disclosures – the amendment addresses a potential confusion by clarifying in paragraph IG1 that the guidance does not necessarily illustrate all the requirements in the referenced paragraphs of PFRS 7 and by simplifying some explanations.
- PFRS 9, *Financial Instruments*
  - Lessee derecognition of lease liabilities – the amendment addresses a potential lack of clarity in the application of the requirements in PFRS 9 to account for an extinguishment of a lessee’s lease liability that arises because paragraph 2.1(b)(ii) of PFRS 9 includes a cross-reference to paragraph 3.3.1, but not also to paragraph 3.3.3 of PFRS 9.
  - Transaction price – the amendment addresses a potential confusion arising from a reference in Appendix A to PFRS 9 to the definition of ‘transaction price’ in PFRS 15, *Revenue from Contracts with Customers* while term ‘transaction price’ is used in particular paragraphs of PFRS 9 with a meaning that is not necessarily consistent with the definition of that term in PFRS 15.
- PFRS 10, *Consolidated Financial Statements, Determination of a ‘de facto agent’* – the amendment addresses a potential confusion arising from an inconsistency between paragraphs B73 and B74 of PFRS 10 related to an investor determining whether another party is acting on its behalf by aligning the language in both paragraphs.
- PAS 7, *Statement of Cash Flows, Cost Method* – the amendment addresses a potential confusion in applying paragraph 37 of PAS 7 that arises from the use of the term ‘cost method’ that is no longer defined in PFRS Accounting Standards.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026.

- PFRS 18, *Presentation and Disclosure in Financial Statements*

PFRS 18 supersedes PAS 1, *Presentation and Disclosure in Financial Statements*. This new standard is a result of IASB’s Primary Financial Statements project, which aimed at improving comparability and transparency of communication in financial statements.

While several sections from PAS 1 have been retained with minimal changes in wording, PFRS 18 introduces new requirements for the presentation and disclosures in financial statements.

The new requirements include:

- Improved comparability in the statement of profit or loss (income statement);
- Enhanced transparency of management-defined performance measures; and
- More useful grouping of information in the financial statements.

Retrospective application is required in both annual and interim financial statements. PFRS 18 is effective beginning on or after January 1, 2027, with early application permitted.

- PFRS 19, *Subsidiaries without Public Accountability: Disclosures*

PFRS 19 allows eligible entities to provide reduced disclosures compared to the requirements in other PFRS accounting standards. Entities that elect PFRS 19 are still required to apply the recognition, measurement and presentation requirements of other PFRS accounting standards.

An entity may elect to apply the PFRS 19 if at the end of reporting period:

- It is a subsidiary as defined in PFRS 10 Consolidated Financial Statements;
- It does not have public accountability; and
- It has a parent (either ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with PFRS accounting standards.

An eligible entity (including an intermediate parent) can apply PFRS 19 in its consolidated, separate or individual financial statements. PFRS 19 is applicable for both annual and interim reporting.

PFRS 19 is effective beginning on or after January 1, 2027, with early application permitted.

#### 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.

The Company falls under the criteria of small and medium sized entities as specified in the Revised Securities Regulation Code (SRC) Rule 68. However, the Company opted to present its financial statements under PFRS since it is a subsidiary of a parent company reporting under PFRS.

### **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. MATERIAL 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 Financial Assets**

#### **4.01.01 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.

#### 4.01.02 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.

##### 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.

#### 4.01.03 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.

#### 4.01.04 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.

➤ 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.
- **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.

#### 4.01.05 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.

#### 4.01.06 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.

### **4.02 Other Non-financial Assets**

#### 4.02.01 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.

#### 4.02.02 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.

#### 4.02.03 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.

#### 4.02.04 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.

### **4.03 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.

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

Computer equipment	5 years
Office 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.

### **4.04 Borrowing Costs**

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

#### 4.05 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.

#### 4.06 Financial Liabilities

##### 4.06.01 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.

##### 4.06.02 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, and lease liability.

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

#### **4.06.03 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.

#### **4.07 Equity Instruments**

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

Ordinary shares are classified as equity.

#### **4.08 Contract Liability**

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

#### **4.09 Employee Benefits**

##### **4.09.01 Short-term Employee 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 employee benefits given by the Company to its employees include salaries and wages, SSS, PhilHealth and HDMF contributions, separation pay and other employee costs.

##### **4.09.02 Termination Benefits**

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the Company recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

#### **4.10 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.

#### 4.10.01 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.

##### 4.10.01.01 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.

##### 4.10.01.02 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.

##### 4.10.01.03 Managed Services

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

##### 4.10.01.04 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.

##### 4.10.01.05 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.

##### 4.10.01.06 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.

#### 4.10.02 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.

#### 4.10.02.01 Hardware materials

Hardware materials pertain to resale of hardware materials.

#### 4.10.03 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.

### **4.11 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.

### **4.12 Leases**

#### 4.12.01 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 has 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.

#### **4.13 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.

#### **4.14 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.

#### **4.15 Taxation**

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

##### **4.15.01 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.

##### **4.15.02 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.

#### 4.15.03 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.

#### **4.16 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, 2025 and 2024, the carrying amount of financial assets amounted to P134,517,006 and P111,408,918, 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 for hardware materials.

In 2025 and 2024, revenue from customer contracts amounted to P328,514,386 and P277,079,429, respectively, as disclosed in Note 25.

#### 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

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
Hardware materials	Resale of hardware materials
Finance income	Accrued on time proportion basis

The Company has recognized revenues amounting to P328,514,386 and P277,079,429 in 2025 and 2024, respectively, as disclosed in Note 25.

#### **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 9.20% 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 P12,004,334 and P22,862,030 as of March 31, 2025 and 2024, respectively, as disclosed in Note 8, allowance for expected credit losses on contract assets amounted to P569,052 and P47,213,058 as of March 31, 2025 and 2024, respectively, as disclosed in Note 12, and allowance for expected credit losses on unbilled license services amounted to nil and P11,298,014 as of March 31, 2025 and 2024, 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, 2025 and 2024, the carrying amount of financial assets, contract assets and unbilled license services amounted to P148,608,923 and P196,987,882, respectively, as disclosed in Note 36.02.

#### 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, 2025 and 2024, the carrying amounts of property and equipment amounted to P459,255 and P783,100, 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, 2025 and 2024, the aggregate carrying amounts of the aforementioned assets are P44,545,684 and P36,679,051, 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, 2025 and 2024, deferred tax assets recognized by the Company amounted to P8,559,834 and P21,928,054, respectively, as disclosed in Note 34.

#### 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, 2025 and 2024, the outstanding provisions recognized under accrued expenses amounted to P4,774,993, as disclosed in Note 17.

## 6. FINANCIAL ASSETS

Details of financial assets are as follows:

March 31, 2025					
	Current		Non-current		Total
Cash (Note 7)	P	10,658,926	P	-	P 10,658,926
Trade and other receivables – net (Note 8)		121,640,732		-	121,640,732
Security deposits (Note 9)		737,894		1,146,428	1,884,322
Advances to employees (Note 10)		333,025		-	333,025
	P	133,370,577	P	1,148,428	P 134,517,005

  

March 31, 2024					
	Current		Non-current		Total
Cash (Note 7)	P	2,856,279	P	-	P 2,856,279
Trade and other receivables – net (Note 8)		106,414,141		-	106,414,141
Security deposits (Note 9)		882,694		1,001,628	1,884,322
Advances to employees (Note 10)		254,176		-	254,176
	P	110,407,290	P	1,001,628	P 111,408,918

## 7. CASH

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

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

	2025		2024	
Cash on hand	P	20,732	P	32,125
Cash in banks		10,638,194		2,824,154
	P	10,658,926	P	2,856,279

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 P1,898 and P1,659 in 2025 and 2024, respectively.

In 2025 and 2024, the Company recognized unrealized foreign exchange gain and loss amounting to P426,303 and P1,037,124, respectively, as disclosed in Note 31.

## 8. TRADE AND OTHER RECEIVABLES – net

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

	2025	2024
Trade	<b>P 65,439,348</b>	<b>P 83,037,790</b>
Allowance for expected credit losses (Note 36.02)	<b>(12,004,334)</b>	<b>(22,862,030)</b>
	<b>53,435,014</b>	<b>60,175,760</b>
Due from related parties (Note 22)	<b>68,205,718</b>	<b>46,238,381</b>
	<b>P 121,640,732</b>	<b>P 106,414,141</b>

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

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

In 2025 and 2024, advances given to related parties for future services, included in the due from related parties amounted to P82,407,176 and P25,043,599, respectively, as disclosed in Note 22.

In 2025 and 2024, the Company has written-off trade receivables amounting to P3,521,471 and P618,087, respectively, as disclosed in Note 30.

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

	2025	2024
Balance, April 1	<b>P 22,862,030</b>	<b>P 6,204,669</b>
Provision for expected credit losses (Note 30)	<b>-</b>	<b>22,862,030</b>
Reversal of expected credit losses (Note 26)	<b>(10,903,463)</b>	<b>(6,204,669)</b>
Effect of foreign exchange rate changes	<b>45,767</b>	<b>-</b>
Balance, March 31	<b>P 12,004,334</b>	<b>P 22,862,030</b>

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

	2025	2024
31 – 60 days	<b>P 237,637</b>	<b>P 620,912</b>
61 – 90 days	<b>224,000</b>	<b>2,345,237</b>
Over 90 days	<b>8,605,206</b>	<b>31,349,969</b>
	<b>P 9,066,843</b>	<b>P 34,316,118</b>

In 2025 and 2024, the Company recognized unrealized foreign exchange loss and gain amounting to P368,889 and P308,733, respectively, as disclosed in Note 31.

## 9. SECURITY DEPOSITS

The details of the Company's security deposits, as disclosed in Note 32, are as follows:

		2025		2024
Current	P	737,894	P	882,694
Non-current		1,146,428		1,001,628
	P	1,884,322	P	1,884,322

## 10. ADVANCES TO EMPLOYEES

As of March 31, 2025 and 2024, the advances to employees of the Company arising from salaries and travel allowance which are subject to salary deduction amounted to P333,025 and P254,176, respectively, as disclosed in Note 6.

## 11. OTHER NON-FINANCIAL ASSETS

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

		2025		2024
Prepaid expenses	P	6,604,034	P	7,863,736
Excess tax credits		25,020,942		18,649,635
Contract assets – net (Note 12)		1,539,264		3,724,709
Due from a related party (Note 21)		1,299,399		-
Deferred input VAT		576,655		-
Unbilled license services – net (Note 13)		-		513,278
	P	35,040,294	P	30,751,358

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.

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

## 12. CONTRACT ASSET – net

Details of the Company's contract asset as shown in Note 11 is as follows:

		2025		2024
Contract asset	P	2,108,316	P	50,937,767
Allowance for expected credit losses (Note 36.02)		(569,052)		(47,213,058)
	P	1,539,264	P	3,724,709

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. In 2025 and 2024, the Company has written-off contract assets amounting to and P 46,120,294 and P37,548,654, as disclosed in Note 30.

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

		2025		2024
Balance, April 1	<b>P</b>	<b>47,213,058</b>	<b>P</b>	13,596,824
Additional provision for expected credit losses (Note 30)		-		47,213,058
Reversal of provision for expected credit losses (Note 26)		<b>(47,279,726)</b>		(13,596,824)
Foreign exchange rate changes		<b>635,720</b>		-
Balance, March 31	<b>P</b>	<b>569,052</b>	<b>P</b>	47,213,058

### 13. UNBILLED LICENSE SERVICES – net

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

		2025		2024
Current	<b>P</b>	-	<b>P</b>	531,149
Non-current		-		11,280,143
Total unbilled license services		-		11,811,292
Allowance for expected credit losses (Note 36.02)		-		(11,298,014)
Total unbilled license services – net		-		513,278
Less: Non-current portion		-		-
-Current portion	<b>P</b>	-	<b>P</b>	513,278

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%, as disclosed in Note 22. In 2025 and 2024, the Company has directly written-off additional unbilled license services amounting to P11,458,935 and P74,649,142, as disclosed in Note 30.

Details for allowance of expected credit losses are as follows:

		2025		2024
Current	<b>P</b>	-	<b>P</b>	17,871
Non – current		-		11,280,143
	<b>P</b>	-	<b>P</b>	11,298,014

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

		2025		2024
Balance, April 1	<b>P</b>	<b>11,298,014</b>	<b>P</b>	67,059,833
Provision for expected credit loss (Note 30)		-		11,371,134
Reversal of expected credit loss (Note 25)		<b>(11,476,806)</b>		(2,453,564)
Expected credit loss written-off		-		(64,679,389)
Effect of foreign exchange rate changes		<b>178,792</b>		-
Balance, March 31	<b>P</b>	-	<b>P</b>	11,298,014

In 2025 and 2024, the Company recognized unrealized foreign exchange loss amounting to P6,524,160 and P1,206,206, respectively, as disclosed in Note 31.

#### 14. PROPERTY AND EQUIPMENT – net

The carrying amounts of the Company's property and equipment as of March 31, 2025 and 2024 are as follows:

	Computer Equipment	Office Equipment	Furniture	Total
<b>April 1, 2023</b>				
Cost	₱ 2,791,563	₱ 2,307,236	₱ 373,558	₱ 2,423,781
Accumulated depreciation	(1,668,971)	(1,827,875)	(186,779)	(1,044,351)
<b>Carrying amount</b>	<b>1,122,592</b>	<b>479,361</b>	<b>486,779</b>	<b>1,788,732</b>
<b>Movements during 2024</b>				
Balance at April 1, 2023	1,122,592	479,361	186,779	1,788,732
Additions	-	-	-	-
Depreciation (Note 28)	(434,783)	(384,070)	(186,779)	(1,005,635)
<b>Balance at March 31, 2024</b>	<b>687,809</b>	<b>95,291</b>	<b>-</b>	<b>783,100</b>
<b>March 31, 2024</b>				
Cost	2,791,563	2,307,236	933,895	6,032,694
Accumulated depreciation	(2,103,754)	(2,211,945)	(933,895)	(5,249,594)
<b>Carrying amount</b>	<b>687,809</b>	<b>95,291</b>	<b>-</b>	<b>783,100</b>
<b>Movements during 2025</b>				
Balance at April 1, 2024	687,809	95,291	-	783,100
Additions	43,740	-	-	43,740
Depreciation (Note 28)	(272,394)	(95,191)	-	(367,585)
<b>Balance at March 31, 2025</b>	<b>459,155</b>	<b>100</b>	<b>-</b>	<b>459,255</b>
<b>March 31, 2025</b>				
Cost	2,835,303	2,307,236	933,895	6,076,434
Accumulated depreciation	(2,376,148)	(2,307,136)	(933,895)	(5,617,179)
<b>Carrying amount</b>	<b>₱ 459,155</b>	<b>₱ 100</b>	<b>₱ -</b>	<b>₱ 459,255</b>

All additions in were paid in cash for both years.

In both years, fully depreciated furniture is still in use by the Company.

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:

	2025	2024
<b>Balance, April 1</b>		
Cost	P 21,038,895	P 21,038,895
Accumulated depreciation	(15,394,335)	(12,315,472)
<b>Carrying amount</b>	<b>5,644,560</b>	<b>8,723,423</b>
<b>Movements during the year</b>		
Balance April 1	5,644,560	8,723,423
Addition	9,192,934	-
Depreciation (Note 28)	(3,090,698)	(3,078,863)
Termination (Note 32)		-
Cost	(21,038,895)	-
Accumulated depreciation	18,338,234	-
<b>Balance, March 31</b>	<b>9,046,135</b>	<b>5,644,560</b>
<b>Balance, March 31</b>		
Cost	9,192,934	21 038 895
Accumulated depreciation	(146,799)	(15,394,335)
<b>Carrying amount</b>	<b>P 9,046,135</b>	<b>P 5,644,560</b>

As of March 31, 2025 and 2024, lease liability related to right-of-use asset amounted to P9,078,128 and P5,795,145, respectively, as disclosed in Notes 22 and 3.

In 2025, loss on termination of leased asset amounted to P435,883 as disclosed in Note 30.

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, 2025					
	Current		Non-current		Total
Trade and other payables	₱				
(Notes 17 and 22)		35,921,151	₱	-	₱ 35,921,151
Lease liability (Note 21)		3,014,498		6,063,630	9,078,128
	₱	38,935,649	₱	6,063,630	₱ 44,999,279
March 31, 2024					
	Current		Non-current		Total
Trade and other payables	₱				
(Notes 17 and 22)		38,666,554	₱	-	₱ 38,666,554
Lease liability (Note 21)		3,688,864		2,106,281	9,160,344
	₱	42,355,418	₱	2,106,281	₱ 47,826,898

## 17. TRADE AND OTHER PAYABLES

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

	2025		2024	
Trade	₱	395,268	₱	1,928,351
Due to related parties (Note 22)		20,105,820		27,643,560
Accrued expenses		15,420,063		9,094,643
	₱	35,921,151	₱	38,666,554

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

Breakdown of accrued expenses is as follows:

	2025		2024	
Hosting	₱	3,093,613	₱	1,050,279
Provision for loss on tax assessment		4,774,993		4,774,993
Outsourcing of subcontractors		4,934,170		-
Transportation and travel		554,317		1,683,841
Commission		348,719		-
Payable to employees		1,309,922		461,100
Others		404,329		1,124,432
	₱	15,420,063	₱	9,094,645

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.

In 2025 and 2024, a reversal of accrued commission expense was made amounting to nil and ₱5,088,935, as disclosed in Note 26.

Others include accruals for 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:

		2025		2024
Current	P	9,363,550	P	128,784
Non-current		466,066		192,559
	P	9,829,616	P	321,343

Current portion pertains to provision for customer contract obligation and leave encashment while non-current portion pertains to provision for leave encashment.

Provision for contract obligation recognized under other expenses amounted to P9,173,032 and nil in 2025 and 2024, respectively, as disclosed in Note 30.

## 19. OTHER NON-FINANCIAL LIABILITIES

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

		2025		2024
Contract liability (Note 20)	P	80,955,298	P	59,985,539
Payable to government agencies		12,492,190		10,355,581
	P	93,447,488	P	70,341,120

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.

## 20. CONTRACT LIABILITY

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

		2025		2024
Balance, April 1	P	59,985,539	P	70,443,163
Increase (Decrease) arising from a change in the measure of progress		20,969,759		(10,457,624)
Balance, March 31	P	80,955,298	P	59,985,539

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

In 2025 and 2024, the current portion of the contract liability amounted to P80,955,298 and P59,985,538, respectively, and the non-current portion amounted to nil.

## 21. 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*, is 9.20% in both years.

The following are the amounts of lease liability:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2025	2024	2025	2024
Not later than one (1) year	P 3,684,937	P 4,006,510	P 3,014,498	P 3,688,864
Later than one (1) year but not later than five (5) years	6,602,179	2,167,810	6,063,630	2,106,281
	10,287,116	6,171,320	9,078,128	5,795,145
Discount	(1,208,988)	(376,175)	-	-
Present value of minimum lease payments	9,078,128	5,795,145	9,078,128	5,795,145
Current lease liability	3,014,498	3,688,864	3,014,498	3,365,197
Non-current lease liability	P 6,063,630	P 2,106,281	P 6,063,630	P 2,429,948

Payments of lease liability amounted to P3,645,172 and P3,365,197 in 2025 and 2024, respectively. Finance costs incurred and paid related to the lease amounted to P364,207 and P641,314 in 2025 and 2024, respectively, as disclosed in Note 29.

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

## 22. 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
Ramco Systems Pte. Ltd. Hong Kong	Fellow Subsidiary
Ramco Systems Pte Ltd., Dubai	Fellow Subsidiary
	Members of Key Management Personnel
Stockholders	

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

## 22.01 Due from Related Parties

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

	2025	2024
Parent company	P 1,299,399	P -
Fellow subsidiaries	68,205,718	46,238,381
	<b>P 69,505,117</b>	<b>P 46,238,381</b>

### 22.01.01 Parent Company

Transaction with parent is detailed below:

	March 31, 2025		March 31, 2024	
	Amount/ Volume	Outstanding Balance	Amount/ Volume	Outstanding Balance
<b>Ramco Systems Limited</b>				
Advances	P 82,407,176	P 1,299,399	P -	P -

Advances pertain to amounts provided to Parent Company with outstanding balance pertaining to service fees.

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.

## 22.01.02 Fellow Subsidiaries

Transactions with fellow subsidiaries are detailed below:

	March 31, 2025		March 31, 2024	
	Amounts/ Volume	Outstanding Balances	Amount/ Volume	Outstanding Balances
<b>Ramco Systems Pte Ltd., Singapore</b>				
Loan (Note 8)	P 64,800,000	P 66,527,394	P 25,043,599	P 25,043,599
Advances (Note 8)	-	-	-	-
Reimbursements (Note 30)	3,838,056	192,382	5,921,884	5,723,072
<b>Ramco Systems (Shanghai) Co. Ltd., China</b>				
Reimbursements	1,146,992	1,146,992	-	-
<b>Ramco Systems Pty Ltd, Australia</b>				
Advances (Note 8)	7,878,015	-	7,758,086	7,878,015
Reimbursements	4,960,635	338,950	3,496,090	6,241,066
<b>Ramco Systems Sdn. Bhd., Malaysia</b>				
Reimbursements (Note 30)	-	-	1,112,197	1,352,629
<b>Ramco Systems Corporation, USA</b>				
Advances (Note 8)	8,692,521	-	1,650,187	-
	<b>P 91,316,219</b>	<b>P 68,205,718</b>	<b>P 44,982,043</b>	<b>P 46,238,381</b>

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 for loans are unsecured, 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. Finance income arising from loans charged by the Company in 2025 and 2024 amounted to P4,374,932 and P68,456, respectively.

The amounts outstanding for advances and reimbursements 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 2025 and 2024, the Company received collections from fellow subsidiaries arising from loans amounting to P23,100,052 and P1,587,636, respectively.

## 22.02 Due to Related Parties

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

March 31, 2025					
	Parent Company		Fellow Subsidiaries		Total
Royalties	₱	8,555,607	₱	-	₱ 8,555,607
Software service expense		-		-	-
Marketing, travel, hosting, salaries and bank charges		-	11,550,193		11,550,193
	₱	8,555,607	₱	11,550,193	₱ 20,105,800
March 31, 2024					
	Parent Company		Fellow Subsidiaries		Total
Royalties	₱	-	₱	-	₱ -
Software service expense		4,740,074		-	4,740,074
Marketing, travel, hosting, salaries and bank charges		3,360,539	4,016,861		7,377,400
	₱	8,100,613	₱	4,016,861	₱ 12,117,474

### 22.02.01 Parent Company

Transactions with Parent are detailed below:

March 31, 2025				March 31, 2024	
	Amounts/ Volume	Outstanding Balances		Amounts/ Volume	Outstanding Balances
<b>Ramco Systems Limited</b>					
Royalties (Note 22.03)	₱ 43,982,950	₱ 8,555,607	₱	41,814,318	₱ -
Software service expenses	112,898,329	-		73,973,709	4,740,074
Marketing, travel, hosting, salaries and bank charges (Note 30)	25,054,606	-		3,383,816	3,360,539
	₱ 181,935,885	₱ 8,555,607	₱	119,171,843	₱ 8,100,613

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 ₱43,982,950 and ₱41,814,318 in 2025 and 2024, respectively.
- Software service expenses are the amounts charged for offshore 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.

In 2025 and 2024, the Company recognized unrealized foreign exchange gain on loan amounting to nil-and P5,241,519, respectively, as disclosed in Note 31.

In 2025 and 2024, the Company made the following payments to Parent amounting to P89,377,376 and P119,171,843, respectively. Out of the total payments, the Company paid final withholding taxes amounted to P10,995,738 and P10,879,681 in 2025 and 2024, respectively.

### 22.02.02 Fellow Subsidiaries

PTransactions with fellow subsidiaries are detailed below:

	March 31, 2025		March 31, 2024	
	Amounts/ Volume	Outstanding Balances	Amounts/ Volume	Outstanding Balances
<b>Ramco Systems Pte Ltd., Singapore</b>				
Reimbursement of salary and travel expenses (Note 30)	P 14,898,851	P 4,694,465	P 10,576,416	P 2,512,676
Royalties	-	-	-	-
Unrealized foreign exchange gain (Note 31)	-	-	525,655	-
	<b>14,898,851</b>	<b>4,694,465</b>	<b>11,102,071</b>	<b>2,512,676</b>
<b>Ramco Systems Pte Ltd., Dubai</b>				
Reimbursement of salary and travel expenses (Note 30)	2,492,040	533,276	440,953	440,953
Unrealized foreign exchange loss (Note 31)	-	-	-	-
	<b>2,492,040</b>	<b>533,276</b>	<b>440,953</b>	<b>440,953</b>
<b>Ramco Systems Limited Switzerland</b>				
Finance cost (Note 22.03.02)	-	-	1,764,827	-
<b>Ramco Systems Sdn. Bhd., Malaysia</b>				
Reimbursement of salary and travel expenses (Note 30)	367,779	128,499	11,457,457	4,276,839
Unrealized foreign exchange gain (loss) (Note 31)	2,529	-	-	-
	<b>370,308</b>	<b>128,499</b>	<b>11,457,457</b>	<b>4,276,839</b>
<b>Ramco Systems Corporation, USA</b>				
Hosting	17,125,640	3,061,011	14,807,587	7,855,559
Unrealized foreign exchange gain (loss) (Note 31)	(31,677)	-	-	-
	<b>17,093,963</b>	<b>3,061,011</b>	<b>14,807,587</b>	<b>7,855,559</b>
<b>Ramco Systems Australia Pty. Ltd, Australia</b>				
Reimbursement of salary and travel expenses (Note 30)	1,000,949	281,786	3,496,090	473,742
Unrealized foreign exchange gain (loss) (Note 31)	(6,990)	-	-	-
	<b>993,959</b>	<b>281,786</b>	<b>3,496,090</b>	<b>473,742</b>

[continued]

	March 31, 2025		March 31, 2024	
	Amounts/ Volume	Outstanding Balances	Amounts/ Volume	Outstanding Balances
<b>Ramco Systems Pte. Ltd.</b>				
<b>Hong Kong</b>				
Reimbursement of salary and travel expenses (Note 30)	1,229,285	594,822	-	-
Unrealized foreign exchange gain (Note 31)	-	-	525,655	-
	1,229,285	594,822	525,655	-
<b>Ramco Systems (Shanghai) Co. Ltd., China</b>				
Reimbursements (Note 30)	2,534,452	2,256,354	-	3,822,992
Unrealized foreign exchange gain (Note 31)	(5,883)	-	-	-
	2,528,569	2,256,354	-	3,822,992
<b>PT Ramco Systems Indonesia, Indonesia</b>				
Reimbursements (Note 30)	68,889	-	38,642	160,185
Unrealized foreign exchange gain (Note 31)	2,037	-	5,136	-
	70,926	-	43,778	160,185
	<b>P 39,677,901</b>	<b>P 11,550,213</b>	<b>P 43,638,418</b>	<b>P 19,542,946</b>

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 2025 and 2024, the Company made payments to fellow subsidiaries amounting to P47,684,613 and P81,716,716, respectively.

## 22.03 Significant Contracts

### 22.03.01 Service Agreements

#### 22.03.01.01 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 \$1,600 to \$4,500 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 2025 and 2024, royalty expenses incurred by the Company amounted to P43,982,950 and P41,814,318, respectively, as disclosed in Note 22.02.



## 22.04 Remuneration of Key Management Personnel

In 2025 and 2024, remuneration paid to the Company's key management personnel amounted to ₱720,000 and ₱645,000, respectively.

## 23. CAPITAL STOCK

The capital stock of the Company is as follows:

	2025		2024	
	Shares	Amount	Shares	Amount
Authorized shares				
₱1 par value per share	47,000,000	₱ 47,000,000	47,000,000	₱ 47,000,000
Issued and fully paid	11,750,000	₱ 11,750,000	11,750,000	₱ 11,750,000

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

## 24. APPROPRIATED RETAINED EARNINGS

The movements in the appropriated retained earnings are as follows:

	2025		2024	
Balance, April 1	₱	8,000,000	₱	111,000,000
Additional appropriation		20,000,000		
Reversal of appropriation		(8,000,000)		(103,000,000)
Balance, March 31	₱	20,000,000	₱	8,000,000

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.

On March 25, 2024, the Board of Directors and stockholders of the Company approved through a board resolution numbered 03 series of 2024, the reversal of the appropriated retained earnings amounting to ₱103,000,000 to the unappropriated retained earnings of the Company for the year ended March 31, 2024.

On March 31, 2025, the Board of Directors and stockholders of the Company approved, through a board resolution, the reversal of appropriated retained earnings amounting to ₱8,000,000 to unappropriated retained earnings of the Company for the year ended March 31, 2025. On the same resolution, the Company approved the additional appropriation of retained earnings amounting to ₱20,000,000 to be used for future business expansion by intensifying sales of the Company, including spending on hiring of additional manpower, outsourcing, etc. The appropriated earnings will be utilized within a period of five (5) years.

## 25. REVENUE FROM OPERATIONS

Details of revenue from operations are as follows:

	2025	2024
Implementation, installation and hosting	<b>₱ 170,671,741</b>	₱ 132,569,360
Application maintenance services and charges	<b>87,219,600</b>	95,405,915
Software as Service (SaaS) fees	<b>34,764,461</b>	28,231,136
License fees	<b>24,407,331</b>	19,042,328
Product support service fee	<b>11,451,253</b>	1,674,690
Hardware materials	-	156,000
	<b>₱ 328,514,386</b>	₱ 277,079,429

## 26. OTHER INCOME

Details of other income are as follows:

	2025	2024
Reversal of allowance for expected credit losses (Notes 8, 12, and 13)	<b>₱ 69,659,995</b>	₱ 69,449,801
Income from reversal of commission (Note 17)	-	5,088,935
Others	<b>2,577,561</b>	-
	<b>₱ 72,237,556</b>	₱ 74,538,736

## 27. SHORT-TERM EMPLOYEE BENEFITS

Aggregate employee benefits expense is as follows:

	2025	2024
Salaries and wages	<b>₱ 38,575,954</b>	₱ 39,353,445
SSS, Philhealth and HDMF contributions	<b>1,291,341</b>	1,264,998
Separation pay	<b>1,994,135</b>	345,400
Other employee costs	<b>13,627,612</b>	5,021,090
	<b>₱ 55,489,042</b>	₱ 45,984,933

## 28. DEPRECIATION

The account is composed of the following:

		2025		2024
Right-of-use asset (Note 15)	P	3,090,698	P	3,078,863
Property and equipment (Note 14)		367,585		1,005,632
	P	3,458,283	P	4,084,495

## 29. FINANCE COST

The account is composed of the following:

		2025		2024
Finance cost from lease liability (Note 21)	P	364,207	P	641,314
Finance cost from loans (Note 22)		-		1,764,827
	P	364,207	P	2,406,141

## 30. OTHER EXPENSES

The account is composed of the following expenses:

		2025		2024
Bad debts written-off (Notes 8, 12, 13)	P	61,100,700	P	112,815,883
Subcontractors		37,561,641		10,685,101
Hosting		33,504,116		17,517,734
Transportation and travel		5,445,554		4,949,157
Provision for customer contractual obligations		9,173,032		-
Marketing		7,661,498		2,333,890
Taxes and licenses		5,833,665		3,333,239
Professional fees		2,304,788		2,573,655
Repairs and maintenance		1,287,543		132,953
Representation		1,219,667		669,323
Communication, light and water		1,090,786		1,901,327
Rent (Note 32)		493,055		1,638,211
Loss on termination of leased assets (Note 15)		435,883		-
Printing and stationery		345,126		304,521
Loss on asset written off (Note 18)		212,781		-
Salaries and wages reimbursements (Note 22)		-		11,321,681
Transportation and travel reimbursements		-		4,849,411
Penalties		-		2,003,424
Provision for expected credit losses – net (Note 36.02)		-		64,373,478
Recruitment charges		-		27,550
Miscellaneous		2,600,550		3,718,946
	P	170,270,385	P	245,149,484

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

	2025	2024
Additional provision for:	P	P
Trade and other receivables – net (Note 8)	-	13,181,657
Unbilled license services – net (Note 13)	-	51,191,821
	-	64,373,478
Reversal of provision for:		
Trade receivables – net (Note 8)	(10,903,463)	-
Contract assets – net (Note 12)	(47,279,726)	(14,310,286)
Unbilled license services – net (Note 13)	(11,476,806)	(55,139,515)
	P (69,659,995)	P (69,449,801)

Hosting charges pertain to payments made to Parent and fellow subsidiary for usage space for the projects of the Company.

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

### 31. FOREIGN EXCHANGE LOSS – net

Components of foreign exchange losses are as follows:

	2025	2024
Effects of foreign exchange gain (loss) on outstanding balances of:		
Cash in banks (Note 7)	P 426,303	P 1,037,124
Due to related parties (Note 22)	605,169	708,835
Loans payable (Note 22)	-	5,241,519
Trade receivables (Note 8)	(368,889)	308,733
Due from related parties (Note 22)	(1,242,328)	-
Unbilled license services (Note 13)	(6,524,160)	(1,206,206)
Unrealized foreign exchange gain (loss) – net	(7,103,906)	6,270,005
Realized foreign exchange gain (loss)	7,076,106	(8,349,832)
Foreign exchange loss – net	P (27,800)	P (2,079,827)

### 32. LEASE AGREEMENTS

Summary of lease agreements are summarized as follows:

#### 32.01 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.

### 32.01.01 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. A renewal was made on January 10, 2022 for another three (3) years ending January 15, 2025. It was renewed for another three (3) years starting January 16, 2025 up to January 15, 2028.

In 2019, the Company paid P1,001,628 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, 2025 and 2024, lease liability relative to the right-of-use asset amounted to P9,078,128 and P5,795,145, respectively, as disclosed in Notes 15 and 21.

As of March 31, 2025 and 2024, right-of-use asset relative to the lease liability amounted to P9,046,135 and P5,644,560, respectively, as disclosed in Note 15.

### **32.02 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 2025 and 2024 are summarized as follows:

	<b>Rent Expense (Note 29)</b>		<b>Security Deposits (Note 9)</b>	
			<b>Current</b>	
<b>March 31, 2025</b>				
Hombiance Ventures	<b>P</b>	<b>848,319</b>	<b>P</b>	<b>60,000</b>
JTL Realty Corporation		<b>360,750</b>		<b>140,000</b>
Others		-		<b>537,894</b>
		<b>1,209,069</b>		<b>737,894</b>
<b>March 31, 2024</b>				
Carjolin Farms, Inc.		408,000		136,000
Hombiance Ventures		403,271		60,000
JTL Realty Corporation		263,667		140,000
Others		563,273		546,694
	<b>P</b>	<b>1,638,211</b>	<b>P</b>	<b>882,694</b>

#### 32.02.01 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 1, 2024 until September 30, 2025, the Company renewed for another year thereafter upon mutual agreement. In 2025 and 2024, the Company's security deposit amounted to ₱60,000.

In 2025 and 2024, rent expense charged to operations amounted to ₱848,319 and ₱403,271, respectively.

#### 32.02.02 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 24, 2024 to October 23, 2025, renewable for another year thereafter upon mutual agreement. In 2025 and 2024, the Company's security deposit amounted to ₱140,000.

In 2025 and 2024, rent expense charged to operations amounted to ₱360,750 and ₱263,667, respectively.

#### 32.02.03 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 2025 and 2024, the Company's security deposit amounted to ₱537,894 and ₱546,694, respectively.

In 2025 and 2024, rent expense charged to operations amounted to nil and ₱563,273, respectively.

### **33. INCOME TAXES**

#### **33.01 Income Tax Recognized in Profit or Loss**

Components of income tax are as follows:

	2025		2024	
Current tax expense	<b>₱</b>	<b>1,198,445</b>	<b>₱</b>	1,276,685
Deferred tax expense (benefit) (Note 33)		<b>11,800,719</b>		1,082,244
	<b>₱</b>	<b>12,999,164</b>	<b>₱</b>	2,358,929

A numerical reconciliation between tax benefit and the product of accounting loss multiplied by the tax rates in 2025 and 2024 is as follows:

	2025		2024	
Accounting profit (loss)	<b>P</b>	<b>18,637,777</b>	<b>P</b>	<b>(63,719,463)</b>
Tax benefit at 25%		<b>4,659,444</b>		<b>(15,929,866)</b>
Tax effects of the following:				
Non-recognition of DTA from NOLCO		<b>6,979,582</b>		<b>14,418,304</b>
Non-recognition of DTA from MCIT		<b>1,198,445</b>		<b>1,276,686</b>
Loss on termination of leased asset		<b>108,971</b>		<b>-</b>
Loss on asset write-off		<b>53,196</b>		<b>-</b>
Unallowable finance cost		<b>-</b>		<b>441,207</b>
Non-deductible penalties		<b>-</b>		<b>425,247</b>
Non-taxable commission income from reversal		<b>-</b>		<b>(1,272,234)</b>
Finance income subjected to final tax		<b>(474)</b>		<b>(415)</b>
	<b>P</b>	<b>12,999,164</b>	<b>P</b>	<b>2,358,929</b>

The amount of NOLCO for 2024 and 2025 is as follows:

Year Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Unapplied	Expiry Date
2024	P 69,673,218	P -	P -	P -	P 69,673,218	2027
2025	27,918,329	-	-	-	27,918,329	2028
	<b>P 97,591,547</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>	<b>P 97,591,547</b>	

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
2024	P 1,276,685	P -	P -	P -	P 1,276,685	2027
2025	1,198,445	-	-	-	1,198,445	2028
	<b>P 2,475,130</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>	<b>P 2,475,130</b>	

### 34. DEFERRED TAXES – net

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

	2025		2024	
Deferred tax assets (Note 34.01)	<b>P</b>	<b>8,559,834</b>	<b>P</b>	<b>21,928,054</b>
Deferred tax liability (Note 34.02)		<b>-</b>		<b>(1,567,500)</b>
	<b>P</b>	<b>8,559,834</b>	<b>P</b>	<b>20,360,554</b>

### 34.01 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	Contract Liability	Provision for Tax Assessment	Total
Balance, April 1, 2023	₱ 21,715,331	₱ -	₱ 359,639	₱ -	₱ 1,193,748	₱ 22,268,718
Recognized in profit or loss	(1,269,081)	-	(71,583)	-	-	(1,340,664)
<b>Balance, March 31, 2024</b>	<b>20,446,250</b>	<b>-</b>	<b>288,056</b>	<b>-</b>	<b>1,193,748</b>	<b>21,928,054</b>
Recognized in profit or loss	(17,302,902)	1,775,976	(134,552)	2,293,258	-	(13,368,220)
<b>Balance, March 31, 2025</b>	<b>₱ 3,143,348</b>	<b>₱ 1,775,976</b>	<b>₱ 153,504</b>	<b>₱ 2,293,258</b>	<b>₱ 1,193,748</b>	<b>₱ 8,559,834</b>

### 34.02 Deferred Tax Liability

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

	2025	2024
Balance, April 1	₱ 1,567,501	₱ 1,825,923
Recognized in profit or loss	(1,567,501)	(258,422)
<b>Balance, March 31</b>	<b>₱ -</b>	<b>₱ 1,567,501</b>



### 35. FAIR VALUE MEASUREMENTS

#### 35.01 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, 2025 and 2024 are presented below:

	2025		2024	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
<b>Financial Assets:</b>				
Cash	P 10,658,926	P 10,658,926	P 2,856,279	P 2,856,279
Trade and other receivable – net	121,640,732	121,640,732	106,414,141	106,414,141
Security deposits	1,884,322	1,884,322	1,884,322	1,844,322
Advances to employees	333,026	333,026	245,176	245,176
	<b>P 134,517,006</b>	<b>P 134,517,006</b>	<b>P 111,399,918</b>	<b>P 111,359,918</b>
<b>Financial Liabilities:</b>				
Trade and other payables	P 35,921,151	P 35,921,151	P 38,666,556	P 38,666,556
Borrowings	-	-	-	-
Lease liability	9,078,128	9,078,128	5,795,145	5,795,145
	<b>P 44,999,279</b>	<b>P 44,999,279</b>	<b>P 39,291,196</b>	<b>P 39,291,196</b>

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.

### 36. 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.

#### 36.01 Market Risk Management

##### 36.01.01 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:

##### 36.01.01.01 United States Dollar (USD)

		2025		2024	
		PHP	USD	PHP	USD
<b>Monetary Assets</b>					
Cash	₱	792,764	13,896	₱	914,931
Trade receivables		17,637,708	309,162		32,384,808
Contract asset		-	-		25,335,150
	₱	18,430,472	323,058	₱	58,634,889
<b>Monetary Liability</b>					
Due to related parties	₱	3,061,011	53,655	₱	-
Contract liability		19,242,418	337,290		-
Provisions		9,173,032	160,789		-
	₱	31,476,461	551,734	₱	-

##### 36.01.01.02 Singapore Dollar (SGD)

		PHP	SGD	PHP	SGD
<b>Monetary Assets</b>					
Due from related parties	₱	66,527,394	1,575,466	₱	-
<b>Monetary Liability</b>					
Due to related parties	₱	4,694,465	111,172	₱	-

36.01.01.03 Malaysian Ringgit (MYR)

	PHP	MYR	PHP	MYR
<b>Monetary Liability</b>				
Due to related parties	₱ 128,499	9,763	₱ 4,276,839	353,675

36.01.01.04 Australian Dollar (AUD)

	PHP	AUD	PHP	AUD
<b>Monetary Liability</b>				
Due to related parties	₱ 281,787	7,975	₱ 7,878,015	217,854

36.01.01.05 Indonesian Rupiah (IDR)

	PHP	IDR	PHP	IDR
<b>Monetary Liability</b>				
Due to related parties	₱ -	-	₱ 160,185	45,138,610

36.01.01.06 United Arab Emirates Dirham (AED)

	PHP	AED	PHP	AED
<b>Monetary Liability</b>				
Due to related parties	₱ 533,276	35,027	₱ -	-

36.01.01.07 Hong Kong Dollar (HKD)

	PHP	HKD	PHP	HKD
<b>Monetary Liability</b>				
Due to related parties	₱ 594,822	81,321	₱ -	-

36.01.01.08 Chinese Yuan Renminbi (CYN)

	PHP	CNY	PHP	CNY
<b>Monetary Liability</b>				
Due to related parties	₱ 2,256,354	285,977	₱ -	-

The Company is mainly exposed to the following exchange rates:

	2025	2024
US Dollar(USD)	57.05	56.28
Singaporean Dollar (SGD)	42.23	41.83
Malaysian Ringgit (MYR)	13.16	11.93
Australian Dollar (AUD)	35.33	36.76
Indonesian Rupiah (IDR)	0.0035	0.0035
United Arab Emirates Dirham (AED)	15.22	15.33
Hong Kong Dollar (HKD)	7.31	7.19
Chinese Yuan Renminbi (CYN)	7.89	7.80

The following table details the Company's sensitivity as of March 31, 2025 and 2024, 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
<b>2025</b>					
US Dollar	1.25%	266,752/ (266,752)	(455,572)/ 455,572	(188,820)	188,820
SG Dollar	0.92%	725,146/ (725,146)	(51,170)/ 51,170	673,976	(673,976)
MY Ringgit	1.61%	-	(2,358)/2,358	(2,358)	2,358
AU Dollar	1.25%	-	(4,026)/4,026	(4,026)	4,026
ID Rupiah	2.07%	-	(3,364)/3,364	(3,364)	3,364
AE Dirham	1.27%	-	(125,284)/ 125,284	(125,284)	125,284
HK Dollar	1.75%	-	(56,825)/ 56,825	(56,825)	56,825
CYN	0.92%	-	(29,460)/ 29,460	(29,460)	29,460
<b>2024</b>					
US Dollar	1.24%	773,219/ (773,219)	-	773,219	(773,219)
MY Ringgit	2.25%	-	97,959/ (97,959)	97,959	(97,959)
AU Dollar	1.13%	-	90,501/ (90,501)	90,501	(90,501)
ID Rupiah	2.07%	-	3,364/ (3,364)	3,364	(3,364)

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.

#### 36.01.02 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, 2025 and 2024 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.

#### 36.02 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:

	2025	2024
<b>Financial assets</b>		
Cash in banks	P 10,638,194	P 2,824,154
Contract assets	2,108,316	50,937,767
Unbilled license services	-	11,811,292
Trade receivables	65,439,348	83,037,790
Due from related parties	68,205,718	46,238,381
Security deposits	1,884,322	1,884,322
Advances to employees	333,025	254,176
	<b>P 148,608,923</b>	<b>P 196,987,882</b>

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 2025 and 2024:

	PD rate a	LGD rate b	EAD c	ECL d = a*b*c
Cash in banks	0.00%	0.00% to 90.60%	P 10,638,194	P -
Contract assets	37.67%	100.00%	2,108,316	569,052
Trade receivables	22.47%	100.00%	65,439,348	12,004,334
Due from related parties	0.00%	100.00%	68,205,718	-
Security deposits	0.00%	100.00%	1,884,322	-
Advances to employees	0.00%	100.00%	333,025	-
			P 148,608,923	P 12,573,386
	PD rate a	LGD rate b	EAD c	ECL d = a*b*c
Cash in banks	0.00%	0.00% to 82.30%	P 2,824,154	P -
Contract assets	10.00%	100.00%	50,937,767	47,213,058
Unbilled license Services	75.92%	100.00%	11,811,292	11,298,014
Trade and other receivables	7.00%	100.00%	83,037,790	22,862,030
Due from related parties	0.00%	100.00%	46,238,381	-
Security deposits	0.00%	100.00%	1,884,322	-
Advances to employees	0.00%	100.00%	254,176	-
			P 196,987,882	P 81,373,102

#### 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 95.30% and 0.00% to 82.30% in 2025 and 2024, 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 36.97% and 10.00% in 2025 and 2024, 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 2025 and 2024, the Company estimated the probability of default to be 22.47% and 7.00% for trade receivables outstanding for more than 365 days, nil for due from related parties, and nil and 67.62% for unbilled license services, respectively. Balances of unbilled license services outstanding amounted to nil and P513,278 as of March 31, 2025 and 2024, respectively, while balances of trade and other receivables outstanding amounted to P121,640,732 and P106,414,141 as of March 31, 2025 and 2024, respectively.

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.

### 36.03 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
<b>March 31, 2025</b>					
Trade and other payables	0.00%	P 35,921,151	P -	P -	P 35,921,151
Lease liability		-	3,014,498	6,063,630	9,078,128
		P 35,921,151	P 3,014,498	P 6,063,630	P 44,999,279
<b>March 31, 2024</b>					
Trade and other payables	0.00%	P 12,117,474	P 11,022,996	P -	P 23,140,470
Lease liability		-	3,688,864	2,106,281	5,795,145
		P 12,117,474	P 14,711,860	P 2,106,281	P 28,935,615



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
<b>March 31, 2025</b>					
Cash	floating rates	P 10,658,926	P -	P -	P 10,658,926
Trade and other receivables – net	-		121,640,732	-	121,640,732
Security deposits	-	-	737,894	1,146,428	1,884,322
Advances to employees	-	-	333,026	-	333,026
		P 10,658,926	P 122,711,652	P 1,146,42	P 134,517,006
<b>March 31, 2024</b>					
Cash	floating rates	P 2,824,154	P -	P -	P 2,824,154
Trade and other receivables – net	-	21,194,782	63,651,464	-	84,846,246
Security deposits	-	-	882,694	1,001,628	1,884,322
Advances to employees	-	-	254,176	-	254,176
		P 24,018,936	P 64,788,604	P 1,001,628	P 89,808,898

### 37. 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 2024.

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 capital structure at end of the reporting period was as follows:

	2025	2024
Capital stock	<b>P 11,750,000</b>	P 11,750,000
Unappropriated retained earnings	<b>7,596,140</b>	13,957,527
Appropriated retained earnings	<b>20,000,000</b>	8,000,000
Total stockholders' equity	<b>P 39,346,140</b>	P 33,707,527

### 38. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities is as follows:

	2025	2024
Balance, April 1	<b>P 6,412,354</b>	P 26,035,068
Finance cost incurred on lease liability	<b>364,207</b>	641,314
Repayment received from related parties	-	13,050,615
Finance cost incurred on loans	-	1,764,827
Finance cost paid related to loans	-	(1,764,827)
Repayment of loans	-	(36,038,527)
Finance cost paid related to lease liability	<b>(364,207)</b>	(614,314)
Repayment of lease liability	<b>(3,645,172)</b>	(3,365,198)
Advances given to related parties	<b>(98,977,712)</b>	(25,043,599)
Total changes from financing cash flows	<b>(102,987,091)</b>	19,622,714
Balance, March 31	<b>P (96,574,737)</b>	P 6,412,354

### 39. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issuance by the Board of Directors on May 9, 2025.

#### 40. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATIONS

##### 40.01 Revenue Regulations No. 15-2010

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

##### 40.01 Taxes and Licenses Paid or Accrued

The details of the Company's taxes and licenses fees paid or accrued in 2025 are as follows:

##### 40.01.01 Output VAT

The Company is VAT-registered with VAT output declaration of ₱36,752,588, for the year based on the amount of revenue billed to customers amounting to ₱306,271,565; hence, may not be comparable with the amounts recognized in the statement of comprehensive income.

The Company has zero-rated receipts from export sales amounting to ₱36,970,979 pursuant to the provisions of Revenue Regulations No. 21-2021.

##### 40.01.02 Input VAT

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

Current year's domestic purchases/payments for:		
Services lodged under cost of goods sold	P	2,019,155
Domestic Purchases of Goods Other than Capital Goods		5,249
<b>Total available input VAT</b>		<b>2,024,404</b>
Applied against output VAT		(2,024,404)
<b>Balance, March 31</b>	<b>P</b>	<b>-</b>

##### 40.01.03 Taxes and Licenses

An analysis on the Company's taxes and license paid or accrued during the year amounted to ₱5,833,665 which pertains to permit fees, sanitary fees, and others.

##### 40.01.04 Withholding Taxes

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

Final withholding taxes	P	10,995,738
Withholding tax on compensation		6,423,867
Expanded withholding taxes		1,154,408
Fringe benefits taxes		325,519
	<b>P</b>	<b>18,899,532</b>

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

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

## 40.02 Revenue Regulations No. 15-2010

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:

### 40.02.01 Revenue from Operations

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

Implementation, installation and hosting	P	170,671,741
Application maintenance services and charges		87,219,600
Software as Service (SaaS) fees		34,764,461
License fees		24,407,331
Product support service fee		11,451,253
	<b>P</b>	<b>328,514,386</b>

### 40.02.02 Cost of Services

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

Software service expense	P	112,898,328
Short-term employee benefits		55,489,042
Royalties		43,982,950
Subcontractors		37,561,641
Hosting		33,504,116
Marketing		5,454,676
Realized foreign exchange loss		1,098,127
	<b>P</b>	<b>289,988,880</b>

### 40.02.03 Taxable Other Income

The following are taxable other income for the taxable year:

Finance income	P	4,374,932
Other income		2,577,561
Realized foreign exchange gain		14,444,239
	<b>P</b>	<b>21,396,732</b>

#### 40.02.04 Itemized Deductions

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

Bad debts written-off	P	60,652,313
Transportation and travel		5,445,554
Taxes and licenses		5,833,665
Rent		4,486,168
Professional fees		2,304,788
Marketing		2,206,822
Repairs and maintenance		1,287,543
Representation		1,219,667
Communication, light and water		1,090,786
Depreciation		367,585
Printing and stationery		345,126
Miscellaneous		2,600,550
	<b>P</b>	<b>87,840,567</b>

#### 40.02.05 Effect of PFRS 16, Leases on Itemized Deductions

Depreciation	P	3,090,698
Finance cost		364,207
<b>Total expense recognized relating to PFRS 16, Leases</b>		<b>3,454,905</b>
Operating lease		493,055
Deductible finance costs and depreciation		538,208
<b>Deductible rent expense</b>	<b>P</b>	<b>4,486,168</b>

#### **40.03 Revenue Regulations No. 34-2020**

Revenue Regulation (RR) No. 34-2020 prescribes the guidelines and procedures for the submission of BIR Form No. 1709, transfer pricing documentation and other supporting documents, amending for this purpose pertinent provisions of RR Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010.

The Company is not covered by the requirements and procedures for related transactions provided in RR No. 34-2020.

## **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, 2025 and 2024 on which we have rendered the attached report dated May 9, 2025.

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 more than one hundred (100) shares.

### **R.S. BERNALDO & ASSOCIATES**

BOA/PRC No. 0300  
Valid until November 19, 2026  
SEC Group A Accreditation No. 0300-SEC  
Valid until 2024 audit period  
BSP Group B 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 Accreditation No. 0300-IC  
Valid until 2026 audit period



### **ROSE ANGELI S. BERNALDO**

Partner  
CPA Certificate No. 114127  
BOA/PRC No. 0300/P-006  
Valid until November 19, 2026  
SEC Group A Accreditation No. 114127-SEC  
Valid until 2027 audit period  
BSP Group B Accreditation No. 114127-BSP  
Valid until 2025 audit period  
BIR Accreditation No. 08-007679-001-2023  
Valid from October 20, 2023 until October 19, 2026  
Tax Identification No. 211-870-290  
PTR No. 10481163  
Issued on January 15, 2025 at Makati City

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