

**WIPRO PHILIPPINES INC.**

**FINANCIAL STATEMENTS  
MARCH 31, 2020 AND 2019**

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders  
Wipro Philippines Inc.  
(A 99.99% Owned Subsidiary of Wipro IT Services SE)  
Cebu IT Tower 1, cor. Archbishop Reyes Avenue and Mindanao St.,  
Cebu Business Park, Cebu City, Philippines

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Wipro Philippines Inc. (the Company), which comprise the statements of financial position as at March 31, 2020 and 2019, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the fiscal years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2020 and 2019, its financial performance and its cash flows for the fiscal 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 (PSA). 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 (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. 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.



## Auditor's 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 auditor's 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 PSA 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.

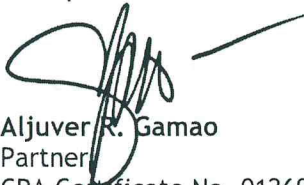
As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 audit 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 the 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 auditor's 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 auditor's 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

**ROXAS CRUZ TAGLE AND CO.**



**Aljuver R. Gamao**

Partner

CPA Certificate No. 0126931

Tax Identification No. 944-910-315

SEC Accreditation No. 1776-SEC, Group A, issued on September 10, 2019,  
effective until September 9, 2022

BIR Accreditation No. 08-001682-015-2019, issued on February 8, 2019,  
effective until February 7, 2022

PTR No. 8138977, issued on January 21, 2020, Cebu City

June 11, 2020  
Cebu City



**WIPRO PHILIPPINES INC.**  
(A 99.99% Owned Subsidiary of WIPRO IT SERVICES SE)

**STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2020 AND 2019**

	Note	2020	2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	P265,886,185	P711,148,585
Trade and other current receivables - net	5	8,911,788,808	1,036,728,536
Short-term investments	6	202,680,000	4,818,500,000
Unbilled service fees	7	284,605,521	269,069,465
Other current assets	10	41,066,224	—
Prepayments		49,548,802	22,415,710
<b>Total Current Assets</b>		<b>9,755,575,540</b>	<b>6,857,862,296</b>
<b>Noncurrent Assets</b>			
Property and equipment - net	8	637,220,993	604,214,061
Right-of-use assets	18	422,694,057	—
Rental deposits	18	52,601,347	43,859,712
Deferred tax asset	16	15,131,792	—
<b>Total Noncurrent Assets</b>		<b>1,127,648,189</b>	<b>648,073,773</b>
		<b>P10,883,223,729</b>	<b>P7,505,936,069</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	9	P653,320,445	P805,105,086
Income tax payable		25,714,538	16,927,205
Due to parent and affiliates	19	17,148,527	2,783,853
Other current liability	10	—	13,934,543
Unearned income		1,911,070	6,581,453
Lease liabilities	18	177,673,003	—
<b>Total Current Liabilities</b>		<b>875,767,583</b>	<b>845,332,140</b>
<b>Noncurrent Liabilities</b>			
Retirement benefits liability	15	5,248,246	3,924,899
Deferred tax liability	16	10,896,853	—
Lease liabilities, net of current portion	18	305,754,809	—
<b>Total Liabilities</b>		<b>1,197,667,491</b>	<b>849,257,039</b>
<b>Equity</b>			
Share capital	17	188,914,700	188,914,700
Retained earnings	17	9,491,590,031	6,462,890,621
Cumulative remeasurements on defined benefit liability	15	5,051,507	4,873,709
<b>Total Equity</b>		<b>9,685,556,238</b>	<b>6,656,679,030</b>
		<b>P10,883,223,729</b>	<b>P7,505,936,069</b>

See Notes to the Financial Statements.



**WIPRO PHILIPPINES INC.**  
(A 99.99% Owned Subsidiary of WIPRO IT SERVICES SE)

**STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME**  
FOR THE FISCAL YEARS ENDED MARCH 31, 2020 AND 2019

	Notes	2020	2019
<b>SERVICE FEES</b>	11	<b>₱7,199,830,887</b>	₱6,553,613,762
<b>OTHER FEES</b>	12	<b>65,624,641</b>	88,604,341
<b>TOTAL REVENUE</b>		<b>7,265,455,528</b>	6,642,218,103
<b>COST OF SERVICES</b>	13	<b>3,731,857,559</b>	3,260,279,465
<b>GROSS PROFIT</b>		<b>3,533,597,969</b>	3,381,938,638
<b>OPERATING EXPENSES</b>	14	<b>599,810,343</b>	427,727,812
<b>PROFIT FROM OPERATIONS</b>		<b>2,933,787,626</b>	2,954,210,826
<b>OTHER INCOME (EXPENSES)</b>			
Foreign exchange gain - net	21	57,260,424	(40,477,236)
Finance income	21	134,417,582	74,774,561
Reversal of (provision for) impairment on trade and other receivables	5	5,007,816	(7,866,068)
		<b>196,685,822</b>	26,431,257
<b>PROFIT BEFORE TAX</b>		<b>3,130,473,448</b>	2,980,642,083
<b>INCOME TAX EXPENSES</b>	16	<b>82,011,082</b>	71,641,438
<b>PROFIT OR LOSS</b>		<b>₱3,048,462,366</b>	₱2,909,000,645
<b>OTHER COMPREHENSIVE INCOME</b>			
Item that will not be reclassified to profit or loss			
Remeasurement gain (loss) on defined benefit obligation	15	₱177,798	(₱428,122)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>₱3,048,640,164</b>	₱2,908,572,523
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	17	<b>₱1,613.67</b>	₱1,539.85

See Notes to the Financial Statements.



**WIPRO PHILIPPINES INC.**  
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**STATEMENTS OF CHANGES IN EQUITY**  
FOR THE FISCAL YEARS ENDED MARCH 31, 2020 AND 2019

	Share capital (Note 17)	Retained earnings (Note 17)	Retirement benefits reserve (Note 15)	Total
Balances, April 1, 2018	P188,914,700	P3,553,889,976	P5,301,831	P3,748,106,507
Total comprehensive income for the year				
Net income for the year	—	2,909,000,645	—	2,909,000,645
Other comprehensive income	—	—	(428,122)	(428,122)
Balances, March 31, 2019	<b>188,914,700</b>	<b>6,462,890,621</b>	<b>4,873,709</b>	<b>6,656,679,030</b>
Total comprehensive income for the year				
Net income for the year	—	3,048,462,366	—	3,048,462,366
PFRS16 Adjustment	—	(19,762,956)	—	(19,762,956)
Other comprehensive income	—	—	177,798	177,798
<b>Balances, March 31, 2020</b>	<b>P188,914,700</b>	<b>P9,491,590,031</b>	<b>P5,051,507</b>	<b>P9,685,556,238</b>

*See Notes to the Financial Statements.*



**WIPRO PHILIPPINES INC.**  
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**STATEMENTS OF CASH FLOWS**  
FOR THE FISCAL YEARS ENDED MARCH 31, 2020 AND 2019

	<i>Notes</i>	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>₱3,130,473,448</b>	₱2,980,642,083
Adjustments for:			
Depreciation on right-of-use assets	18, 13, 14	<b>186,135,758</b>	-
Depreciation	8, 13, 14	<b>247,247,244</b>	218,757,239
Unrealized foreign exchange loss - net		<b>9,307,449</b>	22,480,330
Provision for retirement benefits	15	<b>1,501,145</b>	935,523
Finance income	21	<b>(134,417,582)</b>	(74,774,561)
Provision (reversal) of impairment on receivables	5	<b>(5,007,816)</b>	7,866,068
Operating income before working capital changes		<b>3,435,239,646</b>	3,155,906,682
Decrease (increase) in assets:			
Trade and other receivables		<b>208,088,112</b>	(524,064,333)
Unbilled service fees		<b>(33,350,548)</b>	(101,306,167)
Prepayments		<b>(35,152,291)</b>	38,840,652
Increase (decrease) in liabilities:			
Trade and other payables		<b>(74,635,357)</b>	237,979,604
Unearned income		<b>(2,429,263)</b>	6,581,453
Due to parent and affiliates		<b>(2,139,634)</b>	2,783,612
		<b>3,495,620,665</b>	2,816,721,503
Income taxes paid		<b>(68,988,815)</b>	(76,987,731)
Interest paid on lease liabilities		<b>39,360,124</b>	-
Interest received		<b>131,700,590</b>	72,153,089
Net cash provided by operating activities		<b>3,597,692,564</b>	2,811,886,861
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Short-term investment	6	<b>4,615,820,000</b>	(4,818,500,000)
Acquisitions of property and equipment	8	<b>(280,254,176)</b>	(533,540,865)
Proceeds from disposal of property and equipment		<b>-</b>	80,733
Change in rental deposits		<b>(8,325,370)</b>	(7,905,943)
Net cash provided by (used in) investing activities		<b>4,327,240,454</b>	(5,359,866,075)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of Lease liability		<b>(218,997,757)</b>	-
Inter-company loan	19	<b>(8,124,800,000)</b>	-
Net cash used in financing activities		<b>(8,343,797,757)</b>	-
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(418,864,739)</b>	(2,547,979,214)
CASH AND CASH EQUIVALENTS, BEGINNING		<b>711,148,585</b>	3,272,431,981
EFFECT OF MOVEMENTS IN EXCHANGE RATES ON CASH HELD		<b>(26,397,661)</b>	(13,304,182)
<b>CASH AND CASH EQUIVALENTS, ENDING</b>		<b>₱265,886,185</b>	₱711,148,585

See Notes to the Financial Statements.





**WIPRO PHILIPPINES INC.**  
*(A 99.99% Owned Subsidiary of WIPRO IT SERVICES SE)*

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**NOTES TO FINANCIAL STATEMENTS**  
**AS AT AND FOR THE FISCAL YEARS ENDED MARCH 31, 2020 AND 2019**

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**1. Reporting Entity**

*Corporate information*

Wipro Philippines Inc. (the Company) is domiciled in the Philippines and was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 16, 2007. The Company was organized primarily to undertake and carry on the business of providing all kinds of information technology based and enabled services, electronic remote processing services, eService, including all types of internet-based/web enabled services, transaction processing, fulfillment services, business support services including but not limited to providing billing services, processing services, database services, data entry business- marketing services, business information and management services, training and consultancy services to the businesses, organizations, firms, corporations, trusts, local bodies, states, governments and other entities; to establish and operate service processing centers for providing services for back office and processing requirements, contacting and communicating to and on behalf of the customers by voice, data image, letters and to handle business process management, remote held desk management, remote management, remote customer interaction, customer relationship management and customer servicing through call centers, email based activities and letter/fax based communication, knowledge storage and management, data management, warehousing, search, integration and analysis for financial and non-financial data; as well as to act as information technology consultants and to operate a high technology data processing center for providing information processing, analysis development accounting and business information and data to customers; to carry on the business of gathering, collating, compiling, processing, analyzing, distributing, selling, publishing data and information and including conduct of studies and research, and marketing of information and services and providing access to information regarding financial operations and management, financial services, investment services business and commercial operations, financial status, customer responses and management of businesses.

The Company is a 99.99% owned subsidiary of WIPRO IT SERVICES SE (the Parent Company), an entity incorporated and domiciled in UK. The Parent Company is a wholly-owned subsidiary of Wipro Limited, an entity domiciled in Bangalore, India and is a publicly listed company in the Bombay Stock Exchange and National Stock Exchange in India and the New York Stock Exchange in the United States of America.

In 2007, the Company registered with the Philippine Economic Zone Authority (PEZA) as an enterprise engaged in call center and business process outsourcing services. In line with the PEZA registration. The Company is entitled to a four (4) year Income Tax Holiday (ITH) incentive from the start of the commercial operation for each qualified location with a two-year extension period, subject to PEZA approval. As at March 31, 2020, the Company has 7 operating offices registered with PEZA (Note 16).

The Company's registered office address is at Cebu IT Tower 1, cor. Archbishop Reyes Avenue and Mindanao St., Cebu Business Park, Cebu City, Philippines.

On May 7, 2018, the Company's name was changed from Wipro BPO Philippines Ltd. Inc. to Wipro Philippines Inc. through a board resolution approved by the majority vote of the board of directors. It was approved by SEC on June 29, 2018.



*Date of authorization for issue of the audited financial statements*

The 2020 audited financial statements were approved for release and issue on behalf of the BOD by the Company's Chairperson, Mr. Roy Aseem on June 11, 2020.

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**2. Basis of Preparation**

*Basis of accounting*

The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Details of the Company's significant accounting policies are included in Note 22.

*Basis of measurement*

The financial statements have been prepared on a historical cost basis of accounting, except for retirement benefits liability and other current assets which are measured at present value of defined benefits obligation (DBO) and at fair value, respectively.

*Functional and presentation currency*

The financial statements are presented in Philippine Peso (₱), which is the Company's functional currency. All amounts have been rounded to the nearest ₱, unless otherwise indicated.

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**3. Use of Judgments and Estimates**

In preparing these financial statements management has made judgments estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

**Judgments**

Information about judgments in applying accounting policies that have the most significant effect in the amounts recognized in the financial statements is as follows:

*Going concern*

The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue operating for the foreseeable future.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future which is at least, but not limited to, 12 months from the reporting date. Management is satisfied that the Company has the resources to continue its business operations for the foreseeable future, is not aware of any material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern, among others.

*Determining functional currency*

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the PHP. The PHP is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the sale of services and the costs of these services.



### *Classification of financial instruments*

The Company exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

The classification of financial assets and financial liabilities is presented in Note 21.

### *Determination Whether an Arrangement Contains a Lease.*

The Company evaluates each contract or arrangement, whether it qualifies as lease as defined under PFRS 16. On April 1, 2019, the Company has adopted PFRS 16, Leases, applied to all lease contracts outstanding as at April 1, 2019 using modified retrospective method by recording the cumulative effect of initial application as an adjustment to opening retained earnings. The Company has made use of the following practical expedient available on transition to PFRS 16, (a) not to reassess whether a contract is or contains a lease, accordingly the definition of lease in accordance with PAS 17 and IFRIC-4 will continue to be applied to those leases entered or modified before April 1, 2019. (b) The Company has applied a single discount rate to a portfolio of leases of similar assets in similar economic environment, consequently, the Company has recorded the lease liability at the present value of remaining lease payments, discounted using the incremental borrowing rate at the date of initial application and the right to use asset at its carrying amount as if the standard had been applied since the commencement date of the lease but discounted using the incremental borrowing rate at the date of initial application (c) excluded the initial direct costs from measurement of the ROU asset (d) Not to recognize ROU assets and lease liabilities for leases with less than twelve months of lease term and low-value assets on the date of initial application.

The details of these lease agreements are disclosed in Note 18.

### *Retirement Benefits*

The determination of the obligation and cost of pension and other employee benefits is dependent on the selection of certain assumptions used by the actuaries in calculating such amounts. Actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expenses and recorded liability in such future periods. 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 retirement cost and retirement benefits payable.

As at March 31, 2020 and 2019, the retirement benefits payable amounted to P5.25 million and P3.92 million, respectively. Retirement benefits expense in 2020 and 2019 amounted to P1.5 million and P0.94 million, respectively (Note 15).

### **Estimation uncertainties**

Information about estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

#### *Allowance for impairment losses on receivables*

The Company maintains an allowance for impairment losses on receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the Company on the basis of factors that affect the collectability of the related accounts. These factors include, but are not limited to, the length of the Company's relationship with its customers or debtor, their payment behavior and known market factors and other forward-looking information available. The Company reviews the age and status of receivables and identifies accounts that are to be provided with allowance on a continuous basis. The amount



and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates.

The Company recognized reversal of impairment of P5.01 million in 2020 and provision for impairment of P7.87 million in 2019. Total allowance for impairment losses on receivables amounted to P4.51 million and P9.52 million as at March 31, 2020 and 2019, respectively (Note 5).

Trade and other receivables, net of allowance for impairment losses, amounted to P8,911.79 million and P1,036.73 million as at March 31, 2020 and 2019, respectively (Note 5).

#### *Estimating useful lives of property and equipment*

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed at each reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on the 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 the factors mentioned above.

The carrying values of property and equipment as at March 31, 2020 and 2019 amounted to P637.22 million and P604.21 million, respectively (Note 8).

#### *Impairment of non-financial assets*

Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

As at March 31, 2020 and 2019, no impairment losses have been recognized with respect to the Company's property and equipment. The net book values of property and equipment are disclosed in Note 8.

#### *Fair value of financial instruments*

Certain financial liability is required to be carried at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Company utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets and liabilities would affect profit and loss and equity.

The Company's other current assets are carried at fair value (Note 21).

#### Fair Value Measurements

The Company measures financial and non-financial assets and liabilities at fair value at each reporting date.



Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Company.

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

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#### 4. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash in banks	P259,010,817	P324,567,794
Cash equivalents	6,875,368	386,580,791
	<b>P265,886,185</b>	<b>P711,148,585</b>

Cash in banks earns interest at prevailing bank interest rates ranging from 0.01% to 0.25% per annum.

Finance income earned from cash and cash equivalents & short-term investments amounted to P106.66 million and P72.15 million in 2020 and 2019, respectively. Bank charges from cash and cash equivalents amounted to P7.12 million and P4.68 million in 2020 and 2019, respectively. Net foreign exchange loss recognized for cash and cash equivalents amounted to P227.27 million and P15.27 million in 2020 and 2019, respectively (Notes 6 and 21).



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## 5. Trade and Other Receivables, Net

This account consists of:

	Note	2020	2019
Due from Parent Company and affiliates	19	<b>₱8,375,517,608</b>	₱476,708,345
Trade receivables		<b>510,004,235</b>	526,040,681
Advances to suppliers		<b>12,685,889</b>	13,448,389
Due from government agencies		<b>10,899,296</b>	4,506,777
Advances to officers and employees		<b>7,165,238</b>	8,354,304
Interest receivable		<b>32,258</b>	17,193,572
		<b>8,916,304,524</b>	1,046,252,068
Less allowance for impairment losses		<b>4,515,716</b>	9,523,532
		<b>₱8,911,788,808</b>	₱1,036,728,536

Trade receivables represent noninterest-bearing receivables arising from the Company's main source of business.

Advances to suppliers are advanced payments made by the Company for purchases of supplies and equipment with usual credit terms of 30 days.

Advances to officers and employees represent salary advances and business travel advances subject to liquidation.

Movements in the allowance for impairment losses are as follows:

	Note	2020	2019
Balance at April 1		<b>₱9,523,532</b>	₱1,657,464
Impairment (reversal) during the year	21	<b>(5,007,816)</b>	7,866,068
Balance at March 31		<b>₱4,515,716</b>	₱9,523,532

Net foreign exchange loss recognized from trade and other receivables amounted to ₱46.49 million and ₱16.11 million in 2020 and 2019, respectively (Note 21).

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## 6. Short-term Investments

Short-term investments amounting to ₱202.68 million as at March 31, 2020 pertained to a certificate of fixed deposit with Australia and New Zealand Banking Group Limited - Manila Branch with maturity of less than one year and earns interest ranging from 0.74% p.a. to 0.82% p.a.

Interest income on short-term investments is presented as part of finance income in the statement of profit or loss and other comprehensive income (Notes 4 and 21).

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## 7. Unbilled Service Fees

Unbilled service fees of ₱284.60 million and ₱269.07 million in 2020 and 2019, respectively, represent revenues recognized to date which are not yet billable to the customers pursuant to the contractual terms of the project.



8. Property and Equipment, Net

March 31, 2020	IT equipment	Office fixtures	Transportation equipment	Leasehold improvements	Construction in progress	Total
<i>Cost</i>						
Balance at April 1, 2019	P996,793,794	P316,277,095	P900,000	P689,519,102	P—	P2,003,489,991
Additions	110,323,553	128,996,315	—	40,934,308	—	280,254,176
Balance at March 31, 2020	1,107,117,347	445,273,410	900,000	730,453,410	—	2,283,744,167
<i>Accumulated depreciation and amortization</i>						
Balance at April 1, 2019	758,598,716	112,009,341	900,000	527,767,873	—	1,399,275,930
Depreciation	126,081,563	52,939,739	—	68,225,942	—	247,247,244
Balance at March 31, 2020	884,680,279	164,949,080	900,000	595,993,815	—	1,646,523,174
<b>Carrying amount at March 31, 2020</b>	<b>P222,437,068</b>	<b>P280,324,330</b>	<b>P—</b>	<b>P134,459,595</b>	<b>P—</b>	<b>P637,220,993</b>
<b>March 31, 2019</b>						
<i>Cost</i>						
Balance at April 1, 2018	P795,018,018	P116,189,930	P900,000	P555,772,472	P2,616,705	P1,470,497,125
Additions	201,652,200	200,087,165	—	132,687,949	—	534,427,314
Disposals	(547,999)	—	—	—	—	(547,999)
Adjustments	—	—	—	—	(886,449)	(886,449)
Reclassification	671,575	—	—	1,058,681	(1,730,256)	—
Balance at March 31, 2019	996,793,794	316,277,095	900,000	689,519,102	—	2,003,489,991
<i>Accumulated depreciation and amortization</i>						
Balance at April 1, 2018	632,703,069	86,611,587	900,000	460,771,301	—	1,180,985,957
Depreciation	126,362,913	25,397,754	—	66,996,572	—	218,757,239
Disposals	(467,266)	—	—	—	—	(467,266)
Balance at March 31, 2019	758,598,716	112,009,341	900,000	527,767,873	—	1,399,275,930
<b>Carrying amount at March 31, 2019</b>	<b>P238,195,078</b>	<b>P204,267,754</b>	<b>P—</b>	<b>P161,751,229</b>	<b>P—</b>	<b>P604,214,061</b>



The Company disposed property and equipment with aggregate carrying amounts of nil and P0.08 million in 2020 and 2019.

Depreciation expenses is allocated as follows:

	Note	2020	2019
Depreciation expense			
Property and equipment		<b>P247,247,244</b>	P218,757,239
Right-of-use assets	18	<b>186,135,758</b>	–
		<b>433,383,002</b>	218,757,239
Allocation			
Cost of services	13	<b>P424,088,266</b>	P213,581,741
Operating expenses	14	<b>9,294,736</b>	5,175,498
		<b>P433,383,002</b>	P218,757,239

No items of property and equipment were used as collateral for liabilities and the Company does not have any contractual commitments to purchase or construct items of property and equipment as at March 31, 2020 and 2019.

Management believes that there is no indication of impairment on the Company's property and equipment and that its carrying amount can be recovered through use in operations.

## 9. Trade and Other Payables

This account consists of:

	2020	2019
Accrued expenses	<b>P518,520,073</b>	P663,096,476
Account payable	<b>30,967,584</b>	39,309,457
Due to government agencies	<b>28,344,153</b>	23,689,327
Advances from customers	<b>21,857,227</b>	1,481,541
Withholding taxes	<b>9,329,049</b>	10,910,563
Payable to officers and employees	<b>6,831,479</b>	8,341,145
Others	<b>37,470,880</b>	58,276,577
	<b>P653,320,445</b>	P805,105,086

Accrued expenses account consists of:

	2020	2019
General expenses	<b>P264,115,072</b>	P440,208,526
Salaries payable	<b>173,030,726</b>	161,362,522
Leave encashment	<b>63,276,752</b>	41,407,302
Bonus payable	<b>18,097,523</b>	20,118,126
	<b>P518,520,073</b>	P663,096,476

Accounts payable includes vendor payable towards contractual staff cost, communications, housekeeping and maintenance, security, etc.

General expenses are provisions for certain expenses such as electricity, rentals, repairs, communication and other operating expenses.





Advances from customers represent amounts received for services that are still to be rendered by the Company. These are noninterest-bearing and expected to be rendered within the next 12 months.

Significant portion of 'others' includes liability to ex-employees on account of stale cheques.

Net foreign exchange loss recognized from trade and other payables amounted to ₱0.001 million in 2020 and net foreign exchange gain of ₱0.09 million recognized in 2019 (Note 21).

#### 10. Other Current Assets (Liability)

	2020	2019
Foreign currency forward contracts receivable	₱41,066,224	₱8,321,736
Foreign currency forward contracts payable	—	(22,256,279)
	<b>₱41,066,224</b>	<b>(₱13,934,543)</b>

The Company monitors and manages the financial risk relating to its operation by analyzing its foreign exchange exposure due to its probable future sales in USD. As such, The Company entered into various non-deliverable forward contracts to mitigate the effects of foreign currency fluctuation because the Company's revenue is denominated in foreign currency in US dollars while substantial costs are in PHP.

As at March 31, 2020, the Company has 7 outstanding non-deliverable forward contracts to sell US\$176 million for ₱8,997.355 million. Unrealized foreign exchange gain from this forward transaction amounted to ₱41,066,224.

As at March 31, 2019, the Company has 7 outstanding non-deliverable forward contracts to sell US\$77 million for ₱4,096.6 million. Unrealized foreign exchange loss from this forward transaction amounted to ₱22,256,279. On the same date, the Company has 3 outstanding non-deliverable forward contracts to sell US\$40 million ₱2,128.65 million. Unrealized foreign exchange gain from this forward transaction amounted to ₱8,321,736.

Net foreign exchange gain recognized from other current assets (liability) amounted to ₱378.18 million in 2020 and net foreign exchange loss of ₱5.99 million in 2019 (Note 21).

#### 11. Service Fees

This account consists of:

	Note	2020	2019
Third parties		₱5,150,915,785	₱4,425,192,561
Related parties	19	2,048,915,102	2,128,421,201
		<b>₱7,199,830,887</b>	<b>₱6,553,613,762</b>

Service fees pertain to the sale of services to entities outside the domestic territory of the Philippines. These services include handling of inbound calls, outbound calls, and data entry among other business support services.



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## 12. Other Fees

This account consists of the following charges which were reimbursed by the Company's clients:

	2020	2019
Communication links	<b>P39,189,024</b>	P37,841,866
Incentives and rewards	<b>20,488,245</b>	27,474,648
Travel	<b>326,145</b>	20,741,237
Other reimbursements	<b>5,621,227</b>	2,546,590
	<b>P65,624,641</b>	P88,604,341

Communication links include charges for the Company's internet service provider and telephone bills related to its operations.

Incentives and rewards are fees billed to the customers per contractual arrangement.

Travel charges include travel and other reimbursements by the Company to its employees in the conduct of their services which are billable to clients.

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## 13. Cost of Services

This account consists of:

	Notes	2020	2019
Direct labor		<b>P2,799,701,889</b>	P2,365,234,310
Service overheads:			
Depreciation	8, 18	<b>424,088,266</b>	213,581,741
Communication		<b>126,082,910</b>	117,301,790
Contractual staff		<b>103,964,838</b>	150,616,360
Power, light and water		<b>85,008,905</b>	76,273,952
Technical support and maintenance		<b>75,956,619</b>	70,881,743
Interest expense on lease liabilities		<b>38,730,955</b>	—
Travel		<b>28,427,587</b>	21,307,392
Rent	18	<b>11,332,647</b>	194,316,732
Other service overhead		<b>38,562,943</b>	50,765,445
		<b>932,155,670</b>	895,045,155
		<b>P3,731,857,559</b>	P3,260,279,465

Other service overhead includes recruitment expenses, printing and stationery, legal and professional fees, business meeting expense, bank charges and other miscellaneous expenses.



#### 14. Operating Expenses

This account consists of:

	Notes	2020	2019
Outside services		<b>P212,857,147</b>	P133,578,391
Salaries and wages		<b>149,614,393</b>	119,293,579
Employee benefits		<b>67,793,562</b>	23,248,444
Professional fee		<b>37,648,380</b>	31,441,757
Repairs and maintenance		<b>27,240,635</b>	26,895,081
Stationery and office supplies		<b>18,320,458</b>	17,180,426
Contractual staff		<b>16,740,876</b>	15,729,013
Taxes and licenses		<b>17,813,216</b>	12,750,039
Insurance		<b>10,376,615</b>	6,754,936
Depreciation	8, 18	<b>9,294,736</b>	5,175,498
Rent	18	<b>7,155,534</b>	5,639,569
Bank charges		<b>7,123,603</b>	4,666,172
Travel and transportation		<b>5,591,824</b>	9,079,876
Communication		<b>5,655,213</b>	5,910,599
Contribution to government agencies		<b>3,483,973</b>	2,402,955
Power, light and water		<b>1,251,146</b>	2,006,450
Interest expense on lease liabilities		<b>629,169</b>	—
Representation and entertainment		<b>369,949</b>	184,297
Miscellaneous expenses		<b>849,914</b>	5,790,730
		<b>P599,810,343</b>	<b>P427,727,812</b>

#### 15. Retirement Benefits

The Company maintains an unfunded and noncontributory defined benefits retirement plan for all qualified employees which is based on the requirements of Republic Act (RA) No. 7641, Retirement Pay Law. Under the retirement plan, the total retirement benefits attributed to employees will be amortized based employee's remaining working lives. These amounts are calculated by an independent qualified actuary on April 2, 2020.

The following table shows a reconciliation from the opening balances to the closing balances for retirement benefits liability and its components.

	2020	2019
Balance at April 1	<b>P3,924,899</b>	P2,561,254
Included in profit or loss		
Current service cost	<b>1,259,647</b>	795,086
Net interest on the net defined benefit liability	<b>241,498</b>	140,437
	<b>1,501,145</b>	935,523
Included in OCI		
Remeasurement loss (gain) arising from:		
Demographic assumptions	<b>(1,581,664)</b>	626,848
Financial assumptions	<b>1,181,135</b>	(271,868)
Experience adjustment	<b>222,731</b>	73,142
Net remeasurement loss (gain)	<b>(177,798)</b>	428,122
Benefits paid	<b>—</b>	—
Balance at March 31	<b>P5,248,246</b>	<b>P3,924,899</b>



Cumulative remeasurements on defined benefit liability follows:

	2020	2019
Balance at April 1	P4,873,709	P5,301,831
Net remeasurement gain (loss)	177,798	(428,122)
<b>Balance at March 31</b>	<b>P5,051,507</b>	<b>P4,873,709</b>

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	2020	2019
Discount rate	4.35%	6.14%
Expected rate of salary increases	2.00%	2.00%

The weighted-average duration of the defined benefits obligation is 11 years as at March 31, 2020 and 2019, respectively.

#### *Sensitivity analysis*

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	March 31, 2020		March 31, 2019	
	Increase	Decrease	Increase	Decrease
Discount rate (0.05% movement)	(P4,977,227)	P5,540,235	(P3,727,302)	P4,137,245
Future salary growth (0.05% movement)	P5,545,783	(P4,969,834)	P4,145,144	(P3,718,537)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

The plan is of a final salary defined benefit in nature which is sponsored by the Company, hence, it underwrites all the risks pertaining to the plan. In particular, there is a risk for the Company that any adverse salary growth or demographic experience can result in an increase in cost of providing these benefits to employees in the future. Since the benefits are lump sum in nature, the plan is not subject to any longevity risks.

Retirement benefit expense is allocated as follows:

	<i>Note</i>	2020	2019
Cost of services (part of direct labor)	13	P1,478,684	P914,921
Operating expenses (part of employee benefits)	14	22,461	20,602
		<b>P1,501,145</b>	<b>P935,523</b>

## 16. Income Taxes

As disclosed in Note 1, the Company has ITH for four years from the start of the commercial operation for its qualified locations with a two-year extension period, subject to PEZA approval. Hence, the Company has no taxable income for the PEZA registered activities until the expiry of each location's ITH incentive. The Company, however, is still subject to regular corporate income tax (RCIT) on income from unregistered activities.



<b>Location</b>	<b>Date of PEZA Approval</b>	<b>Start of Commercial operations</b>	<b>Date of ITH expiration*</b>
Cebu IT Tower 1, Cebu City	Nov. 2007	Mar. 2008	Feb. 2014
Eton 1, Quezon City	Sep. 2009	Mar. 2010	Feb. 2016
Eton 5 Manila**	Oct. 2019	Applied	Sep. 2025
Cebu IT Tower 2, Cebu City	Sep. 2015	Aug. 2015	Jul. 2021
GAGFA 9 to 12 floor	Oct. 2013	Oct. 2013	Sep. 2019
GAGFA 15 floor, Cebu city***	Apr. 2018	May 2018	Apr. 2021
CBP - IT Park, Cebu city	Aug. 2018	Aug. 2018	Jul. 2024

\* The above is including the two year extension of the ITH incentive.

\*\* Since the new project is also located in ETON Centris there is no need to amend the registration certificate. ETON centris will cover both project at ETON 1 & ETON 5

\*\*\* two year extension of ITH incentive not applicable

After the expiration of each location's ITH, the Company is subject to the preferential tax rate of 5%, except for income derived from unregistered activities which is subject to the RCIT of 30% or the minimum corporate income tax of 2% (whichever is higher). The 5% preferential income tax rate is applied on gross revenues net of certain deductions specifically provided under RA No. 7916, Special Economic Zone Act of 1995, in lieu of all national and local taxes.

The provision for income tax consists of:

	2020	2019
Current	P77,776,148	P71,641,438
Deferred	4,234,934	—
	<b>P82,011,082</b>	<b>P71,641,438</b>

Details of deferred tax asset (DTA) and deferred tax liabilities are as follows:

	April 1, 2019	Effect upon adoption of PFRS 16	Credited (charged) to Profit and loss	March 31, 2020
DTA - Effect of PFRS 16 adoption	P—	P19,366,726	(P4,234,934)	P15,131,792
DTL - Effect of PFRS 16 adoption	P—	(P10,896,853)	P—	(P10,896,853)
	P—	P8,469,873	(P4,234,934)	P4,234,939

The reconciliation of the income tax on pre-tax income computed using the 5% special rate to income tax expense recognized in profit or loss is as follows:

	2020	2019
Profit before tax	P3,130,473,448	P2,980,642,083
Tax using the Company's special tax rate of 5%	P156,523,672	P149,032,104
Tax effect on:		
Nondeductible expenses	36,344,165	26,616,584
Temporary differences	4,234,934	—
Nontaxable income	(2,863,021)	1,892,788
Interest income already subjected to final tax	(6,720,879)	(3,607,654)
Income under ITH	(105,507,789)	(102,292,384)
	<b>P82,011,082</b>	<b>P71,641,438</b>



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## 17. Equity and Earnings per Share

### *Share capital*

Details of share capital as at March 31, 2020 and 2019 are as follows:

	2020		2019	
	Number of Shares	Amount	Number of Shares	Amount
Authorized, at par value of P100 per share	2,250,000	P225,000,000	2,250,000	P225,000,000
Issued and outstanding	1,889,147	P188,914,700	1,889,147	P188,914,700

### *Retained earnings*

Under the Philippine Corporation Code (the Code), stock corporations are prohibited from retaining surplus profits in excess of 100% of paid-up capital, except when justified by any of the reasons mentioned in the Code. As at March 31, 2020 and March 31, 2019, the Company's retained earnings in excess of its paid-up capital amounting to P9,302.67 million and P6,273.98 million, respectively.

### *Earnings per share*

	2020	2019
Income for the year attributable to ordinary equity holders of the Company	P3,048,462,366	P2,909,000,645
Weighted average number of shares outstanding	1,889,147	1,889,147
Basic and diluted earnings per share	P1,613.67	P1,539.85

There were no dilutive potential ordinary shares for the fiscal years ended March 31, 2020 and 2019. Therefore, the Company's weighted average number of share outstanding were equal for the years ended March 31, 2020 and 2019.

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## 18. Leases

### *Company as a Lessee*

The Company entered into several lease agreements with third party for the lease of its office spaces in Cebu & Manila. Lease payments are subject to escalation of 5% at different periods of the contracts. The lease agreements are for 5 years and are renewable under new terms and conditions to be agreed upon by the Company and the lessors. The lease obligation is subject to an interest rate of 5.55% - 7.4%.

Analysis of the contractual undiscounted cash flow of the lease is shown below.

	2020	2019
Within one year	P205,525,914	203,356,747
After one year but not more than five years	327,991,899	429,873,752
	P533,517,813	633,230,499



### Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

<b>March 31, 2020</b>	<b>Building</b>	<b>Transportation</b>	<b>Total</b>
Balance at April 1, 2019	P504,986,760	P—	P504,986,760
Additions	102,283,490	1,559,565	103,843,055
Depreciation and amortization	(185,875,831)	(259,927)	(186,135,758)
<b>Balance at March 31, 2020</b>	<b>P421,394,419</b>	<b>P1,299,638</b>	<b>P422,694,057</b>

### Lease liabilities

Set out below are the carrying amounts of lease liabilities the movements during the period:

<b>March 31, 2020</b>	<b>2020</b>	<b>2019</b>
<b>Finance lease payable</b>		
As at April 1, 2019	P633,230,499	P—
Additions	119,285,071	—
Payments	(218,997,757)	—
<b>Balance at March 31, 2020</b>	<b>533,517,813</b>	<b>—</b>
<b>Unamortized Interest on finance lease</b>		
As at April 1, 2019	72,248,049	—
Additions	17,202,076	—
Amortized	(39,360,124)	—
<b>Balance at March 31, 2020</b>	<b>50,090,001</b>	<b>—</b>
<b>Net finance Lease payable</b>	<b>P483,427,812</b>	<b>P—</b>
	<b>2020</b>	<b>2019</b>
Current	P177,673,003	P—
Non-current	305,754,809	—
	<b>P483,427,812</b>	<b>P—</b>

### *Short-term and leases of low-value assets*

In 2019, rent expense of P199,956,301 pertains to payments classified as operating leases. During the year, rent expense account pertains to payments classified as short-term leases and leases of low-value assets amounting to P18,488,181.

Present value of rental deposits, equivalent to 3 months' rent amounting to P52.60 million and P43.86 million in 2020 and 2019, were paid to the lessors and recorded as noncurrent assets in the statement of financial position. It shall be refunded, interest-free, 60 days after expiration or termination of the lease agreements.

Interest income recognized from the amortization of discount on rent deposits amounted to P2.72 million in 2020 and P2.62 million in 2019 (Note 21).



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## 19. Related Party Transactions

### *Identity of Related Parties*

The Company's related parties include the BOD members, key management personnel (KMP) and the following entities:

Related Parties	Relationship
Wipro Limited	Ultimate Parent Company
Wipro IT Services SE	Parent Company
Wipro LLC	Affiliate
Wipro Dalian Ltd.	Affiliate
Wipro Technologies SRL	Affiliate
Health plan Services Inc.	Affiliate
Wipro Travel Services Ltd	Affiliate

The Company considers any company as an affiliate if they are the subsidiaries of the ultimate parent company.





*Balances and transactions with related parties*

Balances and transactions with related parties are presented below:

Related parties	Year	Net transactions during the year	Service fees (Note 11)	IC Loan	Other costs	Outstanding Balances		Terms and conditions
						Due from parent and affiliate	Due to parent and affiliate	
Wipro Limited	2020	₹(244,131,570)	₹1,735,776,416	₹—	₹—	₹206,205,722	₹—	Unsecured and due on demand; No impairment
	2019	376,620,636	1,769,798,670	—	12,144,858	450,337,292	—	
Wipro LLC	2020	8,108,671,997	266,598,945	8,124,800,000	25,037,091	8,135,043,050	—	Unsecured and due on demand; No impairment
	2019	(4,095,009)	358,622,531	—	—	26,371,053	—	
Wipro Dalian Ltd.	2020	6,753,950	—	—	(1,116,797)	—	9,510,040	Unsecured and due on demand; No impairment
	2018	2,756,090	—	—	(2,756,090)	—	2,756,090	
Wipro Technologies SRL	2020	7,579,942	—	—	(7,758,176)	—	7,579,942	Unsecured and due on demand; No impairment
	2019	—	—	—	—	—	—	
Wipro Travel Services Ltd	2020	(27,763)	—	—	—	—	—	Unsecured and due on demand; No impairment
	2019	27,522	—	—	(27,763)	—	27,763	
Health plan Services Inc.	2020	34,268,836	46,539,741	—	—	34,268,836	—	Unsecured and due on demand; No impairment
	2019	—	—	—	—	—	—	
Wipro Digital (Div. of Wipro Ltd.)	2020	58,545	—	—	—	—	58,545	Unsecured and due on demand; No impairment
	2019	—	—	—	—	—	—	
Key management personnel	2020	7,533,974	—	—	—	—	—	
	2019	6,778,757	—	—	—	—	—	
<b>Total</b>	<b>2020</b>		<b>₹2,048,915,102</b>	<b>₹8,124,800,000</b>	<b>₹16,162,118</b>	<b>₹8,375,517,608</b>	<b>₹17,148,527</b>	
<b>Total</b>	<b>2019</b>		<b>₹2,128,421,201</b>	<b>₹—</b>	<b>₹9,361,005</b>	<b>₹476,708,345</b>	<b>₹2,783,853</b>	

*All outstanding related party balance will be settled in cash.*



### Services and other costs

In the normal course of business, the Company performs services to its Ultimate Parent Company and affiliate. The amount of transactions with related parties are as follows:

	2020	2019
Balance at April 1	<b>₱473,924,492</b>	₱104,182,718
Service billings	<b>2,048,915,102</b>	2,128,421,201
IC Loan	<b>8,124,800,000</b>	—
Collections	<b>(2,305,432,631)</b>	(1,768,040,432)
Others	<b>16,162,118</b>	9,361,005
Balance at March 31	<b>₱8,358,369,081</b>	₱473,924,492

Interest income from IC loan amounted to ₱25.0 million in 2020. Net foreign exchange loss recognized from transactions with related parties amounted to ₱47.16 million and ₱3.20 million in 2020 and 2019, respectively (Note 21).

### Compensation of key management personnel (KMP)

Short-term employee benefits given to KMP are as follows:

	2020	2019
Salaries and wages	<b>₱5,152,512</b>	₱5,024,252
Employees' benefits	<b>2,381,462</b>	1,754,505
	<b>₱7,533,974</b>	₱6,778,757

## 20. Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The BOD has overall responsibility for monitoring of capital in proportion to risk. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The capital structure of the Company comprises share capital and retained earnings.

No changes were made in the objectives, policies or processes in 2020 and 2019. The Company is not subject to externally imposed capital requirements.

The Company monitors capital using a ratio of 'adjusted net debt' to total equity. For this purpose, adjusted net debt is defined as total liabilities, less cash and cash equivalents. Total equity comprises all components of equity.

The Company's policy is to keep the ratio below 1.00. The Company's adjusted net debt to equity ratio at March 31 are as follows:

	2020	2019
Total debt	<b>₱1,197,667,491</b>	₱849,257,039
Less cash and cash equivalents	<b>265,886,185</b>	711,148,585
Adjusted net debt	<b>931,781,306</b>	138,108,454
Divided by total equity	<b>₱9,685,556,238</b>	₱6,656,679,030
Adjusted net debt to equity ratio	<b>0.10</b>	0.02



## 21. Financial Instruments and Risk Management Objectives and Policies

### A. Financial instruments

The following table shows the carrying values and fair values of the Company's financial assets and financial liabilities held by category as of March 31:

	2020		2019	
	Carrying Values	Fair Values	Carrying Values	Fair Values
<b>Financial assets</b>				
<i>Financial assets at amortized cost</i>				
Cash and cash equivalents	₱265,886,185	₱265,886,185	₱711,148,585	₱711,148,585
Trade and other receivables - net	8,911,788,808	8,911,788,808	1,036,728,536	1,036,728,536
Short-term investment	202,680,000	202,680,000	4,818,500,000	4,818,500,000
Unbilled service fees	284,605,521	284,605,521	269,069,465	269,069,465
Rental deposits	52,601,347	52,601,347	43,859,712	43,859,712
<i>Financial assets at FVPL</i>				
Other current assets	41,066,224	41,066,224	—	—
	<b>₱9,758,628,085</b>	<b>₱9,758,628,085</b>	<b>₱6,879,306,298</b>	<b>₱6,879,306,298</b>
<b>Financial liabilities</b>				
<i>Financial liabilities at amortized cost</i>				
Trade and other payables*	₱615,647,243	₱615,647,243	₱770,505,196	₱770,505,196
Due to parent and affiliates	17,148,527	17,148,527	2,783,853	2,783,853
<i>Financial liabilities at FVPL</i>				
Other current liability	—	—	13,934,543	13,934,543
	<b>₱632,795,770</b>	<b>₱632,795,770</b>	<b>₱787,223,592</b>	<b>₱787,223,592</b>

\*excluding due to government agencies

The carrying values of cash and cash equivalents, short-term investment, trade and other receivables, unbilled service fees, trade and other payables, and due to parent and affiliates approximate their fair values due to short-term maturity of these financial assets and liabilities.

The fair value of other current assets is determined based on observable market inputs including currency spot and forward rate, currency volatility, etc.

#### Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value in the statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities (Note 3).

The Company has valued the financial instruments based on level 1, 2 & 3, wherever applicable (Note 3). The Company's other current assets are based on level 2 fair value hierarchy.

The income and expense recognized from financial instruments follows:

	Note	2020	2019
<b>Finance income</b>			
<i>Financial assets at amortized cost</i>			
Cash and cash equivalents and short term investment	4	₱106,663,499	₱72,153,089
Interest Income on IC loan	19	25,037,091	—
Rental deposits	18	2,716,992	2,621,472
		<b>₱134,417,582</b>	<b>₱74,774,561</b>



	Note	2020	2019
Impairment loss (reversal)			
<i>Financial assets at amortized cost</i>			
Trade and other receivables - net	5	<b>(P5,007,816)</b>	P7,866,068
Bank charges			
<i>Financial assets at amortized cost</i>			
Cash and cash equivalents	4	<b>P7,127,580</b>	P4,682,885
Foreign exchange gain (loss) - net			
<i>Financial assets at amortized cost</i>			
Cash and cash equivalents and short term investments	4	<b>(P227,270,121)</b>	(P15,267,199)
Trade and other receivables	5	<b>(46,485,296)</b>	(16,107,737)
<i>Financial liabilities at amortized cost</i>			
Trade and other payables	9	<b>(969)</b>	89,512
Due to parent and affiliates	19	<b>(47,161,957)</b>	(3,204,066)
<i>Financial assets &amp; liabilities at FVPL</i>			
Other current assets & liabilities	10	<b>378,178,767</b>	(5,987,746)
		<b>P57,260,424</b>	(P40,477,236)

## B. Risk management objectives and policies

The Company's principal financial instruments comprise of cash and cash equivalents, short-term investment, trade and other receivables, unbilled service fees, rental deposits, trade and other payables (excluding due to government agencies), and due to parent and affiliates. The main purpose of these financial instruments is to raise finances for the Company's operations.

The main risks arising from the financial instruments of the Company are credit risk, liquidity risk and market risk. There has been no change to the Company's exposure to risks or the manner in which it manages and measures the risks in prior financial year. The Company's management reviews and approves policies for managing each of these risks and they are summarized as follows:

### *Credit risk*

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 and arises principally from the Company's trade and nontrade receivables.

The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

With respect to credit risk from other financial assets of the Company, which mainly comprise of due from related parties, the exposure of the Company to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments

There is no other significant concentration of credit risk in the Company.



The aging analysis of the Company's financial assets as at March 31, 2020 and 2019 are as follows:

	Total	Neither past due nor impaired	Past due but not impaired		Impaired
			2 months to 1 Year	More than 1 Year	
Cash and cash equivalents	P265,886,185	P265,886,185	P—	P—	P—
Trade and other receivables	8,916,304,524	8,737,089,476	160,808,747	13,890,585	4,515,716
Short-term investments	202,680,000	202,680,000	—	—	—
Unbilled service fees	284,605,521	284,605,521	—	—	—
Rental deposits	52,601,347	52,601,347	—	—	—
<b>March 31, 2020</b>	<b>P9,722,077,577</b>	<b>P9,542,862,529</b>	<b>P160,808,747</b>	<b>P13,890,585</b>	<b>P4,515,716</b>
Cash and cash equivalents	P711,148,585	P711,148,585	P—	P—	P—
Trade and other receivables	1,046,252,068	866,615,295	170,061,480	51,761	9,523,532
Short-term investments	4,818,500,000	4,818,500,000	—	—	—
Unbilled service fees	269,069,465	269,069,465	—	—	—
Rental deposits	43,859,712	43,859,712	—	—	—
<b>March 31, 2019</b>	<b>P6,888,829,830</b>	<b>P6,709,193,057</b>	<b>P170,061,480</b>	<b>P51,761</b>	<b>P9,523,532</b>

The credit quality of the Company's financial assets that are neither past due nor impaired is considered to be of good quality and expected to be collectible without incurring any credit losses.

Information on the Company's receivables that are impaired as of March 31, 2020 and 2019 and the movement of the allowance used to record the impairment losses are disclosed in Note 5 to the financial statements.

Analysis of the amounts of receivables by risk grade as at March 31 are set out below:

	2020	2019
High grade	<b>P8,897,898,223</b>	P1,036,676,775
Standard grade	<b>13,890,585</b>	51,761
Substandard grade	<b>4,515,716</b>	9,523,532
	<b>P8,916,304,524</b>	<b>P1,046,252,068</b>

The credit grades used by the Company in evaluating the credit quality of its receivables to customers and other parties are the following:

High Grade - these are receivables which have high probability of collection, as evidenced by counterparties having ability to satisfy their obligations.

Standard Grade - these are receivables where collections are probable due to the reputation and the financial ability to pay of the counterparty but have been outstanding for a considerable length of time.

Substandard Grade - these are receivables where the counterparties are, most likely, not capable of honoring their financial obligations but can still be collected provided the Company makes persistent effort to collect them.

#### *Liquidity risk*

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company seeks to manage its liquidity profile through cash planning to be able to finance its operating capital expenditures and debt servicing requirements. The Company uses historical forecasts from its collections and disbursements. The following table summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments:



	Total	On demand	Within 1 year	More than 1 year
March 31, 2020				
Trade and other payables	P615,647,243	P—	P615,647,243	P—
Due to parent and affiliates	17,148,527	17,148,527	—	—
	<b>P632,795,770</b>	<b>P17,148,527</b>	<b>P615,647,243</b>	<b>P—</b>
March 31, 2019				
Trade and other payables	P770,505,196	P—	P770,505,196	P—
Due to parent and affiliates	2,783,853	2,783,853	—	—
	<b>P773,289,049</b>	<b>P2,783,853</b>	<b>P770,505,196</b>	<b>P—</b>

#### *Market risk*

Market risk is the risk that the fair value or cash flows of a financial instrument of the Company will fluctuate due to change in market prices. Market risk reflects interest rate risk, currency risk and other risks.

#### *Foreign currency risk*

Foreign currency risks arise when transactions are denominated in foreign currencies.

Exposure to foreign currency risk arises from U.S. dollar (USD) cash holdings being maintained by the Company. To mitigate the Company's risk exposure, USD cash flows are being monitored on a regular basis.

International standard three letter codes follow:

Currency	International 3-letter code
US Dollar	USD
British Pound	GBP
Australian Dollar	AUD
Canadian Dollar	CAD
Euro	EUR
Malaysian Ringgit	MYR
United arab Emirates Dirham	AED
Indian Rupee	INR
Singapore Dollar	SGD



The Company's exposure to foreign currency risk follows:

March 31, 2020	USD	GBP	AUD	CAD	EUR	MYR	AED	INR	SGD	Total PHP Equivalent
<b>Financial Assets</b>										
Cash and cash equivalents	P3,706,491	P—	P—	P—	P—	P—	P—	P—	P—	P157,774,757
Short-term investments	4,000,000	—	—	—	—	—	—	—	—	202,680,000
Trade and other receivables	8,496,510	1,355,963	688,808	—	—	—	—	23,510	536,978	558,928,225
Due from parent and affiliates	165,237,884	—	(294)	—	—	—	—	(37,459,722)	(146,315)	8,341,248,772
Unbilled service fee	5,505,651	—	—	—	54,464	—	—	—	73,651	285,714,051
	<b>186,946,536</b>	<b>1,355,963</b>	<b>688,514</b>	<b>—</b>	<b>54,464</b>	<b>—</b>	<b>—</b>	<b>(37,436,212)</b>	<b>464,314</b>	<b>9,546,345,805</b>
<b>Financial Liabilities</b>										
Trade and other payables*	1,646,601	45,210	203,165	—	—	—	—	839,835	—	93,181,342
Due to parent and affiliates	334,757	—	—	—	—	—	—	—	—	17,089,982
Unearned income	—	31,050	—	—	—	—	—	—	—	1,851,962
	<b>1,981,358</b>	<b>76,260</b>	<b>203,165</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>839,835</b>	<b>—</b>	<b>112,123,286</b>
	<b>P184,965,178</b>	<b>P1,279,703</b>	<b>P485,349</b>	<b>P—</b>	<b>P54,464</b>	<b>P—</b>	<b>P—</b>	<b>(P38,276,047)</b>	<b>P464,314</b>	<b>P9,434,222,519</b>
<b>March 31, 2019</b>										
<b>Financial Asset</b>										
Cash and cash equivalents	P12,262,697	P—	P—	P—	P—	P—	P—	P—	P—	P696,980,635
Short-term investments	92,000,000	—	—	—	—	—	—	—	—	4,818,500,000
Trade and other receivables	8,163,131	1,408,373	610,712	79,355	—	—	—	—	(58,938)	550,151,350
Due from parent and affiliates	8,563,447	—	—	—	—	—	—	(26,624,792)	1,240,339	477,837,987
Unbilled service fee	5,404,131	—	—	—	—	—	—	—	—	269,069,465
	<b>126,393,406</b>	<b>1,408,373</b>	<b>610,712</b>	<b>79,355</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(26,624,792)</b>	<b>1,181,401</b>	<b>6,812,539,437</b>
<b>Financial Liabilities</b>										
Trade and other payables*	821,810	—	—	2072	—	—	—	7,813	—	43,570,630
Due to parent and affiliates	49,951	—	—	—	—	—	—	36,551	—	2,652,438
Unearned income	—	94,238	—	—	—	—	—	—	—	6,581,453
	<b>871,761</b>	<b>94,238</b>	<b>—</b>	<b>2,072</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>44,364</b>	<b>—</b>	<b>52,804,521</b>
	<b>P125,521,645</b>	<b>P1,314,135</b>	<b>P610,712</b>	<b>P77,283</b>	<b>P—</b>	<b>P—</b>	<b>P—</b>	<b>(P26,669,156)</b>	<b>P1,181,401</b>	<b>P6,759,734,916</b>

\*Excluding due to government agencies



A reasonably possible strengthening (weakening) of the PHP against all other currencies at March 31 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant:

	Profit or loss	
	Strengthening 10%	Weakening (-10%)
<b>March 31, 2020</b>		
USD	P937,209,242	P(937,209,242)
GBP	8,004,758	(8,004,758)
INR	(2,568,131)	2,568,131
AUD	1,497,634	(1,497,634)
SGD	1,648,457	(1,648,457)
EUR	301,936	(301,936)
	<b>P946,093,896</b>	<b>P(946,093,896)</b>
<b>March 31, 2019</b>		
USD	P659,551,831	P(659,551,831)
GBP	9,040,080	(9,040,080)
AUD	2,275,877	(2,275,877)
CAD	302,638	(302,638)
INR	(2,027,389)	2,027,389
SGD	4,580,871	(4,580,871)
	<b>P673,723,908</b>	<b>P(673,723,908)</b>

#### *Interest rate risk*

Cash flow interest rate risk is the risk that the future cash flow of the financial instruments will fluctuate because of the changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. Exposure on interest rate risk arises from the Company's deposits with banks.

#### Interest rate sensitivity

The following table illustrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant for 2020. These changes are considered to be reasonably possible based on observation of current market conditions:

	Increases/decrease in interest rate (basis points)	Effect on profit before Tax
Cash and cash equivalents	100	40,536
Inter-Company loan	100	9,524,852
	<b>(100)</b>	<b>(9,565,388)</b>

#### **Risk Management Structure**

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Company. It has also the overall responsibility for the development of risk strategies principles, frameworks, policies and limits. It establishes a forum of discussion of the Company's approach to risk issues in order to make relevant decisions.





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## 22. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as explained below.

- PFRS 16, *Leases* - PFRS 16 supersedes PAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires almost all leases to be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases.

Lessor accounting under PFRS 16 is substantially unchanged from PAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 does not have an impact for leases where the Company is the lessor.

The Company has applied PFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under PAS 17 and IFRIC 4 and under which the cumulative effect on initial application is recognized in retained earnings at April 1, 2019.

The details of accounting policies under PAS 17 and IFRIC 4 are disclosed separately if they are different from those under PFRS 16 and the impact of changes is disclosed under "Leases" of this note.

### *Leases previously accounted for as operating leases*

As a lessee, leases previously classified as operating lease, at transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at April 1, 2019. Right-of-use assets are measured at their carrying amount as if PFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application (or an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments).

The Company used the following practical expedients when applying PFRS 16 to leases previously classified as operating leases under PAS 17:

- Applied exemption not to recognize right-of-use assets and liabilities with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

### *Leases previously classified as finance leases*

There were no leases previously classified as finance leases under PAS 17.



The effect of transition to PFRS 16 as at April 1, 2019 follows:

	April 1, 2019 <i>(as previously reported)</i>	<i>Adjustments</i>	April 1, 2019 <i>(as restated)</i>
<b>Assets</b>			
Right-of-use assets	P—	P504,986,760	P504,986,760
Prepayments	22,415,710	(8,559,871)	13,855,839
Deferred tax asset	—	19,366,726	19,366,726
<b>Total assets</b>	<b>P7,505,936,069</b>	<b>P515,793,615</b>	<b>P8,021,729,684</b>
<b>Liabilities</b>			
Lease liabilities	P—	(P560,982,450)	(P560,982,450)
Accrued rent expense	(36,322,732)	36,322,732	—
Deferred tax liabilities	—	(10,896,853)	(10,896,853)
<b>Total liabilities</b>	<b>(P849,257,039)</b>	<b>(P535,556,571)</b>	<b>(P1,384,813,610)</b>
<b>Equity</b>			
Retained earnings	(P6,462,890,621)	P19,762,956	(P6,443,127,665)
<b>Total liabilities and equity</b>	<b>(P7,505,936,069)</b>	<b>(P515,793,615)</b>	<b>(P8,021,729,684)</b>

Based on the above, as at April 1, 2019:

- Right-of-use assets of P504,986,760 were recognized and presented separately in the statement of financial position.
- Lease liabilities of P560,982,450 were recognized.
- Accrued rent expense of P36,322,732 related to previous operating leases was derecognized.
- Deferred tax asset and liabilities were recognized due to the tax impact of the changes in assets and liabilities.
- The net effect of these adjustments had been adjusted to retained earnings (P19,762,956).

When measuring the lease liabilities, the Company discounted lease payments using its incremental borrowing rate at April 1, 2019 of 7.4%.

Operating lease commitment as at March 31, 2019	<b>P633,230,499</b>
Discounted using the incremental borrowing rate at April 1, 2019	<b>(72,248,049)</b>
Discounted operating lease commitments at April 1	<b>560,982,450</b>
Recognized exemption for:	
- short-term leases	—
- leases of low value assets	—
Extension and termination options reasonably certain to be exercised	
Variable lease payments based on an index or rate	—
Residual value guarantees	—
<b>Lease liabilities as at April 1, 2019</b>	<b>P560,982,450</b>

As a lessor, the transition had no impact on the financial statements of the Company as it did not have any finance lease during the period.

- IFRIC Interpretation 23, *Uncertainty over Income Tax Treatment* - The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:



- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Company applies significant judgement in identifying uncertainties over income tax treatments.

- Amendments to PFRS 9: *Prepayment Features with Negative Compensation* - Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the financial statements of the Company.
- Amendments to PAS 19: *Plan Amendment, Curtailment or Settlement* - The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the financial statements of the Company as it did not have any plan amendments, curtailments, or settlements during the period.

- Amendments to PAS 28: *Long-term interests in associates and joint ventures* - The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the financial statements as the Company does not have long-term interests in its associate and joint venture.

The adoption of the foregoing new and amended PFRS did not have any material effect on the financial statements except for PFRS 16. Additional disclosures have been included in the notes to financial statements, as applicable.



#### New and Amended PFRS Issued But Not Yet Effective

Relevant new and amended PFRS which are not yet effective for the year ended March 31, 2020 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2020:

- Amendments to PAS 1 and PAS 8, Definition of Material - The amendments address the definition of material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity

Effective for annual periods beginning on or after January 1, 2021:

- PFRS 17, Insurance Contracts - This standard will replace PFRS 4, Insurance Contracts. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.

Deferred effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* - The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Company.

#### Current versus Noncurrent Classification

The Company presents assets and liabilities in the statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

#### Financial Assets and Financial Liabilities

*Date of Recognition.* The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a



financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

*Initial Recognition and Measurement.* Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

*“Day 1” Difference.* Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the “Day 1” difference.

*Classification.* The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company’s business model and its contractual cash flow characteristics.

*Financial Assets and Liabilities at FVPL.* Financial assets and liabilities at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Company had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not “solely for payment of principal and interest” assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Company may, at initial recognition, designate a financial asset or financial liability meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset or financial liability at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets or liabilities.

After initial recognition, financial assets at FVPL and held for trading financial liabilities are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL and held for trading financial liabilities are recognized in profit or loss.

For financial liabilities designated at FVPL under the fair value option, the amount of change in fair value that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.



As at March 31, 2020 and 2019, the Company's other current assets and other current liabilities are classified as financial asset / liability at FVPL (Note10).

*Financial Assets at Amortized Cost.* Financial assets 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.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at March 31, 2020 and 2019, the Company's cash and cash equivalents, trade and other receivables, short-term investments, unbilled services and rental deposits are included under this category (Notes 4, 5, 6, 7 and 18).

*Financial Assets at FVOCI.* For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI 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 selling the financial assets; 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.

For equity instruments, the Company may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at March 31, 2020 and 2019, the Company does not have financial assets and liabilities at under this category.

*Financial Liabilities at Amortized Cost.* Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle



the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at March 31, 2020 and 2019, the Company's liabilities arising from its trade and other payables, excluding statutory liabilities and due to parent and affiliates are included under this category (Notes 9 and 19).

### **Reclassification**

The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

### **Impairment of Financial Assets at Amortized Cost and FVOCI**

The Company records an allowance for "expected credit loss" (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Company has applied the simplified approach and has calculated ECLs based on the lifetime expected credit losses. The Company has established a



provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

### **Derecognition of Financial Assets and Liabilities**

*Financial Assets.* A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Company has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company’s continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

*Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.





On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

#### **Offsetting of Financial Assets and Liabilities**

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

#### **Classification of Financial Instrument between Liability and Equity**

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

#### Derivative Financial Instruments and Hedging

##### *Freestanding Derivatives*

For the purpose of hedge accounting, hedges are classified as either:

- (a) fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk);
- (b) cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or
- (c) hedges of a net investment in foreign operations.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

*Fair Value Hedge.* Derivatives classified as fair value hedges are carried at fair value with corresponding change in fair value recognized in the statements of income. The carrying amount of the hedged asset or liability is also adjusted for changes in fair value attributable to the hedged item and the gain or loss associated with that remeasurement is also recognized in the statements of income.

When the hedge ceases to be highly effective, hedge accounting is discontinued and the adjustment to the carrying amount of a hedged financial instrument is amortized immediately.



The Company discontinues fair value hedge accounting if:

- (a) the hedging instrument expires, is sold, is terminated or is exercised;
- (b) the hedge no longer meets the criteria for hedge accounting; or
- (c) the Company revokes the designation.

The Company's other current assets / liabilities are accounted for as a fair value hedge as at March 31, 2020 and 2019 (Note 10).

*Cash Flow Hedge.* Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized in other comprehensive income and presented in the statements of changes in equity. The ineffective portion is immediately recognized in the statements of income.

If the hedged cash flow results in the recognition of an asset or a liability, all gains or losses previously recognized directly in the statements of changes in equity are transferred and included in the initial measurement of the cost or carrying amount of the asset or liability. Otherwise, for all other cash flow hedges, gains or losses initially recognized in the statements of changes in equity are transferred to the statements of income in the same period or periods during which the hedged forecasted transaction or recognized asset or liability affects the statements of income.

When the hedge ceases to be highly effective, hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been reported directly in the statements of changes in equity is retained until the forecasted transaction occurs. When the forecasted transaction is no longer expected to occur, any net cumulative gain or loss previously reported in the statements of changes in equity is recognized in the statements of income.

The Company has no outstanding derivatives accounted for as a cash flow hedge as at March 31, 2020 and 2019.

*Net Investment Hedge.* Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income while any gain or loss relating to the ineffective portion is recognized in the statements of income. On disposal of a foreign operation, the cumulative value of any such gains and losses recorded in the statements of changes in equity is transferred to and recognized in the statements of income.

The Company has no hedge of a net investment in a foreign operation as at March 31, 2020 and 2019.

Changes in fair values of derivatives that do not qualify for hedge accounting are recognized directly in the statements of income.

#### *Embedded Derivatives*

The Company assesses whether embedded derivatives are required to be separated from the host contracts when the Company becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

- (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;



(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

(c) the hybrid or combined instrument is not recognized as at FVPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

The Company has not bifurcated any embedded derivatives as at March 31, 2020 and 2019.

### **Cash and cash equivalents**

The Company's cash and cash equivalents consist of cash on hand and in banks and demand deposits with banks, which can be withdrawn at any time, without prior notice or penalty on the principal.

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, in banks and demand deposits with banks, net of outstanding bank overdrafts that are repayable on demand and are considered part of the Company's cash management system. In the balance sheet, bank overdrafts are presented under borrowings within current liabilities.

### **Prepayments**

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged in 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 cost of goods or services related to the prepayment are expected to be incurred within one year or the Company's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets.

### **Property and equipment, net**

#### *Measurement at initial recognition*

Upon initial recognition, items of property and equipment are measured at cost which comprises the purchase price and all directly attributable costs of bringing the asset to the location and condition for its intended use.

#### *Measurement subsequent to initial recognition*

Property and equipment, except construction-in-progress, are stated at cost less accumulated depreciation and amortization and any impairment losses, if any.

Construction-in-progress, included in property and equipment, represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time as the relevant assets are completed and put into operational use.

#### *Subsequent costs*

Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Company. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

#### *Depreciation and amortization*



Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the estimated useful life of the asset or term of the lease, whichever is shorter.

The estimated useful lives are as follows:

<b>Category</b>	<b>Estimated Useful Life</b>
IT equipment	3-4 years
Office fixtures	4-7 years
Transportation equipment	4 years
Leasehold improvements	6 years or lease term, whichever is shorter

The estimated useful lives, as well as the depreciation and amortization methods are reviewed at each reporting date to ensure that the period and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from those assets.

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use, no further charges for depreciation and amortization are made in respect of those assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and related accumulated depreciation, amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

#### *Impairment of non-financial Assets*

The carrying amount of the Company's property and equipment is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the impaired asset is estimated.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. Impairment losses are recognized in profit or loss, unless the asset is carried at revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

The recoverable amount is the greater of the asset's fair value less costs of disposal and value in use (VIU). Fair value less cost of disposal is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, less the costs of disposal. In assessing VIU, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset being evaluated. If an asset does not generate cash inflows that are largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized. Reversals of impairments are recognized in profit or loss, unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

After such reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

#### **Foreign currency forward contracts payable**



The Company uses foreign exchange forward contracts derivative instruments to hedge its exposure on account of movements in foreign exchange. These derivatives are generally entered with banks and not used for trading or speculation purposes.

Forward contracts which are entered into to hedge the foreign currency risk of the highly probable transactions are valued at fair value at each financial reporting date, the resulting gain/loss from these transactions is recognized in the profit and loss.

#### **Provisions and contingencies**

A provision is a liability of uncertain timing or amount. It is recognized when the Company has a legal or constructive obligation as a result of a past event; when it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The amount to be recognized as provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non- occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets are not recognized in the financial statements but are disclosed when the inflow of economic benefits is probable.

#### **Equity**

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's share capital is classified as equity. Share capital is determined using the nominal or par value of shares that have been issued.

Retained earnings include all current and prior period results as disclosed in the profit or loss less any dividends declared. Dividends are recorded in the period in which the dividends are approved by the BOD.

#### **Earnings per share**

Basic earnings per share (EPS) is determined by dividing profit or loss attributable to the ordinary equity holders of the Company for the year by the weighted average number of ordinary shares outstanding during the year, after considering the retroactive effect of any stock dividends declared during the year, if any.

For the purpose of calculating diluted EPS, profit or loss attributable to ordinary equity holders of the Company, and the weighted average number of shares outstanding, is adjusted for the effects of all dilutive potential ordinary shares.

#### **Revenue recognition**

The Company derives revenue primarily from software development, maintenance of software/ hardware and related services, business process services, sale of IT and other products.

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. To recognize revenues, the Company applies the following five step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the



performance obligations in the contract, and (5) recognize revenues when a performance obligation is satisfied.

At contract inception, the Company assesses its promise to transfer products or services to a customer to identify separate performance obligations. The Company applies judgement to determine whether each product or service promised to a customer is capable of being distinct, and are distinct in the context of the contract, if not, the promised products or services are combined and accounted as a single performance obligation. The Company allocates the arrangement consideration to separately identifiable performance obligation based on their relative stand-alone selling price or residual method. Stand-alone selling prices are determined based on sale prices for the components when it is regularly sold separately, in cases where the Company is unable to determine the stand-alone selling price the Company uses third-party prices for similar deliverables or the company uses expected cost-plus margin approach in estimating the stand-alone selling price.

For performance obligations where control is transferred over time, revenues are recognized by measuring progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment and is based on the nature of the promised products or services to be provided.

The method for recognizing revenues and costs depends on the nature of the services rendered:

*Time and materials contracts*

Revenues and costs relating to time and materials are recognized as the related services are rendered.

*Fixed-price contracts*

i. Fixed-price development contracts

Revenues from fixed-price contracts, including software development, and integration contracts, where the performance obligations are satisfied over time, are recognized using the “percentage-of-completion” method. Percentage of completion is determined based on project costs incurred to date as a percentage of total estimated project costs required to complete the project. The cost expended (or input) method has been used to measure progress towards completion as there is a direct relationship between input and productivity. If the Company is not able to reasonably measure the progress of completion, revenue is recognized only to the extent of costs incurred, for which recoverability is probable. When total cost estimates exceed revenues in an arrangement, the estimated losses are recognized in the consolidated statement of income in the period in which such losses become probable based on the current contract estimates as an onerous contract provision.

A contract asset is a right to consideration that is conditional upon factors other than the passage of time. Contract assets primarily relate to unbilled amounts on fixed-price development contracts and are classified as non-financial asset as the contractual right to consideration is dependent on completion of contractual milestones.

A contract liability is an entity’s obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

Unbilled revenues on other than fixed price development contracts are classified as a financial asset where the right to consideration is unconditional upon passage of time

ii. Maintenance contracts

Revenues related to fixed-price maintenance, testing and business process services are recognized based on our right to invoice for services performed for contracts in which the



invoicing is representative of the value being delivered. If our invoicing is not consistent with value delivered, revenues are recognized as the service is performed using the percentage of completion method. When services are performed through an indefinite number of repetitive acts over a specified period, revenue is recognized on a straight-line basis over the specified period unless some other method better represents the stage of completion.

In certain projects, a fixed quantum of service or output units is agreed at a fixed price for a fixed term. In such contracts, revenue is recognized with respect to the actual output achieved till date as a percentage of total contractual output. Any residual service unutilized by the customer is recognized as revenue on completion of the term.

### iii. Volume based contracts

Revenues and costs are recognized as the related services are rendered.

### *Products*

Revenue on product sales are recognized when the customer obtains control of the specified asset.

### Others

- Any change in scope or price is considered as a contract modification. The Company accounts for modifications to existing contracts by assessing whether the services added are distinct and whether the pricing is at the stand-alone selling price. Services added that are not distinct are accounted for on a cumulative catch up basis, while those that are distinct are accounted for prospectively, either as a separate contract if the additional services are priced at the stand-alone selling price, or as a termination of the existing contract and creation of a new contract if not priced at the stand-alone selling price.
- The Company accounts for variable considerations like, volume discounts, rebates and pricing incentives to customers as reduction of revenue on a systematic and rational basis over the period of the contract. The Company estimates an amount of such variable consideration using expected value method or the single most likely amount in a range of possible consideration depending on which method better predicts the amount of consideration to which the Company may be entitled.
- Revenues are shown net of allowances/ returns, sales tax, value added tax, goods and services tax and applicable discounts and allowances.
- The Company accrues the estimated cost of warranties at the time when the revenue is recognized. The accruals are based on the Company's historical experience of material usage and service delivery costs.
- Incremental costs that relate directly to a contract and incurred in securing a contract with a customer are recognized as an asset when the Company expects to recover these costs and amortized over the contract term.
- The Company recognizes contract fulfilment cost as an asset if those costs specifically relate to a contract or to an anticipated contract, the costs generate or enhance resources that will be used in satisfying performance obligations in future; and the costs are expected to be recovered. The asset so recognized is amortized on a systematic basis consistent with the transfer of goods or services to customer to which the asset relates.
- The Company assesses the timing of the transfer of goods or services to the customer as compared to the timing of payments to determine whether a significant financing component exists. As a practical expedient, the Company does not assess the existence



of a significant financing component when the difference between payment and transfer of deliverables is a year or less. If the difference in timing arises for reasons other than the provision of finance to either the customer or us, no financing component is deemed to exist.

- The Company may enter into arrangements with third party suppliers to resell products or services. In such cases, the Company evaluates whether the Company is the principal (i.e. report revenues on a gross basis) or agent (i.e. report revenues on a net basis). In doing so, the Company first evaluates whether the Company controls the good or service before it is transferred to the customer. If Company controls the good or service before it is transferred to the customer, Company is the principal; if not, the Company is the agent.

#### *Finance income*

Finance income comprises interest income on deposits. Interest income is recognized using the effective interest rate method. Interest income from investments, deposits and placements is presented net of applicable tax withheld by banks.

#### **Cost and expense recognition**

Costs and expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify; for recognition in the statement of financial position as an asset.

#### **Employee benefits**

##### *Short-term employee benefits*

Short-term employee benefit obligations, such as those for salaries and wages, social security contributions, short-term compensated absences, bonuses and nonmonetary benefits, among others, are measured on an undiscounted basis and are expensed as the related service is provided.

##### *Defined benefit plan*

The Company's net obligation in respect of the defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of DBO is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), is recognized immediately in OCI. The Company determines the net interest expense or income on the net defined benefit liability or asset for the period by applying the discount rate used to measure the DBO at the beginning of the annual period to the net defined benefit liability or asset, taking into account any changes in the net defined liability or asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.





When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

## **Income taxes**

### *Current tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are substantively enacted at the financial reporting date.

Current tax assets and current tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## **Leases**

*Company as a lessor.* At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The Company has the right to direct the use of the asset of either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after April 1, 2019.

For contracts entered into before April 1, 2019, the determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or
- (d) there is a substantial change to the asset.



Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d), and at the date of renewal or extension period for scenario (b) above.

*Company as a lessee.* The Company recognizes a right-of-use asset and lease liability at the date of initial application for leases previously classified as an operating lease under PAS 17.

The right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any incentives received.

#### **Related parties**

A related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its KMP, directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

#### **Events after the reporting date**

The Company identifies post-year-end events as events that occurred after the reporting date but before the date when the financial statements were authorized for issue. Any post-year-end events that provide additional information about the Company's financial position or performance at the end of a reporting period (adjusting events) are recognized in the financial statements. Events that are not adjusting events are disclosed in the notes to the financial statements when material.

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### **23. Other Matters**

On March 11, 2020, the World Health Organization assessed that the novel coronavirus of 2019 (COVID-19) has become a pandemic. In an effort to contain the spread of COVID-19 in the Philippines, the Government issued Presidential Proclamation No. 929 on March 16, 2020. The Proclamation declared a State of Calamity throughout the Philippines for a period of six months and imposed enhanced community quarantine, among others. These measures affected economic activities and business operations in an unprecedented manner as the effects continue to evolve.

In assessing the recoverability of receivables including unbilled receivables, and certain investments the Company has considered internal and external information up to the date of approval of these financial statements. Based on current indicators of future economic conditions, the Company expects to recover the carrying amount of these assets. The impact of the global health pandemic may be different from that estimated as at the date of approval of these financial statements and the Company will continue to closely monitor any material changes to future economic conditions.

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### **24. Supplementary Information Required by the BIR**

#### **Supplementary information required under revenue regulations no. 15-2010 of the Bureau of Internal Revenue (BIR)**

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS.



The following is the tax information required for the taxable year ended March 31, 2020:

**A. Value-added tax (VAT)**

Under Rule XIV of the Implementing Rules and Regulations of the Special Economic Zone Act of 1995, the Company is VAT zero-rated on revenues from its registered activities.

**B. Withholding taxes**

Tax on compensation and benefits	P104,271,628
Creditable withholding taxes	22,390,632
Fringe benefit taxes	11,567,522
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	P138,229,782
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**C. All other taxes (local and national)**

Other taxes paid during the year recognized as part of "Taxes and licenses" account under Operating Expenses	
License and permit fees	P392,648
BIR annual registration	2,500
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	P395,148
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**D. Tax cases and assessments**

As at March 31, 2020, the Company has ongoing tax assessment with BIR for FY 2014-15 and FY 2015-16.

