COVER SHEET

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S.E.C. Registration No.

XURPAS INC.

(Company's Full Name)

7F CAMBRIDGE CENTRE BLDG
108 TORDESILLAS ST. SALCEDO
VILLAGE MAKATI CITY

(Business Address : No. Street City / Town / Province)

MARK S. GORRICETA

Contact Person

(02) 8889-6467

Company Telephone Number

1 2 **3 1**

Month Day

Fiscal Year

17-A

FORM TYPE

2nd Monday of May

Month Day

Annual Meeting

N/A

Secondary License Type, If Applicable

M S R D

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

N/A

Domestic

N/A

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2019**

2. SEC Identification Number **A200117708** 3. BIR Tax Identification No. **219-934-330-000**

4. Exact name of issuer as specified in its charter **XURPAS INC.**

5. **PHILIPPINES**
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. **7th Floor, Cambridge Centre 108 Tordesillas St. Salcedo Village, Makati City 1227**
Address of principal office
1227
Postal Code

8. **(632) 889-6467**
Issuer's telephone number, including area code

9. **Not Applicable**
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Shares	**1,871,830,210**

As of December 31, 2019, 42.54% of Xurpas Inc.'s common shares are owned by the public.

11. Are any or all of these securities listed in the Philippine Stock Exchange.

Yes [**X**] No [ ]

A total of 1,797,700,660 common shares are listed in the Philippine Stock Exchange as of December 31, 2019.

12. Check whether the issuer:

(a.) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [**X**] No [ ]

(b.) has been subject to such filing requirements for the past ninety (90) days.

Yes [**X**]   No [ ]

13. Aggregate market value of the voting stock held by non-affiliates as of December 31, 2019 amounted to ₱613,084,680.67. The price used for this computation is the closing price as of December 27, 2019 is ₱0.77.

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [**X**]   No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders;

(b) Any information statement filed pursuant to SRC Rule 20;

(c) Any prospectus filed pursuant to SRC Rule 8.1.

TABLE OF CONTENTS

PART I	**BUSINESS AND GENERAL INFORMATION**
Item 1	Business
Item 2	Properties
Item 3	Legal Proceedings
Item 4	Submission of Matters to a Vote of Security Holders
PART II	**OPERATIONAL AND FINANCIAL INFORMATION**
Item 5	Market for Registrant's Common Equity and Related Stockholder Matters
Item 6	Management's Discussion and Analysis or Plan of Operations
Item 7	Financial Statements and Supplementary Schedules
Item 8	Changes in and Disagreements with Accountants on Accounting and Financial Disclosures
PART III	**CONTROL AND COMPENSATION INFORMATION**
Item 9	Directors and Executive Officers of the Registrant
Item 10	Executive Compensation
Item 11	Security Ownership of Certain Beneficial Owners and Management
Item 12	Certain Relationships and Related Transactions
PART IV	**CORPORATE GOVERNANCE**
Item 13	Corporate Governance
PART V	**EXHIBITS AND SCHEDULES**
Item 14	Exhibits
	Reports on SEC Form 17-C (Current Report)

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

INDEX TO EXHIBITS

SIGNATURES

PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. Business

Xurpas Inc. ("**Xurpas**" or the "**Company**") is a technology company specializing in the creation and development of digital products and services, as well as the creation, development, and management of proprietary platforms for its clients. Xurpas provides mobile marketing and advertising solutions integrated in these consumer digital products and platforms for the consumption of mobile users. The Company is also engaged in platform development and customization, system integration, mobile platform consultancy services, management of off-the-shelf application and social media related services. This includes information technology (IT) staff augmentation and various enterprise solutions-based services to Telcos and other companies for network and applications development.

The Company's main business units comprise of: 1) Mobile consumer products and services; 2) Enterprise solutions; and 3) Other services (HR technology services). *See Products and Services for a detailed discussion.*

Listing with the Philippine Stock Exchange

On November 12, 2014, the Philippine Stock Exchange ("PSE") approved the initial public offering of the Company and offer of 344.00 million common shares at an offer price of ₱3.97 per share. On December 2, 2014, the common shares of Xurpas were listed in the PSE.

After its initial public offering, Xurpas acquired several companies to expand its portfolio of mobile technology products and services, enterprise services, and invest in companies that will aid in the distribution of the aforementioned products and services.

On April 26, 2016, Xurpas conducted an overnight placement with partial top up ("**Overnight Top Up Placement**") wherein three substantial shareholders sold an aggregate of 155,400,000 common shares and accordingly, subscribed to 77,700,000 common shares ("**Subscription Shares**") from the Company's authorized capital stock. The Company raised an aggregate of ₱1.2 billion gross proceeds from issuance of the Subscription Shares, which was intended to support its growth strategy and fund its capital expenditure program. The Subscription Shares were listed with the PSE in 2016.

Acquisitions and Investments

Altitude Games Pte. Ltd. The Company purchased 21.78% ownership in Altitude Games Pte. Ltd. in 2014, a Singaporean IT company engaged in computer game development and publishing. In 2019, Altitude accepted game development projects outsourced to it by certain offshore game publishers.

Storm Technologies Inc. In February 2015, the Company acquired a 51.06% controlling stake in Storm Flex Systems, Inc. (currently registered as Storm Technologies Inc., referred herein as "**Storm**"), to enable Xurpas to expand beyond telecommunication networks and into corporations through offering human resource ("HR") technology solutions. As of date, Xurpas owns 51.31% controlling stake in Storm.

Seer Technologies Inc. Xurpas acquired 70% controlling stake in Seer Technologies Inc. ("**Seer**"), a company engaged in software consultancy, design, development and managed services focused on mobile, cloud and data technologies. Seer has been operationally absorbed by the Parent Company.

Xurpas Enterprise Inc. Xurpas also registered Xurpas Enterprise with the Philippine Securities and Exchange Commission in March 2016. Xurpas Enterprise was created to primarily engage in the business of software development including designing, upgrading, and marketing all kinds of information technology systems to corporate clients.

PT Sembilan Digital Investama On March 26, 2015, Xurpas acquired 49% shareholdings in PT Sembilan Digital Investama ("SDI"). The acquisition gave the Parent Company access to PT Ninelives Interactive ("Ninelives"), a mobile content and distribution company in Indonesia, which SDI owns. In 2019, clients included Hooq and Viu.

MatchMe Pte. Ltd. On March 30, 2015, the Parent Company acquired 1,000,000 ordinary shares of MatchMe, an international game development company based in Singapore, for a total consideration amounting to ₱61.60 million. In 2018, MatchMe issued 1,547,729 ordinary shares worth US$0.079 per share or a total of US$122,944. The Parent Company subscribed to 467,820 ordinary shares for a total of US$37,161 or ₱1,977,018 resulting to increase in percentage ownership from 28.59% to 29.10%. MatchMe was not able to level-up its operations in 2019 and has eventually resulted in it becoming dormant.

Micro Benefits Limited. The Company also acquired 23.53% ownership in Micro Benefits Limited ("**Micro** Benefits"), a company registered in Hong Kong in March 2016. Micro Benefits is engaged in the business of providing HR benefits to Chinese workers through its operating company, Micro Benefits Financial Consulting (Suzhou) Co. Ltd, China. It developed a mobile application called CompanyIQ, which focuses on four key areas to improve employee engagement and business operations: Worker Voice, Digital Learning, Employee Portal, and Business Intelligence.

Art of Click Pte. Ltd. On October 6, 2016, Xurpas acquired 100% stake in Art of Click Pte. Ltd ("AOC"), a company registered under the laws of Singapore and engaged in the business of mobile media advertising that offers a marketing platform for advertisers. The Company has recently disclosed that to prevent further losses, AOC will limit its operations.

Xeleb Technologies Inc. and Xeleb Inc. develops digital products and services, with a particular focus on celebrity-branded and themed mobile Casual Games and Content for consumers. With the decline in the Company's mobile consumer business, the Company has announced in 2019 that it intends to dissolve the said entities.

CTX Technologies Inc. The Company incorporated CTX Technologies Inc. in 2018. As of date, the said subsidiary has no operations. The Company's board of directors has recently approved the sale of 80% of CTX to one of its principal shareholders, Mr. Fernando Jude F. Garcia.

Yondu Inc. In September 2015, the Company acquired 51% controlling stake in Yondu Inc. ("Yondu"), originally a Globe Telecom wholly-owned subsidiary which is presently engaged in the development and creation of wireless products and services accessible through telephones or other forms of communication devices and media networks. ***Xurpas sold its 51% interest in Yondu in September 2019.***

The list of companies on which Xurpas has voting interest as of December 31, 2019 and 2018 are as follows:

	Percentage of Voting Interest	
	2019	**2018**
Xeleb Technologies Inc. (formerly Fluxion, Inc.)[1]	**100.00%**	**67.00%**
Storm Technologies, Inc. (formerly Storm Flex Systems, Inc.)	**51.31%**	**53.96%**
Seer Technologies Inc.	**70.00%**	**70.00%**
Yondu Inc.	–	**51.00%**

[1] *Xeleb Technologies Inc. is in the process of dissolution.*

Xurpas Enterprise Inc.	**100.00%**	**100.00%**
Art of Click Pte. Ltd.	**100.00%**	**100.00%**
PT Sembilan Digital Investama	**49.00%**	**49.00%**
MatchMe Pte. Ltd.	**29.10%**	**29.10%**
Micro Benefits limited	**23.53%**	**23.53%**
Altitude Games Pte. Ltd	**21.78%**	**21.78%**
Altitude Games Inc.	**21.17%**	**21.17%**
Zowdow, Inc. (formerly Quick.ly Inc.)	**3.56%**	**3.56%**
ODX Pte. Ltd.	**100.00%**	**100.00%**
CTX Technologies Inc.	**100.00%**	**–**

PRODUCTS AND SERVICES

Mobile Consumer Services

Mobile Consumer Services includes airtime management, content development and management, and marketing and advertising solutions. The Company creates and develops mobile consumer content and other value-added services for mobile phone subscribers such as online casual games, info-on-demand services (e.g., news, social and other entertainment information), chat and messaging applications (e.g., mobile stickers), ringtones, licensed or unlicensed content such as music, videos, as well as mobile marketing and advertising solutions.

Content Provider Agreements with Telcos

As of December 31, 2019, the Company is a party to content provider agreements with all three of the Philippines leading Telcos, namely, Smart Communications, Inc. and Globe Telecom Inc.

Under these arrangements, the Company is primarily responsible for conceptualizing, designing, sourcing, generating, and maintaining (including, where necessary, de-bugging) mobile consumer content and services that its client Telco may avail of for distribution to or access, subscription or use by its mobile phone subscribers. On the other hand, the client Telco shall be responsible for all costs incurred in maintaining and operating its telecommunications network, as well as the billing and collection of the fees prescribed by the Telco for access, subscription or use of the mobile consumer content and services paid for by the Telco's mobile phone subscribers.

Access or subscription fees payable for access or subscription to the Company's mobile consumer content are paid exclusively through a mobile subscriber's outstanding mobile airtime credits, and payment of such fees is made by a subscriber by crediting a short code (which is a specific network access code assigned by the Telco to the Company) with the corresponding amount of mobile airtime credit. For instance, a mobile subscriber who wishes to subscribe to a news service offered by the Company, subscription to which is available for a price of ₱2.50, will need to send an instruction by SMS to the Telco through the short code (in the form of brief text commands) to debit his or her outstanding mobile airtime credit with the amount of ₱2.50. All access or subscription fees paid (or deemed paid) by the mobile subscriber are received and collected by the Telco.

In consideration for providing mobile consumer content and services (or access to such content, as for example, licensed content such as music or videos) to the client Telco, the Company receives a share in the revenues derived by the Telco from the fees paid by its mobile phone subscribers to the Telco to access, subscribe to or use such mobile consumer content and services. This share may vary depending on the type of content or service provided by the Company, but is typically equivalent to at least 50% of such access, subscription or usage fees, and is distributed to the Company by the Telco on a monthly basis.

In 2018, Globe Telecom Inc. implemented new policies which directly affected all of its VAS providers, including the Company. The said new policies caused a significant decline in the Company's mobile consumer services revenue.

For the year ended December 31, 2019, the Group's total revenue and net loss from its mobile consumer products business before intersegment adjustments were ₱68.33 million and ₱2,799.43 million, respectively, while total revenue and net loss before intersegment adjustments from its mobile consumer products business for the year ended December 31, 2018 amounted ₱314.24 million and ₱801.28 million, respectively.

Since the Parent Company operates under mobile consumer services, the segment suffered, as well, from the impairment losses on its goodwill and investments in associates and loss from sale of Yondu. Results of the segment's operations excluding one-off charges, will show net loss of ₱401.94 million.

Enterprise Services

The Company develops, on its own or in close collaboration with other technology companies, mobile platform solutions for the benefit of clients such as Telcos, government agencies, and other top-tiered companies. These products, which are tailored to a client's particular requirements and are used by millions of mobile subscribers at any given time, comprise the Company's enterprise services segment and include mission-critical applications such as customized call/SMS/data bundles, peer-to-peer mobile airtime credit transfers and various forms of mobile commerce.

The Company, through its subsidiaries, develops and customizes information technology platforms, provides system integration, mobile platform consultancy, manages off-the-shelf application and social media-related services.

Enterprise Services also includes information technology staff augmentation and various enterprise solutions-based services to Telcos and other companies for network and applications development.

For the year ended December 31, 2019, the Company's total revenue and net loss from its enterprise business before intersegment adjustments were ₱861.82 million and ₱57.46 million, respectively, while total revenue and net loss before intersegment adjustments from its enterprise business were ₱909.85 million and ₱54.66 million, respectively, for the year ended December 31, 2018.

Other Services

The Company, through its subsidiary Storm, provides HR technology solutions to its clients. Storm developed a proprietary online platform which allows employees of any company that has signed with Storm to exchange his or her current employee benefits and transform them into products and services such as mobile phones, gadgets, or financial training services, called 'StormFlex.' Storm also offers the same service for employees who are rewarded with points for accomplishing set milestones or objectives by their employer. The Company's subsidiary designs, develops, and customizes the HR technology platforms and streamlines the logistical requirements for product and service fulfillment.

For the year ended December 31, 2019, the Company's total revenue and net loss from its other services before intersegment adjustments were ₱97.31 million and ₱79.82 million, respectively. While for the year ended December 31, 2018, the Company's total revenue and net loss before intersegment adjustments from its other services were ₱95.99 million and ₱104.65 million.

Blockchain Technology

In 2018, the Company announced the incorporation of its wholly owned subsidiary, ODX Pte. Ltd. ("ODX"), an entity registered in Singapore, that will allow consumers in emerging markets to access the internet for free, through sponsored data packages. ODX pre-sold tokens and the proceeds from the said sale, amounting to $4,999,960 will be used to start building the ODX infrastructure and for business development. The Company announced that some of its subsidiaries/affiliates also launched blockchain technology projects. In 2019, ODX started the distribution of tokens to all its investors, pre-sale purchasers, and advisors (collectively the "Token Holders").

COMPETITION

For its mobile consumer content development business, the Company competes with over 100 mobile consumer content providers, which include Information Gateway, Inc., G-Gateway, Zed, Wolfpac and Rising Tide as competitors.

For its mobile marketing and advertising solutions business, the Company considers the following as competitors: TradeMob, Fiksu, Mobvista, Glispa, and Avazu.

For its enterprise development business including Seer Technologies Inc., the Company considers Stratpoint, Pointwest, and Novare, as its main competitors, providing outsourced web and mobile applications development services or cloud services for their clients.

For the Company's other services, which refers to the flexible benefits and performance benefits business of Storm, the main competitor is Takatack Rewards, Towers Watson, Mercer, Venteny, Kudos Canada, Globoforce, and My Checkpoints.

KEY RISKS

Stiff Competition and fast-paced evolution of the IT industry

The Company operates in a highly competitive environment given the numerous existing and new technology companies that has the capacity to provide the same services with competitive pricing. Likewise, the speed at which technology evolves to cater the demand of individuals and businesses for technological advancements poses risks such as costly upgrades of systems and obsolescence of some services. Nevertheless, the Company mitigates these things through establishing good relationships with its customers by providing quality services. In addition, the Company is continually identifying new, upgradable, and cost-effective solutions for its offered services.

Reliance on third party transmission and distribution infrastructure

As a mobile telecommunications value-added services provider, the Company relies on the transmission, switching and local distribution facilities of Telcos to which it provides mobile digital content and services. The Telcos own, operate and maintain these transmissions, switching and local distribution facilities and the Company itself does not have any right to participate or intervene in the operation or maintenance thereof. In 2018, the Company's business was severely affected when Globe Telecom, Inc. implemented new and stricter opt-in guidelines for customers who sign up for VAS subscription. The Company's revenue from its mobile consumer services significantly declined as a result of this. The Company has disclosed that it is strengthening and enhancing its enterprise services in light of the ongoing challenges in its mobile consumer segment.

Short Term Agreement with Telcos

The Company derives a small portion of its revenues from its share of the fees paid by mobile phone subscribers of its client Telcos to access, subscribe to or to use mobile consumer content and services created or developed by the Company pursuant to its content provider agreements with such Telcos. The Company's existing content provider agreements with its client Telcos are generally short-term in nature, with terms ranging from one to five years. In each case, there is no guarantee that such agreements will be renewed upon expiration thereof. Nevertheless, to mitigate reliance on its existing content provider agreements with such Telcos, the Company has acquired/invested in a foreign entity to expand its mobile operator client base to Telcos or other mobile operators outside the Philippines.

Ability to maximize and adapt to new technologies

The Company has disclosed that its acquisition and investment in various technology entities is aimed at creating platforms that offers a marketplace of technology products that consumers can choose from. The Company has equipped itself with various technologies to create the necessary platforms it can offer to the consumers. The Company's success will depend on its ability to maximize the potentials of these acquired technologies. Moreover, since the technology industry continues to develop at a robust pace, the Company will need to consider as part of its growth strategy that these technologies will need to be consistently updated, enhanced or developed to minimize risk on these becoming obsolete or impractical.

TRANSACTIONS WITH RELATED PARTIES

The Company has likewise secured loans from its key shareholders. See Note 20 of the Company's consolidated financial statements for transactions as of December 31, 2019.

On February 20, 2019, the board of directors approved the execution of a loan agreement wherein the key shareholders of the Company agreed to extend an aggregate of Php150 million loan to be used to fund enterprise projects and for general corporate purposes.

In 2020, the Board of the Company has also approved the sale of CTX Technologies Inc. to a director of Xurpas, Mr. Fernando Jude F. Garcia.

INTELLECTUAL PROPERTY

As the Company creates, develops and maintains substantially all of its mobile consumer content, the Company owns and holds exclusive rights to its entire product portfolio, excluding mobile consumer content in the form of licensed content such as music, videos and other content of a similar nature, which it licenses through third party licensors.

Platforms

Key intellectual property of the Company includes the Griffin SMS Gateway program, which is a proprietary platform developed by the Company through which the Company deploys mobile applications through any telecommunications network protocol. The Griffin SMS Gateway program is built on a modular architecture and is written in Java, an industry standard programming language that allows the program to be deployed using most common operating systems, with the following key features:

- The Griffin SMS Gateway allows the Company to connect to any of its client Telco's SMS center, which represents the heart of any Telco's wireless network handling all SMS operations, such as routing, forwarding and storing SMS messages, using popular protocols.

- The Griffin SMS Gateway contains a "Multi-Function Middleware" feature that allows the Company to interface with its client Telco's "Intelligent Network", which is the network that allows a Telco to offer value-added services to its mobile subscribers on top of its standard services (voice and call services) through UCIP or Diameter, MMSCs via MM7, or billing systems via proprietary SOAP-XML or other proprietary HTTP-based protocols.

- The Java API of the Griffin SMS Gateway allows the Company's application developers to write code that can easily be integrated or deployed across multiple carriers that may have different systems.

Key Intellectual Property of Yondu (which the Company sold in September 2019) includes Mobile360 SMS, which is a proprietary platform developed through which it delivers mobile services through various telecommunications connectivity. The Mobile360 SMS platform is built on a modular architecture and is written using industry standard programming languages with the following key features:

- The Mobile360 SMS platform allows the Company to create, process, and analyze SMS services through connectivity with partner Telcos' wireless network.

- The Mobile360 SMS platform allows the Company to provide SMS connectivity to third-party independent developers, software development houses, solutions integrators, and content providers through APIs that can be incorporated into their codes.

- The Do-It-Yourself feature of the Mobile360 SMS platform allows the Company to enable its clients to gain control over their SMS campaigns and services in terms of content, schedule and customer reach.

Trademarks

The Company likewise owns exclusive rights to its corporate name, as well as various brand names and marks that are used for its operations. Provided below is the summary of all marks registered in the name of the Company or any of its subsidiaries:

Holder	Mark	Registration Number	Date Filed	Date Registered
Xurpas Inc.	SELFIE.PH	42014009255	July 25, 2014	June 25, 2015
Xurpas Inc.	GRAB-A-GOLD	42014009260	July 25, 2014	December 11, 2014
Xurpas Inc.	FLUXION	42014009259	July 25, 2014	December 11, 2014
Xurpas Inc.	PLAYSMART	42014009254	July 25, 2014	December 11, 2014
Xurpas Inc.	#SELFIE	42014009257	July 25, 2014	December 11, 2014
Xurpas Inc.	SWAG	42014009261	July 25, 2014	February 12, 2015
Xurpas Inc.	Xurpas	42007004775	May 11, 2007	October 8, 2007
Xurpas Inc.	Xurpas	42017003342	March 8, 2018	October 5, 2017
Xurpas Inc.	Xurpas	42017003343	June 29, 2017	March 8, 2017
Xurpas Inc.	Art of Click	42017003340	August 31, 2017	March 8, 2017
Xurpas Inc.	Seer	42017003341	August 31, 2017	March 8, 2017

Xurpas Inc.	XE	42017003346	August 31, 2017	March 8, 2017
Xurpas Inc.	AppXentral	42017003344	June 29, 2017	March 8, 2017
Xurpas Inc.	Xurpas Enterprise	42017003345	June 29, 2017	March 8, 2017
Xurpas Inc.	Balikbayan Box It	42017017366	August 12, 2018	October 26, 2017
Xurpas Inc.	Xuper Tsikot	42017017362	October 26, 2017	March 29, 2018
Xurpas Inc.	Supernova Escape	42017017365	October 26, 2017	March 29, 2018
Xurpas Inc.	Beast Mode On	42017017363	October 26, 2017	March 29, 2018
Xurpas Inc.	Kumander Kuting	42017017364	October 26, 2017	March 29, 2018
Xurpas Inc.	ODX	42018008396	May 21, 2018	May 12, 2019
Xurpas Inc.	X	42018008395	May 21, 2018	May 12, 2019
Xurpas Inc.	Makefree	42018022480	December 19, 2018	December 8, 2019
Xeleb Technologies Inc.	Xeleb	42015005359	May 19, 2015	October 19, 2015
Xeleb Technologies Inc.	Trivia Time with Kuya Kim	42016004316	April 25, 2016	December 22, 2016
Xeleb Technologies Inc.	Xeleb Technologies	42017003700	March 14, 2017	August 31, 2017
Xeleb Technologies Inc.	Popster	42017003704	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Jejemonster	42017003703	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Jologs	42017003699	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Jejemon	42017003702	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Super Belle	42017000346	January 11, 2017	May 4, 2017
Xeleb Technologies Inc.	Master Erwan's Foodcart	42017000082	January 4, 2017	May 4, 2017
Xeleb Technologies Inc.	Empire of Pink	42017000345	January 11, 2017	May 4, 2017
Xeleb Technologies Inc.	Trivia Time with Kuya Kim	42016004316	April 25, 2016	December 22, 2016
Xeleb Technologies Inc.	Xeleb Live	42018003222	February 21, 2018	September 6, 2018
Xeleb	Xeleb Live	42018003220	February 21,	September 6, 2018

Technologies Inc.			2018	
Xeleb Technologies Inc.	Xeleb Live	42018003224	February 21, 2018	September 6, 2018
Xeleb Technologies Inc.	Xeleb Live	42018003225	February 21, 2018	September 6, 2018
Xeleb Technologies Inc.	No Verbal Elements	42018003219	February 21, 2018	September 6, 2018
Xeleb Technologies Inc.	Adventures of Kuya Kim	42017018334	November 10, 2017	May 24, 2018
Xeleb Technologies Inc.	Anne Kulit ni Mogwai	4201717358	October 26, 2017	March 29, 2018
Xeleb Technologies Inc.	Train Ubusan	42017017360	October 26, 2017	March 29, 2018
Xeleb Technologies Inc.	Erwan Youchop	42017017359	October 26, 2017	March 29, 2018
Xeleb Technologies Inc.	Anne-Galing	42015005360	May 19, 2015	November 19, 2015

REGULATION AND KEY LICENSES

The Company's mobile consumer business which refers to the development and delivery of mobile consumer content to its client Telcos, is considered as a form of value-added services regulated by the NTC under the Public Telecommunications Policy Act and related implementing regulations issued by the NTC.

While a value-added services provider (unlike other entities regulated under the Public Telecommunications Policy Act) is not required to obtain a franchise to operate, the NTC requires that any such provider obtain and maintain a Value-Added Services (VAS) License, which shall expressly indicate the value-added services that such provider is authorized to provide. Under existing regulations, the following services may be rendered by a holder of a VAS License:

- SMS and MMS Content Provider (cute texts, news, jokes, forwardable quotes, horoscopes, tips, chat, trivia, twitter and stickers)
- Mobile Tones (true tones, ringback tones, and text tones)
- Games (Grab-a-Gold, Games with Friends, Let's Playsmart, Anne Galing, Market Master Erwan, Trip ni Belle, Sarah G Popsters, Adventure of Kuya Kim, Aldub You)
- Mobile Promotions and Services for Consumer Brands and Third Party Corporate Clients

The Company holds a VAS License issued by the NTC valid until January 3, 2021, pursuant to which the Company is authorized to engage in all of the foregoing value-added services.

EMPLOYEES

The Company believes that its relationship with its employees is generally good and, since the start of its operations, the Company has not experienced a work stoppage as a result of any labor or labor-related disagreements. None of the Company's employees belong to a union. The Company has implemented cost-cutting measures to manage its day to day operations taking into account the challenges encountered by its mobile consumer services segment.

The table below sets forth the breakdown of the Company's labor complement, grouped according to function, as of December 31, 2019:

Executives	3
Accounting, Finance, Human Resources and Administrative	8
Marketing	9
Technical Staff	15
Total	35

The Company has adopted a rewards and recognition policy that is competitive with industry standards in the Philippines. Salaries and benefits are reviewed periodically and adjusted to retain current employees and attract new talents. Tied to these is a performance management system that calls for the alignment of individual key results, competencies, and development plans with the Company's overall business targets and strategy. Performance is reviewed periodically and employees are rewarded based on the attainment of pre-defined objectives. The Company also maintains programs for its employees' professional, technical and personal development.

PLANS AND PROSPECTS

Moving forward, Xurpas aims to expand and sustain its overall business, as it continually implements reorganization to refocus the business on recurring and stable revenue stream. The Company is gearing to strengthen its enterprise business which provides services such as custom software development, cloud services, HR technology, solutions architecture and blockchain technology. For its mobile consumer business segment, the Company is also adopting the same concept of strengthening recurring and stable revenue. For example, its consumer businesses with its subsidiaries or affiliates are now implementing business measures such as charging set up license fees; license ad tech to other third parties; publish own games and outsourcing development work for overseas game companies. Another envisaged component to the recovery and growth is global tech management, wherein Xurpas gains access to high-value, emerging, innovative and disruptive technologies in the US.

The Company intends to seize the opportunity to support various companies in their digital transformation. Xurpas will continue to create and provide custom tools and solutions for these transformations using its technology capabilities and experience. For this purpose, the Company aims to work with other local or international technology companies with content, capabilities, and technologies consistent with the Company's over-all market strategy. It will expand their ability to distribute their products and services globally to reach new corporate customers.

In particular, the Company intends to grow its overall business by:

1) Developing lead generations capability by using digital ads/marketing (social media ads and search engine optimization) and more efficient and aggressive leads management;
2) Growing portfolio by productizing existing services, and forging alliance/partnerships to enhance distribution and cross-selling opportunities ; and

3) Building competency in talent solutions business by building up the onboarding staff, outsourcing (when applicable), and astute resource management.

ITEM 2. Properties

Xurpas does not hold any real property of material value. As of December 31, 2019, properties held are transportation, office equipment, IT equipment, furniture and fixtures, leasehold improvements and leased assets with a net book value of ₱8.76 million.

The Company's offices are presently located at 7th Floor, Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City, Philippines, which is leased by the Company from Gervel, Inc.

Operating Lease Commitments

a. The Parent Company has noncancellable lease contract with Gervel, Inc. for the 7th floor office space which expired on March 21, 2020. The applicable rate per month is ₱0.27 million and a corresponding annual increase of 4%.

   In March 2020, the Company renewed its lease contract for a period of one (1) year commencing on April 1, 2020 and expiring on March 31, 2021. The applicable rate per month is ₱0.33 million. The lease contract may be renewed in writing by mutual agreement of the parties.

b. The Parent Company has noncancellable lease contract with Gervel, Inc. for the 4th floor office space which expired on March 31, 2020. The applicable rate per month is ₱0.29 million and a corresponding annual increase of 4%. The lease contract was pre-terminated through mutual agreement of the parties on March 30, 2019.

c. In 2017, the Parent Company entered into a noncancellable lease contract with Gervel, Inc. for the 6th floor office space for a period of two (2) years and four and a half (4.5) months which commenced on November 16, 2017 and expired on March 31, 2020. The applicable rate per month is ₱0.33 million. The lease contract may be renewed in writing by mutual agreement of the parties.

   In 2019, the Parent Company assigned the contract of lease to Xurpas Enterprise, Inc.

   (See Note 19 of Audited FS for the complete list of leased properties of the subsidiaries)

Xurpas will acquire and/or lease additional property and equipment for its operations when deemed necessary. The cost of such acquisitions will depend on negotiations with vendors and lessors. Xurpas plans to finance such acquisitions from internally generated funds.

There were no property and equipment pledged as collateral as at December 31, 2019.

ITEM 3. Legal Proceedings

There are no material pending legal proceedings (including any bankruptcy, receivership or similar proceedings) to which the Company or any of its subsidiaries is a party or to which any of their material assets are subject.

In 2017, Art of Click ("AoC") and Pocketmath entered into an agreement ("the IO Agreement") for the performance of advertising campaigns amounting to USD4.77 million. Pocketmath failed to pay the invoices as they fell due. Thus, on 18 February 2020, AoC was compelled to issue and serve Statutory Demand to Pocketmath for the outstanding invoices as well as accrued late payment interest.

Pocketmath likewise failed to pay its liability as reflected in the Statutory Demand. Thereafter, AoC initiated a winding-up proceeding against Pocketmath in the Singapore High Court. After several proceedings, the parties entered into Settlement Agreement dated 1 July 2020.

On February 8, 2020, AMA Computer University Inc. filed a case at the Quezon City RTC Branch 84 against Seer Technologies Inc for breach of contract and damages. The plaintiff argued that Seer did not perform the services according to the agreement entered by the 2 parties. On March 6, 2020, the case was settled. At the same time, the court ordered the release of hold on the bond amounting to ₱ 5.04 million.

ITEM 4. Submission of Matters to a Vote of Security Holders

Xurpas Inc. held its Annual Stockholders' Meeting on November 8, 2019, wherein the following mattes were acted upon:

Agenda 1: Approval of Minutes of Previous Meeting		
Yes	No	Abstain
99.54%	-	0.46%
Resolution: "RESOLVED, to approve the minutes of the Annual Stockholders' Meeting held on July 17, 2018."		

Agenda 2: Approval of the Consolidated Audited Financial Statements as of December 31, 2018		
Yes	No	Abstain
99.54%	-	0.46%
Resolution: *"RESOLVED, to note the Corporation's Annual Report and to approve the consolidated Audited Financial Statements of the Corporation as of December 31, 2018, as audited by Sycip Gorres Velayo & Co."*		

Agenda 3: Election of Directors			
Names	Yes	No	Abstain
Nico Jose S. Nolledo	99.67%	-	0.01%
Alexander D. Corpuz	99.67%	-	0.02%
Fernando Jude F. Garcia	99.67%	-	0.02%
Mercedita S. Nolledo	99.52%	-	0.02%
Wilfredo O. Racaza	99.52%	-	0.02%
Jonathan Gerard A. Gurango, Independent Director	99.52%	-	0.02%
Resolution: "RESOLVED, to elect the following as directors of the Corporation to serve as such beginning today until their successors are elected and qualified: • Nico Jose S. Nolledo • Fernando Jude F. Garcia • Alexander D. Corpuz • Mercedita S. Nolledo • Wilfredo O. Racaza • Jonathan Gerard A. Gurango (Independent Director)"			

Agenda 4: Appointment of External Auditor		
Yes	No	Abstain
99.99%	-	0.46%
Resolution: "RESOLVED, as endorsed by the Board of Directors, to approve the re-appointment of Sycip Gorres Velayo & Co. as the Corporation's External Auditor for the year 2019."		

PART II - OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. Market for Registrant's Common Equity and Related Stockholder Matters

Market Information

Principal market where the registrant's common equity is traded.

Xurpas' common shares were listed with the Philippine Stock Exchange, Inc. on December 2, 2014. The high and low stock prices for 2017, 2018, 2019 and the 1st quarter of 2020 are indicated below:

	High	Low
2020		
2nd Quarter	1.37	0.40
1st Quarter	0.95	0.40
2019		
4th Quarter	1.16	0.75
3rd Quarter	1.22	0.87
2nd Quarter	1.37	0.91
1st Quarter	2.33	1.09
2018		
4th Quarter	2.39	1.04
3rd Quarter	3.72	2.02
2nd Quarter	3.92	2.80
1st Quarter	5.93	3.10
2017		
4th Quarter	5.94	3.10
3rd Quarter	9.07	5.20
2nd Quarter	10.84	7.40
1st Quarter	10.50	7.09

The market capitalization of the Company's common shares as of end-2019, based on the closing price of ₱0.77/share, was approximately ₱1.44 billion versus ₱3.22 billion the previous year.[2]

The price information of Xurpas' common shares as of the close of the latest practicable trading date, May 28, 2020, is ₱0.57.

Holders

There are twenty-five registered holders of common shares, as of July 31, 2020 (based on number of accounts registered with the Stock Transfer Agent).[3]

	Stockholder's Name	Number of shares	Percentage to total	Nationality
1.	PCD Nominee Corp. (Filipino)[4]	1,416,814,479	73.22	Filipino
2.	PCD Nominee Corp. (Non-	290,040,558	14.99	Others

[2] Xurpas has 1,870,940,210 outstanding common shares as of December 31, 2019.
[3] Based on the list of stockholders issued by BDO Unibank Inc. Stock and Investment Group, list includes PCD Nominees.
[4] PCD Nominee Corp. (Filipino) includes shares directly and indirectly owned by a) Mr. Nico Jose S. Nolledo; b) Mr. Raymond Gerard S. Racaza; and c) Mr. Fernando Jude F. Garcia. We note that a portion of shares of Messrs. Nolledo, Racaza and Garcia are not yet listed with the Exchange, but are included in PCD Nominee Corp. (Filipino). Further, PCD Nominee Corp. (Filipino) includes treasury shares.

	Filipino)			
3.	Raymond Gerard S. Racaza	174,100,010	8.99	Filipino
4.	Nelson Gatmaitan	400,000	0.02	Filipino
5.	Emilie Grace S. Nolledo	251,889	0.01	Filipino
6.	Aquilina V. Redo	6,500	0	Filipino
7.	Rogina C. Guda	6,000	0	Filipino
8.	Dahlia C. Aspillera	2,900	0	Filipino
9.	Mercedita S. Nolledo	1,060	0	Filipino
10.	Wilfredo O. Racaza	1,060	0	Filipino
11.	Roberto B. Redo	1,000	0	Filipino
12.	Shareholders' Association of the Philippines	1,000	0	Filipino
13.	Frederick D. Go	500	0	Filipino
14.	Dondi Ron R. Limgenco	111	0	Filipino
15.	Marietta V. Cabreza	100	0	Filipino
16.	Milagros P. Villanueva	100	0	Filipino
17.	Myra P. Villanueva	100	0	Filipino
18.	Myrna P. Villanueva	100	0	Filipino
19.	Philip &/or Elnora Turner	99	0	British-Indian
20.	Fernando Jude F. Garcia	10	0	Filipino
21.	Nico Jose S. Nolledo	10	0	Filipino
22.	Jonathan Gerard A. Gurango	10	0	Filipino
23.	Alvin D. Lao	10	0	Filipino
24.	Owen Nathaniel S. AUITF: Li Marcus Au	3	0	Filipino
25.	Joselito T. Bautista	1	0	Filipino
	Total	**1,881,627,610**[5]	**100%**	**Filipino**

Dividends and Dividend Policy

Information on the Company's declaration of dividends follow:

Parent Company	Per Share	Total Amount	Record Date	Payable Date
Cash dividend declared on:				
May 8, 2017	0.05	92.85 million	May 23, 2017	June 15, 2017
May 10, 2016	0.048	86.27 million	May 31, 2016	June 23, 2016
April 29, 2015	0.40	68.80 million	May 14, 2015	June 2, 2015
September 20, 2014	0.56	36.00 million	June 30, 2014	September 30, 2014
June 5, 2014	0.47	30.25 million	December 31, 2013	June 30, 2014
November 18, 2013	5.13	16.67 million	September 30, 2013	November 29, 2013
July 22, 2013	1.03	3.33 million	June 30, 2013	July 31, 2013
May 6 2013	0.83	2.70 million	December 31, 2012	May 31, 2013
March 13, 2013	3.08	10.00 million	December 31, 2012	March 31, 2013

[5] This includes Treasury Shares under PCD Nominee Corp (Filipino)

Stock dividend declared on:				
July 10, 2014	0.95 shares	61.25 million	September 20, 2014	September 20, 2014
May 5, 2014	18.85 shares	61.25 million	May 5, 2014	May 5, 2014

The Company has adopted a dividend policy pursuant to which stockholders may be entitled to receive, upon declaration by the Company's Board of Directors and subject to the availability of the unrestricted retained earnings, dividends equivalent to at least 30% of the prior year's net income after tax based on the Company's audited consolidated financial statements as of such year, except when: (i) justified by definite corporate expansion projects or programs approved by the Board; or (ii) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or (iii) when it can be clearly shown that retention of earnings is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserves for probable contingencies.

The Company cannot provide assurance that it will pay any dividends in the future. In making a decision to declare dividends, the Board may consider various factors including the Company's cash, gearing, return on equity and retained earnings, the results of its operations or the Company's financial condition at the end of the year and such other factors as the Board may deem appropriate. The Company's Board may, at any time, modify such dividend payout ratio depending upon the results of operations and future projects and plans of the Company.

Recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction

1. Overnight Top-up Placement – April 26, 2016

On April 26, 2016, the Board of Directors of Xurpas approved the holding of a Placing and Subscription Transaction ("the Overnight Top-up Placement") wherein Messrs. Nico Jose S. Nolledo, Raymond Gerard S. Racaza and Fernando Jude F. Garcia (the "Selling Shareholders") sold an aggregate of 155,400,000 common shares (the "Offer Shares") to investors (the "Placing tranche") and the Selling Shareholders subscribed to an aggregate of 77,700,000 common shares (the "Subscription Shares") or 4.32% of the new issued and outstanding capital shares of the Company ("Subscription tranche").

The first part of the Overnight Top-up Placement consists of the offer and sale of the Offer Shares by the Selling Shareholders to (i) Qualified institutional investors in the Philippines qualified as an exempt transaction in reliance on Section 10.1(c) and 10.1(l) of the Philippine Securities Regulation Code (the "SRC"); (ii) outside the United States in reliance on Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"); and (iii) within the United States to "qualified institutional buyers" as defined in, and in reliance on, Rule 144A under the Securities Act. SB Capital Investment Corporation and Decker & Co., LLC are the Joint Global Coordinators and led the selling syndicate in placing the Offer Shares with investors.

The second part of the Overnight Top-up Placement consists of the subscription by each Selling Shareholder to 1.4% of the Company's total issued and outstanding capital shares, in the form of new shares issued out of the authorized capital stock of the Company at a subscription price equivalent to the Offer Price. Xurpas claimed exemption from registration under Section 10.1(e) and (k) of the Securities and Regulation Code.

2. Acquisition of Art of Click Pte. Ltd ("AOC") – October 6, 2016

On October 6, 2016, Xurpas signed a Share Purchase Agreement with Emmanuel Michel Jean Allix and Wavemaker Labs Pte. Ltd. (the "Sellers") for the acquisition of 100% shares in AOC for an aggregate consideration of ₱1.40 billion in cash and in Xurpas shares. AOC is a Singaporean start-up firm established in 2011 that specializes on mobile marketing solutions for advertisers, publishers, app developers and other operators. Its key markets include Japan, Korea, Hong Kong, Taiwan, Southeast Asia, North America and Europe.

The cash consideration consists of (1) an Upfront Payment to the Sellers amounting to US$2,797,106 (135,379,930) and (2) cancellation of employee stockholder options through Xurpas' subscription to one ordinary share in the capital of AOC for US$2,202,894 (106,620,070). This was used to pay the AOC's Employee Stock Ownership Plan ("ESOP") shareholders.

The Xurpas shares to be issued to the Sellers consist of (1) an Upfront Payment amounting to US$19,451,739 payable in Xurpas shares to the Sellers on the acquisition date, (2) Installment Payment payable to the Sellers in Xurpas shares one year after the closing date and every year thereafter until three years after the closing date, and (3) a Deferred Purchase Consideration which shall be subject to a net income after tax floor per year that AOC has to meet as a condition precedent to the entitlement of the Sellers to the Deferred Purchase Consideration and payable in three (3) tranches. The aggregate amount of Deferred Payment Consideration for a three-year deferred payment period shall in no case be greater than US$13,962,725. In the finalization of the purchase price, the parties have clarified that the Deferred Purchase Consideration shall be fixed at US$13,962,725 and shall not be subject to the performance metrics of AOC, and such is intentionally part of the original consideration. Accordingly, the Deferred Purchase Consideration was considered as part of the acquisition cost in the final purchase price.

The number of Xurpas shares to be issued at each tranche shall be determined using the average market value of Xurpas common shares fifteen (15) days before and fifteen (15) days after the closing date or each commitment date, as applicable, agreed to by the parties.

Included in the Share Purchase Agreement is a call option granting the Sellers an option exercisable within fifty-one (51) months following the Closing Date and only upon the occurrence of a Call Option event to purchase from Xurpas their respective proportionate share in the Sale Shares. This was subsequently waived.

On June 2017, amendments were made to the share purchase agreement with one of the sellers, Emmanuel Michel Jean Allix ("Allix"), which (a) resulted in the payment of US$7.24 million or 358.50 million, (b) changed the manner of payment of the Installment Payment payable and Deferred Purchase Consideration from being partly in cash and Xurpas shares to solely in cash, and (c) changed the term of the Installment Payment payable from being payable in three years after the closing date to being payable within the year.

On July 18, 2017, Xurpas reacquired 53,298,242 common shares Upfront Payment issued at acquisition date to Allix, a former shareholder of AOC, for a consideration of US$532,983 or 26.65 million.

On October 3, 2017, Xurpas entered into an agreement to amend the share purchase agreement with Wavemaker Labs Pte. Ltd. ("Wavemaker"), a former shareholder of AOC, which provides for (a) the adjusted purchase price, (b) the change in manner of payment for the Installment Payment and Deferred Consideration pertaining to Wavemaker from being payable in Xurpas shares to cash, and (c) changed the term of the Installment Payment payable from being payable in three years after the closing date to being payable within the year. To implement these amendments, there will be a placement and subscription transaction involving 67,285,706 Xurpas listed shares of existing shareholders by way of a block sale through the facilities of the PSE in 2018. Three shareholders of Xurpas sold their shares to Wavemaker, as an advance on behalf of Xurpas. The said shareholders, then subscribed to an aggregate of 67,285,706 Xurpas shares to replace the shares already advanced. Xurpas is claiming exemption from registration under Section 10.1(k) of the Securities and Regulation Code.

The 16,641,244 common shares initially issued to Wavemaker representing the Upfront Payment shall be placed by Wavemaker in an escrow agent who is authorized to sell these shares after these are listed. The allocation of the proceeds from the sale of these shares will be determined in the future subject to certain conditions.

On October 3, 2017, Allix and Wavemaker executed a waiver of the second and third tranches of the Deferred Purchase Consideration. The Sellers also waived their call option on the shares.

ITEM 6. Management's Discussion and Analysis or Plan of Operation.

Summary

	Years ended December 31						Percentage Change				
Php Millions	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2019vs2018**	**2018vs 2017**	**2017vs 2016**	**2016vs2015**	**2015vs2014**
Revenues	971.96	1,242.19	2,103.57	1,947.14	898.37	378.32	-22%	-41%	8%	117%	137%
Gross Profit	146.49	109.59	649.15	803.43	513.87	264.45	34%	-83%	19%	56%	94%
Income (Loss) before Income Tax	(2,609.21)	(667.13)	122.04	379.10	331.10	239.14	291%	-647%	-68%	14%	38%
Net Income (Loss)	(2,635.36)	(811.64)	102.57	264.84	229.62	190.72	225%	-891%	-61%	15%	20%
Revenues											
Mobile Consumer Services	19.92	270.85	1,336.54	1,239.92	576.06	309.37	-93%	-80%	8%	115%	86%
Enterprise Services	854.73	875.61	667.60	653.14	243.14	68.95	-2%	31%	2%	168%	253%
Other Services	97.31	95.72	99.44	54.07	78.87	-	2%	-4%	84%	-31%	n.a

From a consistent growth of revenues from 2014 to 2017, the Group's revenues started its drop in 2018, as it faced 2 major business challenges in its mobile consumer segment. The industry reshaping event of widespread ad fraud that adversely affected the whole digital advertising industry, including the legitimate players, persisted until that year. In addition, domestically, the technical and business policy changes implemented by Globe Telecom affected the Group's Value Added Services (VAS) business.

In 2019, the mobile consumer segment earned revenues of ₱19.92 million. On the other hand, the enterprise revenues was at ₱854.73 million, which was slightly less than the previous year. The enterprise revenues was mostly generated by Yondu. For the year 2019, for Yondu, only revenues until September 11, 2019, were recorded as Yondu was sold back to Globe on that date. Total revenue for 2019 was ₱971.96 million, as other services accounted for ₱97.31 million, in addition to the mobile consumer and enterprise segments.

The Group recorded a net loss of ₱2,635.36 million in 2019. Aside from the drop in revenue which resulted in operating losses, the Group experienced a net loss due to the provision for impairment losses which totaled ₱1,923.42 million. The provisions for impairment was in relation to the goodwill of subsidiaries, investments in associates, receivables and other current assets. In addition, the sale of Yondu led to a ₱478.95 million loss.

Key Financial Data In PhP Millions	For the year ended December 31					
	2019		2018		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Revenues						
Enterprise services	854.73	88%	875.61	70%	(20.88)	-2%
Mobile consumer services	19.92	2%	270.86	22%	(250.94)	-93%
Other services	97.31	10%	95.72	8%	1.59	2%
Total Revenues	**971.96**	**100%**	**1,242.19**	**100%**	**(270.23)**	**-22%**
Cost of Services	742.19	76%	1,062.87	86%	(320.68)	-30%
Cost of Goods Sold	83.28	9%	69.73	5%	13.55	19%
Gross Profit	**146.48**	**15%**	**109.59**	**9%**	**36.89**	**34%**
General and Administrative Expenses	2,204.42	227%	701.04	57%	1,503.38	214%
Equity in Net Loss of Associates	33.29	3%	52.99	4%	(19.70)	-37%
Other charges - net	517.98	53%	22.69	2%	495.30	2183%
Loss Before Income Tax	**(2,609.21)**	**-268%**	**(667.13)**	**-54%**	**(1,942.07)**	**291%**
Provision for (Benefit from) Income Tax	26.15	3%	144.51	11%	(118.35)	-82%
Net Loss	**(2,635.36)**	**-271%**	**(811.64)**	**-65%**	**(1,823.72)**	**225%**
Other Comprehensive Income	8.39	1%	8.27	0%	0.12	1%
Total Comprehensive Loss	**(2,626.97)**	**-270%**	**(803.37)**	**-65%**	**(1,823.60)**	**227%**

	December 31, 2019 Amount	December 31, 2018 Amount	Amount Change	% Increase (Decrease)
Total Assets	713.94	4,966.57	(4,252.62)	-86%
Total Liabilities	688.05	1,499.98	(811.93)	-54%
Total Equity	25.89	3,466.58	(3,440.69)	-99%

Financial Summary

In 2019, the Group reported total revenues of ₱971.96 million or 22% decrease from 2018 revenue of ₱1,242.19 million due to the continuous decline in its mobile consumer business segment. Group revenues were mainly driven by enterprise services, comprising 88% of total revenues.

The aggregate cost of services of the Group decreased from ₱1,062.87 million in 2018 to ₱742.19 million in 2019 or 30% decline. The drop in the COS was mostly due to lower salaries and wages, web hosting, and outsourced services as part of the company's cost cutting measures. The Cost of Goods Sold attributable to other services provided by Storm Technologies Inc. was ₱83.28 million in 2019, an increase of 19% from 2018 COGS of ₱69.73 million. Lower costs in 2019 translated to a slight improvement of Gross Profit Margin where the Group posted gross profit of ₱146.49 million in 2019 vis-à-vis ₱109.59 million in 2018.

The Group's general and administrative expenses increased from ₱701.04 million in 2018 to ₱2,204.42 million in 2019 or 214% increase. Higher provision for impairment loss and provision for liquidation costs were the main contributing factors for the ₱1,503.38 million increase in 2019 GAEX. Other GAEX items such as salaries and wages, rent, utilities, marketing and promotions, advertising, transportation and travel, taxes and licenses, advertising, and seminars and trainings decreased as part of the cost cutting measure implemented by the Company. Should impairment loss be excluded, GAEX in 2019 went down from ₱390.11 million in 2018 to ₱281.01 million or 28% decrease.

The Group recorded a ₱33.29 million net loss of the associate companies it has invested in, which decreased from ₱52.99 million in 2018.

Consolidated other charges, likewise, increased by ₱495.30 million or 2,183%, from ₱22.69 million in 2018 to ₱517.98 million in 2019. The significant increase was primarily due to the loss on sale of Yondu recognized in 2019 amounting to ₱478.95 million.

Despite incurring a loss before income tax of ₱2,609.21 million, the Group still recognized a provision for income tax for the year ended December 31, 2019 amounting to ₱26.15 million. Though the provision for impairment of goodwill and investments in associates as well as loss on disposal of Yondu are material expenses, these are considered permanent differences and, therefore, not deductible in terms of tax computation.

The Group's total assets in 2019 amounted to ₱713.94 million, a decrease of 86% from 2018 recorded total assets of ₱4,966.57 million. The decline in total assets was mostly due to the impairment of goodwill and investment in associates as well as the deconsolidation of Yondu in 2019. The Group's total liabilities in 2019 was reduced to ₱688.05 million vis-à-vis ₱1,499.98 million in 2018. Likewise, the decrease in liabilities can be attributed to the deconsolidation of Yondu in 2019. Lastly, total equity decreased from ₱3,466.58 million in 2018 to ₱25.89 million in 2019 as a result of the increased deficit of ₱3,184.80 million.

Segment Financial Performance

For the year ended December 31, 2019 In PhP Millions	**Mobile Consumer Services**	**Enterprise Services**	**Other Services**	**Intersegment Adjustments**	**Consolidated**
Revenue from services	68.33	861.82	5.17	(55.50)	879.81
Revenue from sale of goods	-		92.15	-	92.15
Total Service Revenues	**68.33**	**861.82**	**97.31**	**(55.50)**	**971.96**
Cost and expenses	2,638.04	782.30	162.03	(552.47)	3,029.90
Equity in net loss of associates	-	-	-	33.29	33.29
Other charges - net	225.47	0.30	8.32	283.89	517.98
Total Expenses	**2,863.51**	**782.60**	**170.35**	**(235.29)**	**3,581.17**
Operating Income (Loss)	**(2,795.18)**	**79.22**	**(73.04)**	**179.80**	**(2,609.21)**
Provision from income tax	(4.25)	(21.75)	(6.78)	6.63	(26.15)
Net Income (Loss)	**(2,799.43)**	**57.46**	**(79.82)**	**186.43**	**(2,635.36)**

For the year ended December 31, 2019, mobile consumer services' revenues, operating loss and net loss prior to eliminations were ₱68.33 million, ₱2,795.18 million and ₱2,799.43 million, respectively. Enterprise services had an operating income of ₱79.22 million and net income of ₱57.46 million from revenues of ₱861.82 million. The other services segment has yet to yield a positive contribution to the Group.

Since the Parent Company operates under mobile consumer services, the segment suffered, as well, from the impairment losses on its goodwill and investments in associates and loss from sale of Yondu. Results of the segment's operations excluding one-off charges, will show net loss of ₱401.94 million.

Profitability

For the twelve-month period ended December 31, 2019 compared with the twelve-month period ended December 31, 2018.

Revenues

The consolidated service revenues of the Group for the year ended December 31, 2019 amounted to ₱971.96 million, a decrease of 22% from ₱1,242.19 million for the year ended December 31, 2018.

The service income component of total revenues is comprised of the following segments:

Segment	Description	Subsidiaries
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing and advertising solutions integrated in mobile casual games and platforms	• Xurpas Parent Company • Xeleb Technologies Inc. • Yondu * • Art of Click
Enterprise services	Revenues derived from the provision of mobile platform solutions to corporate and government clients, information technology (IT) staff augmentation and consultancy services, various enterprise solutions-based services to Telcos and other companies for network, platform and applications development	• Xeleb Technologies Inc. • Seer • Yondu * • Xurpas Enterprise
Other services	Revenues derived from services related to the proprietary platform called "Flex Benefits System" and "Ace" (formerly "Kudos") which allows employees to convert their employee benefits to other benefits which includes sale of goods	• Storm Technologies

**Until September 2019.*

In PhP Millions	For the year ended December 31					
	2019		2018		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Enterprise services	854.73	88%	875.61	70%	(20.88)	-2%
Mobile consumer services	19.92	2%	270.86	22%	(250.94)	-93%
Other services	97.31	10%	95.72	8%	1.59	2%
Total Revenues	**971.96**	**100%**	**1,242.19**	**100%**	**(270.23)**	**-22%**

Revenues from enterprise services (which accounts for 88% of total revenues) decreased by 2% in 2019, to ₱854.73 million from ₱875.61 million in 2018. On the other hand, revenues from the mobile consumer services segment for 2019 amounted to ₱19.92 million, a decrease of 93% from the previous year's same period level of ₱270.86 million. This segment accounts for 2% of the total revenues. Other services booked revenues of ₱97.31 million in 2019, higher by 2% from the previous level at ₱95.72 million over the same period last year.

Expenses

In PhP Millions	For the year ended December 31					
	2019		2018		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	742.19	24%	1,062.87	58%	(320.68)	-30%
Cost of Goods Sold	83.28	3%	69.73	4%	13.55	19%
General and Administrative Expenses	2,204.42	73%	701.04	38%	1,503.38	214%
Total Expenses	**3,029.90**	**100%**	**1,833.65**	**100%**	**1,196.25**	**65%**

The Group's consolidated expenses in 2019 amounted to ₱3,029.90 million, a 65% increase from previous year's ₱1,833.65 million. Bulk of the expenses came from the general and administrative expenses which contributed 73%, followed by cost of services at 24% and cost of goods sold at 3%.

The Group's general and administrative expenses increased from ₱701.04 million in 2018 to ₱2,204.42 million in 2019 or 214% increase. Higher provision for impairment loss was the main contributing factor for the ₱1,503.38 million increase in 2019 GAEX. Should impairment be excluded, proforma GAEX in 2019 went down from ₱390.11 million in 2018 to ₱281.01 million or 28% decrease.

Cost of Services

In PhP Millions	For the year ended December 31					
	2019		2018		Amount Change	% Increase
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	539.04	73%	724.50	68%	(185.46)	-26%
Segment fee and network costs	88.66	12%	43.26	4%	45.41	105%
Depreciation and amortization	32.87	4%	39.32	4%	(6.45)	-16%
Others	81.62	11%	255.80	24%	(174.18)	-68%
Total Expenses	**742.19**	**100%**	**1,062.87**	**100%**	**(320.68)**	**-30%**

Cost of services totaling ₱742.19 million in 2019 (a 30% decrease from ₱1,062.87 million in 2018) was mainly comprised (1) Salaries, wages and employee benefits, (2) Segment fee and network costs, and (3) Depreciation and amortization, which accounted for 73%, 12% and 4% respectively. The decrease in total COS was a result of lower outsourced services, web hosting and royalties.

General and Administrative Expenses

In PhP Millions	For the year ended December 31					
	2019		2018		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Provision for impairment loss	1,923.42	87%	310.94	44%	1,612.48	519%
Salaries and wages	107.48	5%	151.96	22%	(44.48)	-29%
Depreciation and amortization	43.77	2%	29.87	4%	13.90	47%
Others	129.75	6%	208.27	30%	(78.52)	-38%
Total Expenses	**2,204.42**	**100%**	**701.04**	**100%**	**1,503.38**	**214%**

In 2019, the general and administrative expenses of the Group's operations amounted to ₱2,204.42 million, which was higher by 214% compared to previous year's ₱701.04 million. The increase mostly came from higher provision for impairment loss which translated to an 87% contribution. The remaining expenses amounting to ₱281.01 million were attributed to salaries and wages, depreciation and amortization and other expenses.

The provision for impairment losses on goodwill, investment in associates, receivables and other current assets totaled ₱1,923.42 million. Breakdown of this provision are as follows: (1) Provision for impairment loss related to goodwill recorded for Art of Click (AOC), Storm, and Seer amounting to ₱1,811.39 million; (2) Impairment loss on investments for Micro Benefits Limited (MBL) and MatchMe amounting to ₱107.15 million; (3) Provision for impairment of receivables amounting to ₱3.30 million and (4) Provision for impairment of other current assets amounting to ₱1.58 million.

Other expenses such as salaries and wages, rent, utilities, marketing and promotions, advertising, transportation and travel, taxes and licenses, advertising, and seminars and trainings decreased as part of the cost cutting measures implemented by the Company.

Equity in Net Loss of Associates

The equity of the Group in the net loss of its associate companies for the period ended December 31, 2019 amounted to ₱33.29 million.

Other Charges – net

In 2019, the Group recorded other charges amounting to ₱517.98 million. This account mainly consists of loss on sale of subsidiary (Yondu), interest expense, bank charges, foreign exchange loss, loss on retirement and disposal of property and equipment and loss from sale of cryptocurrencies totaling to ₱526.05 million, partially offset by unrealized gain on revaluation of cryptocurrencies, interest income and other income with aggregate amount of ₱8.06 million.

On September 11, 2019, Yondu was sold back to Globe Telecoms Inc for a total price of ₱501.25 million. As of date of sale, the net assets attributable to Xurpas Inc. was ₱980.20 million. Resulting loss on sale of subsidiary (Yondu) recognized under "Other charges – net" amounted to ₱478.95 million.

Income (Loss)before Income Tax

The Group's loss before income taxes for the year ended December 31, 2019 was ₱2,609.21 million, a 291% increase from previous year's ₱667.13 million.

Provision for Income Tax

Despite incurring a loss before income tax of ₱2,609.21 million, the Group still recognized a provision for income tax for the year ended December 31, 2019 amounting to ₱26.15 million. Though the provision for impairment of goodwill and investments in associates as well as loss on disposal of investment in subsidiary are material expenses, these are considered permanent differences and, therefore, not deductible in terms of tax computation.

Net Income (Loss)

The Group posted a consolidated net loss of ₱2,635.36 million in 2019, a 225% increase from the previous year's net loss of ₱811.64 million.

Total Comprehensive Income (Loss)

As a consequence of increased net loss, the Group's total comprehensive loss increased by 227% in 2019 (from ₱803.37 million in 2018 to ₱2,626.97 million in 2019).

Financial Position

As of December 31, 2019 compared to December 31, 2018.

Assets

Cash and Cash Equivalent

The Group's consolidated cash amounted to ₱153.93 million for the twelve-month period ended December 31, 2019, a net decrease of 13% or ₱23.47 million from consolidated cash of ₱177.40 million as of December 31, 2018.

Accounts and Other Receivables

The Group's consolidated accounts and other receivables amounted to ₱37.18 million and ₱530.64 million as of December 31, 2019 and December 31, 2018, respectively. In 2019, accounts receivable declined by 93% or ₱493.45 million due to lower trade receivables. Accounts receivable in 2019 nets out the allowance for impairment amounting to ₱263.09 million.

Contract Assets

A contract asset is the right to consideration in exchange for goods and services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. As of December 31, 2019, contract assets amounted to ₱8.29 million, a slight decrease of ₱1.46 million or 15% from 2018.

Other Current Assets

The Group's consolidated other current assets in 2019 totaled ₱44.20 million, a 24% decrease from 2018 figure of ₱57.90 million. It was mostly comprised of creditable withholding tax and input VAT.

Financial Assets at FVOCI

As of December 31, 2019 and 2018, carrying value and net unrealized loss on financial assets at FVOCI recognized in the consolidated statement of financial position amounted to ₱0.44 million and ₱0.48 million, respectively.

Investment in Associates

In 2019, the Group's consolidated investment in associates amounted to ₱319.94 million, a decrease of ₱136.06 million or 30% compared to the 2018 figure of ₱456.00 million. The decrease was mostly due to the impairment of investment in Micro Benefits and in MatchMe amounting to ₱68.49 million and ₱38.66 million, respectively. Impairment loss is recognized when carrying value of the investment exceeds recoverable amount.

The breakdown of the carrying amounts of these investments are as follows: Micro Benefits Limited (₱281.55 million), Altitude Games Pte. Ltd. (₱24.60 million), and SDI (₱13.79 million).

Property and Equipment

The Group's consolidated property and equipment was ₱8.76 million as of December 31, 2019. It decreased by ₱50.76 million or 85% as compared to 2018 which amounted to ₱59.52 million. Property and equipment consisted mainly of leasehold improvements, IT equipment, furniture and fixtures and office equipment.

The decrease was mainly due to disposal of assets resulting from deconsolidation of Yondu. Further, as a result of adopting PFRS 16, leased assets previously presented under "Property and Equipment" were reclassed to "Right-of-use Assets". Carrying value of these leased assets at date of adoption, January 1, 2019, amounted to ₱1.66 million.

Intangible Assets

As of December 31, 2019, intangible assets amounted to ₱101.13 million, a 97% decrease from 2018 balance of ₱3,612.92 million. The components are goodwill, customer relationship, developed software, - and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of subsidiaries acquired by the Group. As of December 31, 2019, goodwill was at ₱48.22 million. Decrease in goodwill was driven by the following: (1) Impairment of goodwill for investments in AOC, Storm and Seer amounting to ₱1,956.25 million; and (2) Disposal through deconsolidation of Yondu amounting to ₱540.15 million.
- Customer relationship pertains to Yondu's noncontractual and contractual agreements with GTI, its major customer, which are expected to generate revenues for the Group in subsequent periods. The Group derecognized its customer relationship amounting to ₱1,077.81 million as a result of disposal through deconsolidation of Yondu.
- Developed software pertain to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As of December 31, 2019, net book value of developed software was ₱45.18 million. Movements in developed software are accounted for as follows: (1) Additions during the year amounting to ₱2.52 million; (2) Amortization during the year amounting to ₱30.74 million; and (3) Disposal of developed software through deconsolidation of Yondu with net book value totaling to ₱47.68 million.
- Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination. As of December 31, 2019, net book value of leasehold rights was ₱1.64 million. Movements in leasehold rights are accounted for as follows: (1) Amortization during the year amounting to ₱1.90 million; and (2) Disposal of leasehold rights through deconsolidation of Yondu with net book value amounting to ₱6.99 million.
- Cryptocurrencies pertain to units of Bitcoin and Ether held by the Group as of December 31, 2019 which amounted to ₱6.08million.

Right-of-use Asset

As a result of adopting PFRS 16, the Group recognized right-of-use assets based on their carrying amounts as of January 1, 2019 amounting to ₱77.94 million. This amount includes those reclassed from property and equipment with carrying values totaling to ₱1.66 million. Addition and amortization during the year amounted to ₱3.49 million and ₱22.10 million, respectively, while disposal through deconsolidation of Yondu amounted to ₱17.86 million.

Pension Asset

The Group's recorded nil pension asset as of December 31, 2019 vis-à-vis ₱1.41 million in 2018.

Deferred Tax Assets – Net

The Group's consolidated net deferred tax assets level amounted to nil as of December 31, 2019 vis-à-vis ₱14.19 million as of December 31, 2018. Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. The Group did not recognize deferred tax assets for deductible temporary differences since management believes that there are no sufficient future taxable profits against which the deferred tax assets can be utilized.

Other Noncurrent Assets

In 2019, Other noncurrent assets amounted to ₱35.46 million which decreased by 24% from the previous year's figure of ₱46.37 million. Decline was due to deconsolidation of Yondu.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables valued at ₱478.25 million as of December 31, 2019. It decreased by ₱176.27 million or 27% from 2018 balance of ₱654.52 million mainly due to the deconsolidation of Yondu which contributed most of the payables. Further, in 2019, the Group recognized reduction in its provision relating to ODX's PSA due to the costs incurred for the platform development which amounted to ₱46.58 million.

Loan Payable

The Group recorded ₱52.13 million worth of current loans (short term and interest bearing) as of December 31, 2019. The decrease from 2018 loans which amounted to ₱358.74 million was the net result of availments and payments of loans in 2019 amounting to ₱9.74 million and ₱316.35 million, respectively.

Contract Liabilities

Contract liabilities are obligations to transfer goods and services to customers from whom the Group has received consideration. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due. Contract liabilities are recognized as revenue when the Group performs under the contract. As of December 31, 2019, contract liabilities amounted to ₱68.05 million.

Income Tax Payable

For 2019, the Group's consolidated income tax payable was ₱3,134, an almost 100% decrease from December 31, 2018 figure of ₱2.19 million.

Lease liabilities

As a result of adopting PFRS 16, the Group recognized lease liabilities at date of adoption, January 1, 2019, amounting to ₱76.50 million. Movements in this account comprise of addition (₱3.34 million), accretion of interest (₱2.56 million), payments (21.83 million), sale of a subsidiary (₱56.85 million) and translation adjustment (₱528).

As of December 31, 2019, current and non-current portions amounted to ₱2.78 million and ₱1.03 million, respectively.

Other Current Liabilities

The Group posted other current liabilities amounting to nil and ₱63.75 million as of December 31, 2019 and 2018, respectively. Significant decrease was primarily due to the deconsolidation of Yondu during the year.

Advances from stockholders – net of current portion

This account pertains to the loan agreement entered into by the Parent Company on April 29, 2019 with its founders amounting to ₱150.00 million, subject to 5.50% interest rate per annum payable in three (3) years from date of agreement.

Deferred Tax Liability

As of December 31, 2019, the deferred tax liabilities amounted to ₱6.95 million, a 98% decrease or ₱345.60 million from ₱352.73 million as of December 31, 2018. The significant decrease was due to the derecognition of deferred tax liability on fair value adjustment on intangible assets as a result of deconsolidation of Yondu.

Pension Liability

The accrued pension of the Group was ₱24.82 million in 2019 compared to ₱23.52 million as of December 31, 2018 or a 6% increase.

Equity

Total Equity

As of December 31, 2019, the Group's total equity was at ₱25.89 million, a 99% decrease from 2018 equity of ₱3,466.58 million. Lower equity was mainly due to the increase in deficit brought about by the net loss of ₱2,635.36 million.

Liquidity and Capital Resources

The Group's liquidity was primarily driven by cash flows from operating activities and cash reserves. The Group knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity. The Group is current on all of its accounts. The Group has debts through the Parent Company, Storm Technologies Inc. and Seer Technologies Inc. which are short term in nature. The Group does not anticipate having any cash flow or liquidity problems over the next 12 months. The Group is not in breach or default on any loan or other form of indebtedness.

Cash Flows

	For the year ended December 31	
	2019	**2018**
In PhP Millions	**Amount**	**Amount**
Net cash provided by (used in) Operating Activities	(130.24)	(186.02)
Net cash provided by (used in) Investing Activities	366.19	(102.43)
Net cash provided by (used in) Financing Activities	(270.27)	236.19
Effect of foreign currency exchange changes in cash	10.85	14.40
Net increase (decrease) in cash	(23.47)	(37.86)
Cash at beginning of period	177.40	215.25
Cash at end of period	**153.93**	**177.40**

Cash Flows used in Operating Activities

For the year ended December 31, 2019, operating loss before changes in working capital of ₱59.30 million coupled with the corresponding increase in working capital resulted to ₱65.29 million net cash used in operations. Together with interest received, interest paid and income taxes paid, net cash used in operating activities totaled ₱130.24 million.

Cash Flows used in Investing Activities

Cash provided by investing activities in 2019 was ₱366.19 million while cash used in investing activities in 2018 amounted to ₱102.43 million. The net cash provided by investing activities was mainly attributable to the proceeds from sale of subsidiary, proceeds from disposal of property and equipment, and proceeds from the sale of cryptocurrencies.

Cash Flows used in Financing Activities

The consolidated net cash used in financing activities for the year 2019 was ₱270.27 million while net cash provided by financing activities for the year 2018 was ₱236.19 million. Net cash was mainly used to pay off creditors.

Capital Expenditure

The Group's capital expenditures amounted to ₱14.78 million and ₱18.35 million in 2019 and 2018, respectively.

Key Financial Data In PhP Millions	**December 31, 2019 Additions**	**December 31, 2018 Additions**
Right-of-use Assets	4.61	-
IT Equipment	9.01	14.58
Leasehold Improvements	0.75	2.52
Office Equipment	0.21	1.19
Furniture and Fixtures	0.19	0.06
	14.78	**18.35**

Key Performance Indicators

The key performance indicators disclosed below present the financial performance of the Group as a whole. These are different with those in supplemental schedule of the consolidated financial statements which were prepared only for the analysis of financial performance attributable to the Parent Company.

The following are the key performance indicators of the Group and its majority-owned subsidiaries:

In Percentage	For the years ended December 31		
	2019	2018	2017
Liquidity Ratios			
Current Ratio	**41%**	69%	54%
Quick Ratio	**33%**	64%	51%
Asset-to-Equity Ratio	**575%**	183%	231%
Profitability Ratios			
Net Income Margin	**-271%**	-62%	2%
Gross Margin	**15%**	9%	31%
Operating Margin	**-256%**	-46%	12%
Return on Total Assets	**-93%**	-14%	1%
Return on Equity	**-186%**	-22%	1%
Debt Ratios			
Debt-to-Equity Ratio	**5.55x**	0.55x	0.97x
Interest Coverage Ratio	**-64.75x**	-20.45x	2.81x

Liquidity Ratios

The current ratio and quick ratio of the Group was at 41% and 33% in 2019, respectively, and 69% and 64% in 2018, respectively. The decrease in both ratios was mainly due to the decline in both current assets and current liabilities brought about by the deconsolidation of Yondu.

Asset-to-Equity Ratio

In 2019, the Asset-to-Equity ratio of the Group increased to 575% from 183% of 2018. The increase was mostly because of the increase in deficit, reducing total equity.

Profitability Ratios

Overall, profitability margins in 2019 declined mainly because of the losses incurred by the Group from impairing its goodwill and investments in associates as well as the loss from sale of its investment in Yondu. The gross profit margin, however, increased from 9% in 2018 to 15% in 2019 as a result of the Group's continuing cost cutting measures.

Debt Ratios

For 2019, the Debt-to-Equity ratio increased from 0.55x in 2018 to 5.55x which can be attributed to increase in deficit, reducing total equity. The interest coverage ratio further declined in 2019 to

-64.75x from -20.45x because of the big drop in earnings before interest and tax expense and higher interest expense in 2019 as compared to 2018.

The manner by which the Company calculates the foregoing indicators is as follows:

Current Ratios	
1. Current ratio	Current assets / Current liabilities
2. Quick ratio	(Current assets – Other current assets) / Current liabilities
Asset-to-equity Ratio	Total assets / Total equity attributable to Parent Company
Profitability Ratios	
1. Net income ratio	Net income attributable to Parent Company / Service income + Sale of goods
2. Gross margin	(Service income + Sale of goods) – (Cost of services + Cost of goods sold) / Service income + Sale of goods
3. Operating margin	Earnings before interest, tax, depreciation and amortization / Service income + Sale of goods
4. Return on total assets	Net income attributable to Parent Company / Average total assets
5. Return on total equity	Net income attributable to Parent Company / Average total equity attributable to the Parent Company

Other Disclosures:

i. Liquidity. To cover its short-term funding requirements, the Group intends to use internally generated funds and available short-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD. The Group can also obtain additional advances from its stockholders, refinance its short-term loans, renew its credit lines and negotiate for longer payment terms for its payables.

ii. Events that will trigger Direct or Contingent Financial Obligation. There are no events that will trigger direct or contingent financial obligations that are material to the Group, including and default or acceleration of an obligation.

iii. Material Off-balance sheet Transactions, Arrangements, Obligations. Likewise, there were no materials off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the group with unconsolidated entities or other persons created during the reporting period.

iv. Material Commitments for Capital Expenditure. There are no material commitments for capital expenditures.

v. Material Events/ Uncertainties. There are no new trends, events, or uncertainties that are expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations. The Group's financial challenges in 2019 are being addressed through the following: continuous venture into new revenue potentials, cost cutting measures, and entry of new strategic investors.

vi. Results of Operations. There were no significant elements of income or loss that did not arise from continuing operations.

vii. Seasonality. The effects of seasonality or cyclicality on the operations of the Group's business are confined to its mobile consumer and other services segment.

For the year ended December 31, 2018 compared with the year ended December 31, 2017

Summary

	Years ended December 31					Percentage Change			
PhP Millions	**2018**	**2017**	**2016**	**2015**	**2014**	**2018vs2017**	**2017vs2016**	**2016vs2015**	**2015vs2014**
Revenues	1,242.19	2,103.57	1,947.14	898.37	378.32	-41%	8%	117%	137%
Gross Profit	109.59	649.15	803.43	513.87	264.45	-83%	-19%	56%	94%
Income (Loss) before Income Tax	(667.13)	122.04	379.10	331.10	239.14	-647%	-68%	14%	38%
Net Income (Loss)	(811.64)	102.57	264.84	229.62	190.72	-891%	-61%	15%	20%

Revenues									
Mobile Consumer Services	270.85	1,336.54	1,239.92	576.06	309.37	-80%	8%	115%	86%
Enterprise Services	875.61	667.60	653.14	243.45	68.95	31%	2%	168%	253%
Other Services	95.72	99.44	54.07	78.87	-	-4%	84%	-31%	n.a.

Notes

1. *Compounded annual average growth rate (CAAGR) is ((final value/initial value)^(1/number of years-1))-1.*
2. *CAAGR for total revenues from 2014-2017 is 77%.*
3. *CAAGR for mobile consumer revenue from 2014-2017 is 63%; comprised an average 65% of total revenues (2014-2017).*
4. *CAAGR for enterprise revenue from 2014-2017 is 113%; comprised an average 31% of total revenues (2014-2017).*

The Group's revenues had a compounded annual average growth rate (CAAGR) of 77% from 2014 to 2017; from ₱378.32 million to ₱2,103.57 million; primarily anchored on the mobile consumer business. The mobile consumer business which comprised an average of 65% of total revenues from period 2014-2017 grew by 63% on a CAAGR basis. On the other hand, the enterprise segment which made up 31% of total revenues over the period, increased by 113%.

However, there was a slowdown in the Group's growth in 2017 (only 8% from previous year) primarily due to the drop in revenues of Art of Click. In 2018, revenues further dropped by 41% to ₱1,242.19 million, as the Group faced 2 major business challenges in its mobile consumer segment.

For the mobile consumer business, the overall situation of the digital advertising industry that affected Art of Click (AoC) persisted in 2018. Likewise, since the first quarter of 2018, technical and business policy changes implemented by Globe Telecom affected its Value Added Services (VAS) business. In total, the Mobile Consumer Services segment fell 80% in 2018 to ₱270.85 million from ₱1,336.54 million in 2017. On the other hand, the Group's revenues from the Enterprise Service segment, grew by 31%, from ₱667.60 million in 2017 to ₱875.61 in 2018. The increase in revenues was mainly from talent solutions, custom software development, software products, and increasing business from existing clients. Lastly, the Other Services segment revenues minimally decreased by 4% in 2018 vis-à-vis 2017.

In 2018, the Group netted a loss of ₱811.64 million due to the following: 1) drastic drop in revenues which led to operating losses 2) provision for impairment loss related to the certain receivable of Art of Click (AoC) amounting to ₱127.07 million 3) impairment of goodwill recorded for AoC amounting to ₱144.86 million and 4) provision for impairment of other receivables (as a result of the new accounting standard PFRS 9), which amounted to ₱39.01 million. The provisions for impairment of receivables can be recovered when they are collected.

Key Financial Data In PhP Millions	For the 12 months ended December 31					
	2018		2017		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Revenues						
Mobile consumer services	270.86	22%	1,336.54	64%	(1,065.68)	-80%
Enterprise services	875.61	70%	667.60	32%	208.01	31%
Other services	95.72	8%	99.44	5%	(3.72)	-4%
Total Revenues	**1,242.19**	**100%**	**2,103.57**	**100%**	**(861.38)**	**-41%**
Cost of Services	1,062.87	86%	1,373.41	65%	(310.54)	-23%
Cost of Goods Sold	69.73	5%	81.01	4%	(11.28)	-14%
Gross Profit	**109.59**	**9%**	**649.15**	**31%**	**(539.56)**	**-83%**
General and Administrative Expenses	701.04	57%	572.62	27%	128.42	22%
Equity in Net Loss of Associates	52.99	4%	36.72	2%	16.27	44%
Other charges (income) - net	22.69	2%	(82.23)	-4%	104.92	-128%
Income (Loss) Before Income Tax	**(667.13)**	**-54%**	**122.04**	**6%**	**(789.17)**	**-647%**
Provision for (Benefit from) Income Tax	144.51	11%	19.47	1%	125.04	642%
Net Income (Loss)	**(811.64)**	**-65%**	**102.57**	**5%**	**(914.21)**	**-891%**
Other Comprehensive Income	8.27	0%	21.15	1%	(12.88)	-61%
Total Comprehensive Income (Loss)	**(803.37)**	**-65%**	**123.72**	**6%**	**(927.09)**	**-749%**

	December 31, 2018 Amount	December 31, 2017 Amount	Amount Change	% Increase (Decrease)
Total Assets	4,966.57	5,810.18	(843.61)	-15%
Total Liabilities	1,499.98	2,454.68	(954.70)	-39%
Total Equity	3,466.58	3,355.50	111.08	3%

Financial Summary

Total revenues decreased by ₱861.38 million or 41% for 2018, from ₱2,103.57 million in 2017 to ₱1,242.19 million in 2018. Group revenues were mainly driven by enterprise services, comprising 70% of the total revenues. The net income of the Group for 2018, decreased by 891% (from ₱102.57 million in 2017 to a net loss of ₱811.64 million in 2018). Total comprehensive income over the same period decreased by 749% from ₱123.72 million in 2017 to a total comprehensive loss of ₱803.37 million as at 2018.

The blended cost of services (aggregating the subsidiaries' costs) decreased by 23% from ₱1,373.41 million for 2017 to ₱1,062.87 million for 2018. The outsourced services cost of AoC was the largest component of the decrease, which resulted from the drop in its revenues. Segment fee/network costs, web hosting, and royalties also decreased due to lower VAS revenues. Cost of goods sold attributable to other services was ₱69.73 million for 2018 compared to ₱81.01 million in 2017, a decrease of 14% or ₱11.28 million.

Gross profit margins on total revenues, for 2018 was at 9%, a decrease from 2017's margin of 31%. Gross profit decreased by 83% from ₱649.15 million for 2017 to ₱109.59 million for 2018.

General and administrative expenses of the Group increased by 22%, from ₱572.62 million for 2017 to ₱701.04 million for the same period in 2018. The increase was mainly due to salaries and wages, rent and outsourced services, which were partially offset by major decreases in taxes and licenses, professional fees, transportation and travel, advertising, marketing and promotions, and seminars/trainings, as part of cost cutting measures. Note that Yondu accounts for 90% of the increase in salaries and wages, a result of the continuing growth of its enterprise business. Also included in these expenses are the provisions for the impairment of receivables and goodwill, totaling ₱310.94 million.

The Company also shares in the recorded net loss of the associate companies it has invested in, which amounted to ₱52.99 million for 2018.

Despite incurring a loss before income tax of ₱667.13 million, the Group still recognized a provision for income tax for the year ended December 31, 2018 amounting to ₱144.51 million. The increase in provision for income tax was mainly due to increase in deferred tax assets (DTA) that were unrecognized during the year.

Overall, the net income for the Group decreased from ₱102.57 million for 2017 to a net loss of ₱811.64 million in 2018.

Consolidated total assets as of December 31, 2018 amounted to ₱4,966.57 million, a decrease of 15% from ₱5,810.18 million as of December 31, 2017. Consolidated total liabilities decreased by 39% from ₱2,454.68 million as of December 31, 2017 to ₱1,499.98 million in December 31, 2018, due mainly to the settlement of payable to former shareholders of a subsidiary and the expiration of liability for written put option. Consolidated total equity increased by 3% over the same period, from ₱3,355.50 million to ₱3,466.58 million. This was a result of the new issuance of common shares and derecognition of equity reserve resulting from expiration of the written put option; coupled with the losses in 2018.

Segment Financial Performance

As of December 31, 2018 In PhP Millions	**Mobile Consumer Services**	**Enterprise Services**	**Other Services**	**Intersegment Adjustments**	**Consolidated**
Revenue from services	314.24	909.85	7.14	(77.89)	1,153.34
Revenue from sale of goods	-	-	88.85	-	88.85
Total Service Revenues	**314.24**	**909.85**	**95.99**	**(77.89)**	**1,242.19**
Operating expenses	1,126.78	940.47	167.13	(400.73)	1,833.65
Equity in net loss of associates	-	-	-	52.99	52.99
Other charges (income) - net	(16.59)	3.27	8.37	27.63	22.69
Total Expenses	**1,110.19**	**943.74**	**175.50**	**(320.11)**	**1,909.32**
Operating Loss	**(795.95)**	**(33.89)**	**(79.51)**	**242.22**	**(667.13)**
Provision from income tax	(5.32)	(20.77)	(25.14)	(93.28)	(144.51)
Net Loss	**(801.27)**	**(54.66)**	**(104.65)**	**148.94**	**(811.64)**

As of December 31, 2018, mobile consumer services' revenues, operating loss and net loss prior to eliminations were ₱314.24 million, ₱795.95 million and ₱801.27 million, respectively. Enterprise services had an operating loss of ₱33.89 million and net loss of ₱54.66 million from revenues of ₱909.85 million. For 2018, although Yondu's enterprise business was profitable, this was not enough to offset the losses of the subsidiaries under this segment. The other services segment has yet to yield a positive contribution to the Group.

Profitability

For the twelve-month period ended December 31, 2018 compared with the twelve-month period ended December 31, 2017

Revenues

The consolidated service revenues of the Group for the period ended December 31, 2018 amounted to ₱1,242.19 million, a decrease of 41% from ₱2,103.58 million the same period of the previous year.

The service income component of total revenues is comprised of the following segments:

Segment	Description	Subsidiaries
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing and advertising solutions integrated in mobile casual games and platforms	• Xurpas Parent Company • Xeleb Technologies Inc. • Yondu • Art of Click
Enterprise services	Revenues derived from the provision of mobile platform solutions to corporate and government clients, information technology (IT) staff augmentation and consultancy services, various enterprise solutions-based services to Telcos and other companies for network, platform and applications development	• Xeleb Technologies Inc. • Seer • Yondu • Xurpas Enterprise
Other services	Revenues derived from services related to the proprietary platform called "Flex Benefits System" and "Ace" (formerly "Kudos") which allows employees to convert their employee benefits to other benefits which includes sale of goods	• Storm Technologies

In PhP Millions	**For the 12 months ended December 31**					
	2018		**2017**		**Amount Change**	**% Increase**
	Amount	**Percentage**	**Amount**	**Percentage**		
Revenues						
Enterprise services	875.61	70%	667.60	32%	208.01	31%
Mobile consumer services	270.86	22%	1,336.54	64%	(1,065.68)	-80%
Other services	95.72	8%	99.44	5%	(3.72)	-4%
Total Revenues	**1,242.19**	**100%**	**2,103.57**	**100%**	**(861.38)**	**-41%**

Revenues from enterprise services (which accounts for 70% of total revenues) increased by 31% in 2018, to ₱875.61 million from ₱667.60 million in 2017. On the other hand, revenues from the mobile consumer services segment for 2018 amounted to ₱270.86 million, a decrease of 80% from the previous year's same period level of ₱1,336.54 million. This segment accounts for 22% of the total revenues. Other services booked revenues of ₱95.72 million in 2018, lower by 4% from the previous level at ₱99.44 million over the same period last year.

Expenses

In PhP Millions	For the 12 months ended December 31					
	2018		2017		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	1,062.87	58%	1,373.41	68%	(310.54)	-23%
Cost of Goods Sold	69.73	4%	81.01	5%	(11.28)	-14%
General and Administrative Expenses	701.04	38%	572.62	28%	128.42	22%
Total Expenses	**1,833.64**	**100%**	**2,027.04**	**100%**	**(193.40)**	**-10%**

The Group's consolidated expenses in 2018 amounted to ₱1,833.64 million, a 10% decrease from previous year's ₱2,027.04 million. For 2018, cost of services accounted for the bulk of expenses, totaling ₱1,062.87 million or 58% of the Group's consolidated expenses. For 2017, cost of services amounted to ₱1,373.41 million or 68% of overall expenses.

Cost of Services

In PhP Millions	For the 12 months ended December 31					
	2018		2017		Amount Change	% Increase
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	724.50	68%	639.94	47%	84.56	13%
Outsourced services	143.93	14%	463.38	34%	(319.45)	-69%
Segment fee and network costs	43.26	4%	71.15	5%	(27.89)	-39%
Others	151.19	14%	198.95	14%	(47.76)	-24%
Total Expenses	**1,062.87**	**100%**	**1,373.41**	**100%**	**(310.54)**	**-23%**

Cost of services totaling ₱1,062.87 million in 2018 (compared to ₱1,373.41 million for 2017 or a 23% decrease), was mainly comprised of (1) Salaries, wages, and employee benefits, (2) Outsourced services, and (3) Segment fee and network costs, which accounted for 68%, 14%, and 4%, respectively. Of the total cost of services for the period, 59% is attributed to Yondu. The decrease in total cost of services was mainly brought about by the decrease in the outsourced services cost of AoC, which is a consequence of the drop in its digital advertising revenues. Segment fee/network costs, web hosting, and royalties also decreased due to lower VAS revenues.

Cost of Goods Sold

For the period ended December 31, 2018, cost of goods sold took up 4% of the Group's consolidated expenses, amounting to ₱69.73 million. This figure was a decrease of 14% from its level of ₱81.01 million in December 31, 2017. Costs related to the sale of goods from its flexible benefits and performance programs were appropriated as cost of goods sold. This led to the improved gross profit margins for Storm.

General and Administrative Expenses

In PhP Millions	For the 12 months ended December 31					
	2018		2017		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Provision for impairment losses	310.94	44%	106.54	19%	204.40	192%
Salaries, wages and employee benefits	151.96	22%	163.02	28%	(11.06)	-7%
Rent	42.09	6%	33.17	6%	8.92	27%
Others	196.05	28%	269.89	47%	(73.84)	-27%
Total Expenses	**701.04**	**100%**	**572.62**	**100%**	**128.42**	**22%**

General and administrative expenses relating to the Group's operations, for 2018 amounted to ₱701.04 million, higher by 22% compared to previous year's ₱572.62 million. Provision for impairment losses in 2018 amounted to ₱310.94 million or 44% of total general and administrative expenses or GAEX. Salaries, wages, and employee benefits was ₱151.96 million or 22% of the total GAEX. The same expenses amounted to ₱163.02 million in 2017.

Overall, the 22% increase in total GAEX was mainly due to the provision for impairment losses on receivables and goodwill, totaling ₱310.94 million. Details are the following: 1) provision for impairment loss related to certain receivable of Art of Click (AoC) amounting to ₱127.07 million 2) impairment of goodwill recorded for AoC amounting to ₱144.86 million and 3) provision for impairment of other receivables (as a result of the new accounting standard PFRS 9), which amounted to ₱39.01 million.

There were also decreases in salaries and wages, taxes and licenses, professional fees, transportation and travel, advertising, marketing and promotions, and seminars and trainings. The decreases in salaries and wages across some companies in the Group, is a result of cost cutting initiatives in response to the drop in revenues of certain business segments.

Equity in Net Loss of Associates

The equity of the Group in the net loss of its associate companies for the period ended December 31, 2018, amounted to ₱52.99 million.

Other Income – net

For the year 2018, the Group recognized other charges amounting to ₱22.69 million; with interest expenses of ₱31.11 million, offset by interest income and gain on foreign exchange transactions.

Income (Loss) before Income Tax

The Group's loss before income taxes for period ended December 31, 2018 was ₱667.13 million. The loss before income taxes for the Group declined by 647% from December 31, 2017, which posted a figure of ₱122.04 million.

Provision for Income Tax

Despite incurring a loss before income tax, the Group still recognized a provision for income tax for the year ended December 31, 2018 amounting to ₱144.51 million, 642% higher compared to the same period in 2017 where provision for income tax amounted to ₱19.47 million. The increase in provision for income tax was mainly due to increase in deferred tax assets (DTA) that were unrecognized during the year. These are deductible temporary differences for which no DTA are recognized since management believes that there are no sufficient taxable profits against which the DTA can be utilized. For the year ended December 31, 2018, changes in unrecognized DTA amounted to ₱322.77 million.

Net Income

The Group posted a consolidated net loss of ₱811.64 million for the period ended December 31, 2018, a decrease of 891% from the previous year's same period at ₱102.57 million.

Total Comprehensive Income

As of December 31, 2017, the Group's total comprehensive loss amounted to ₱803.37 million, a decrease of 749% compared to ₱123.72 million as at December 31, 2017.

Financial Position

As of December 31, 2018 compared to December 31, 2017

Assets

Cash

The Group's consolidated cash amounted to ₱177.40 million for the twelve-month period ended December 31, 2018, a net decrease of 18% or ₱37.86 million from consolidated cash of ₱215.25 million as at December 31, 2017.

Accounts and Other Receivable

The Group's consolidated accounts receivable amounted to ₱530.64 million and ₱845.67 million as at December 31, 2018 and December 31, 2017, respectively, representing a decrease of ₱315.03 million or 37%. Accounts receivable in 2018 nets out the allowance for impairment amounting to ₱265.02 million.

Contract Assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. As of December 31, 2018, contract assets amounted to ₱9.75 million.

Other Current Assets

The Group's consolidated other current assets totaled ₱57.90 million, a decrease of ₱0.04 million from its previous level on December 31, 2017 at ₱57.94 million. Prepaid expenses and deferred input VAT comprised majority of other current assets.

Financial Assets at FVOCI

This account pertains to quoted and unquoted equity investments previously classified as AFS financial assets but are now classified and measured as financial assets at FVOCI as a result of adoption of PFRS 9.

As of December 31, 2018, carrying value and net unrealized loss on financial assets at FVOCI recognized in the consolidated statement of financial position amounted to ₱0.48 million and ₱44.22 million, respectively.

Available for sale financial asset

Upon adoption of PFRS 9, the quoted and unquoted equity investments were reclassified as financial assets at FVOCI while the unquoted debt investments were reclassified as financial assets at FVPL in the consolidated statements of financial position. As of December 31, 2018, the resulting available for sale financial asset is nil vis-à-vis ₱159.05 million in 2017.

Investment in Associates

As of December 31, 2018, the Group's consolidated investment in associates amounted to ₱456.00 million, a 12% decrease from its figure of ₱515.66 million during December 31, 2017. The breakdown of the carrying amounts of these investments are: Altitude Games Pte. Ltd. (₱24.34 million), MatchMe (₱43.71 million), SDI (₱10.64 million), and Micro Benefits Limited (₱377.31 million).

Property and Equipment

The Group's consolidated property and equipment was ₱59.20 million in December 31, 2018 vis-à-vis ₱76.15 million in December 31, 2017, or a decrease of 22%. Property and equipment mainly consisted of leasehold improvements, leased assets, office, information technology equipment, furniture, and fixtures. The decrease was due to retirement and disposal of certain equipment.

Intangible Assets

Intangible assets of ₱3,612.92 million as at December 31, 2018 were recognized in relation to the Group's acquisitions and investments. Movements in this account pertains to additions, disposal, revaluation surplus amounting to ₱16.62 million; amortization (net of disposal) of ₱37.07 million; and impairment of goodwill amounting to ₱144.86 million. These resulted to a net 4% decrease amounting to ₱160.96 million vis-à-vis the December 31, 2017 figure at ₱3,773.88 million. The major components are goodwill, customer relationship, developed software, and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group. As at December 31, 2018, goodwill is at ₱2,399.76 million. This nets out an impairment of ₱144.86 million, pertinent to AoC.
- Customer relationship pertains to Yondu's noncontractual and contractual agreements with Globe Telecoms, its major customer which are expected to generate revenues for the Group in subsequent periods. As of December 31, 2018, customer relationship is valued at ₱1,077.81 million.

- Developed software pertains to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As at December 31, 2018, developed software net book value is at ₱121.08 million. Amortization of developed software for the twelve-month period ended December 31, 2017 amounted to ₱34.59 million.
- Cryptocurrencies pertain to units of Bitcoin held by the Group as at December 31, 2018 valued at ₱5.48 million
- Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination. As of December 31, 2018, leasehold rights net book value is at ₱8.79 million. Amortization of leasehold rights for the twelve-month period ended December 31, 2018 amounted to ₱2.48 million.

Pension Asset

The Group's recorded pension asset as of December 31, 2018 and December 31, 2017 was at ₱1.41 million and ₱0.31 million, respectively, an increase of 354%.

Deferred Tax Assets – Net

The Group's consolidated net deferred tax assets level amounted to ₱14.19 million as at December 31, 2018, lower by 88% or ₱101.34 million vis-à-vis its December 31, 2017 level at ₱115.53 million. The significant decrease in deferred tax asset was brought about by the increase in unrecognized deferred tax asset as aforementioned.

Other Noncurrent Assets

Other noncurrent assets amounted to ₱46.37 million as of December 31, 2018. This figure is 9% lower than the value posted as of December 31, 2017 at ₱50.74 million. These are primarily rental deposits amounting to ₱19.95 million.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables valued at ₱654.52 million as at December 31, 2018 was a 33% or ₱161.41 million increase from its December 31, 2017 figure of ₱493.11 million.

The Group's accounts and other payables consisted mainly of trade payables at ₱179.20 million, payable to related parties at ₱104.03 million (₱102.42 million from Xurpas, as advances from stockholders), deferred output VAT at ₱42.67 million and accrued expenses at ₱42.66 million.

Loans Payable

The Group recorded ₱358.74 million in current loans in December 31, 2018 and ₱377.42 million in December 31, 2017. This is mainly attributable to the loans of the Parent Company which are interest-bearing and short-term.

Income Tax Payable

The Group's consolidated income tax payable as at December 31, 2018 amounted to ₱2.19 million, a decrease of 78% from the December 31, 2017 figure of ₱10.08 million.

Contract Liabilities

Contract liabilities are obligations to transfer goods and services to customers from whom the Group has received consideration. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due. Contract liabilities are recognized as revenue when the Group performs under the contract.

As at December 31, 2018, contract liabilities amounted to ₱44.50 million.

Other Current Liabilities
The Group's other current liabilities amounted to ₱63.75 million in December 31, 2018 compared to ₱77.17 million in 2017, a decrease of 17%.

Finance Lease- net of current portion
Seer entered into a lease agreement with BPI Leasing Corporation for the use of IT and transportation equipment with a lease term three (3) and five (5) years, respectively. Effective monthly interest rates range from 0.83% to 1.12%. Seer's finance lease net of current portion is ₱0.02 million in December 31, 2018 and ₱0.61 million December 31, 2017.

Deferred Tax Liability

As of December 31, 2018, the deferred tax liability (net) was at ₱352.73 million, a decrease of 1% or ₱3.13 million from ₱355.86 million as of December 31, 2017.

Pension Liability

The accrued pension of the Group is at ₱23.52 million in December 31, 2018 compared to ₱31.30 million in December 31, 2017 or a decrease of 25%.

Equity

Total Equity

The Group's total equity as of December 31, 2018 was at ₱3,466.58 million, a 3% increase from its December 31, 2017 level at ₱3,355.50 million. The net decrease in total equity was a result of decrease in equity reserve from ₱1,250.72 million as of December 31, 2017 to ₱402.22 million as of December 31, 2018. Retained earnings decreased from ₱322.73 million as of December 31, 2017 to negative ₱556.37 million as at December 31, 2018 because of the net losses for 2018. This also included the reclassification for Available for Financial Assets as a result of adopting PFRS 9 which resulted into a net unrealized loss on financial assets at FVOCI of ₱44.22 million; which is recorded as a contra-equity account.

Liquidity and Capital Resources

The Group's liquidity is primarily driven by cash flows from operating activities and cash reserves. The Group knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity. The Group is current on all of its accounts. The Group has some bank debt through the Parent Company and Seer Technologies Inc. which are short term in nature. The Group does not anticipate having any cash flow or liquidity problems over the next 12 months. The Group is not in breach or default on any loan or other form of indebtedness.

Cash Flows

	For the 12 months ended December 31	
	2018	2017
In PhP Millions	**Amount**	**Amount**
Net cash provided by (used in) Operating Activities	(186.02)	248.52
Net cash provided by (used in) Investing Activities	(102.43)	(169.89)
Net cash provided by (used in) Financing Activities	236.19	(274.97)
Effect of foreign currency exchange changes in cash	14.40	(16.92)
Net increase (decrease) in cash	(37.86)	(213.26)
Cash at beginning of period	215.25	428.52
Cash at end of period	**177.40**	**215.25**

Cash Flows Provided by Operating Activities

For the first twelve months of 2018, operating loss of ₱385.95 million was coupled with the corresponding decrease in account receivables and account payables for a resulting ₱104.91 million net cash used in operations. Together with interest received and income taxes paid, this resulted in a net cash used in operating activities of ₱186.02 million.

Cash Flows Used in Investing Activities

The Group's consolidated cash flows used in investing activities for subsidiaries and associates for the twelve months of 2018 was ₱102.43 million compared to ₱169.89 million used in the same period of 2017. The net cash used in investing activities was mainly attributable to the proceeds of sale from cryptocurrencies and the balance of the earn-out payment to Art of Click.

Cash Flows Provided by (Used in) Financing Activities

The Group's consolidated net cash flow provided by financing activities for period ended December 31, 2018 was ₱236.19 million compared to net cash flow used in financing activities for the period ended December 31, 2017 which was ₱274.97 million.

Capital Expenditure

The Group's capital expenditures for the period ended December 31, 2018 and the year ended December 31, 2017 amounted to ₱18.35 million and ₱27.50 million, respectively.

Key Financial Data In PhP Millions	December 31, 2018 Additions	December 31, 2017 Additions
Office Equipment	1.19	3.08
IT Equipment	14.58	18.03
Furniture and Fixtures	0.06	0.95
Leasehold Improvements	2.52	4.33
Leased Asset	-	1.11
	18.35	**27.50**

Key Performance Indicators

The key performance indicators disclosed below present the financial performance of the Group as a whole. These are different with those in supplemental schedule of the consolidated financial statements which were prepared only for the analysis of financial performance attributable to the Parent Company.

The following are the key performance indicators of the Group and its majority-owned subsidiaries:

In Percentage	For the year ended December 31		
	2018	2017	2016
Liquidity Ratios			
Current Ratio	**69%**	54%	105%
Quick Ratio	**64%**	51%	102%
Asset-to-Equity Ratio	**183%**	231%	219%
Profitability Ratios			
Net Income Margin	**-62%**	2%	11%
Gross Margin	**9%**	31%	41%
Operating Margin	**-46%**	12%	24%
Return on Total Assets	**-14%**	1%	7%
Return on Equity	**-22%**	1%	14%
Debt Ratios			
Debt-to-Equity Ratio	**0.56x**	0.97x	0.91x
Interest Coverage Ratio	**-20.45x**	2.81x	11.84x

Current Ratios

Current Ratio and Quick Ratios in the twelve-month period at December 31, 2018 were 69% and 64%, respectively, an increase from their respective 54% and 51% figures during the full year of 2017. The increase in both ratios was primarily from the decrease in current liabilities; due to the reversal of the liability for written put option and the settlement of the payable to a former shareholder of a subsidiary, even as current assets also decreased over the period.

Asset-to-Equity Ratio

The decrease in the asset-to-equity ratio from 231% in December 31, 2017 to 183% in December 31, 2018 resulted from the decrease in total assets vis-à-vis equity, which increased over the same period.

Profitability Ratios

Profitability margins decreased from December 31, 2017, as a result of business combination and expenses related to the Group's investments and acquisitions. The decrease in Gross Profit Margin (9%), Net Income Margin (-62%), Operating Margin (-46%), Return on Total Assets (-14%) and Return on Equity (-22%) was a result of the year's net losses.

Debt Ratios

Debt to Equity ratio in December 31, 2018 was at 0.56x compared to 0.97x as at December 31, 2017. The decrease in the gearing ratio was attributed to the lower liability in December 31, 2018 compared to the previous year. Interest coverage ratio in December 31, 2017 was at -20.45x compared to 2.81x the previous year. The decrease in this ratio is because of the big drop in earnings before interest and tax expense and higher interest expense in 2018 compared to 2017.

The manner by which the Company calculates the foregoing indicators is as follows:

Current Ratios	
3. Current ratio	Current assets / Current liabilities
4. Quick ratio	(Current assets – Other current assets) / Current liabilities
Asset-to-equity Ratio	Total assets / Total equity attributable to Parent Company
Profitability Ratios	
6. Net income ratio	Net income attributable to Parent Company / Service income + Sale of goods
7. Gross margin	((Service income + Sale of goods) – (Cost of services + Cost of goods sold)) / Service income + Sale of goods
8. Operating margin	Earnings before interest, tax, depreciation and amortization / Service income + Sale of goods
9. Return on total assets	Net income attributable to Parent Company / Average total assets
10. Return on total equity	Net income attributable to Parent Company / Average total equity attributable to the Parent Company

Other Disclosures:

viii. Liquidity. To cover its short-term funding requirements, the Group intends to use internally generated funds and available short-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD. The Group can also obtain additional advances from its stockholders, refinance its short-term loans, renew its credit lines and negotiate for longer payment terms for its payables.

ix. Events that will trigger Direct or Contingent Financial Obligation. There are no events that will trigger direct or contingent financial obligations that are material to the Group, including and default or acceleration of an obligation.

x. Material Off-balance sheet Transactions, Arrangements, Obligations. Likewise, there were no materials off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the group with unconsolidated entities or other persons created during the reporting period.

xi. Material Commitments for Capital Expenditure. There are no material commitments for capital expenditures.

xii. Material Events/ Uncertainties. There are no known trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations.

xiii. Results of Operations. There were no significant elements of income or loss that did not arise from continuing operations.

xiv. Seasonality. The effects of seasonality or cyclicality on the operations of the Group's business are confined to its mobile consumer and other services segment.

ITEM 7. Financial Statements

Please refer to the consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules.

ITEM 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in and disagreements with accountants on accounting and financial disclosure.

Independent Public Accountants, External Audit Fees and Services

The consolidated financial statements of the Group as of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 were audited by SGV & Co., independent auditors, in accordance with Philippine Standards on Auditing (PSA).

SGV & Co. has acted as the Group's independent auditors since 2008. Since 2017, the audit partner for the Group is Mr. Dolmar C. Montañez. The Company has not had any material disagreement on accounting and financial disclosure with SGV & Co. for the periods stated above or during interim periods. SGV & Co. has neither shareholding in the Group nor any right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Group. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

In relation to the audit and review of the Group's annual consolidated financial statement, the Audit Committee shall, among other activities, (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Group; (ii) ensure that other non-audit work provided by the external auditors is not in conflict with their functions as external auditors; and (iii) ensure the compliance of the Group with acceptable auditing and accounting standards and regulation.

The aggregate fees billed for each of the last two calendar years for professional services rendered by the external auditor were ₱2,130,000 and ₱1,800,000 for 2019 and 2018, respectively. The audit fees for 2020 are estimated to be at ₱2,343,000. Services rendered include the audit of the financial statements and supplementary schedules for submission to SEC, tax consultancy and assistance in the preparation of annual income tax returns.

The Audit Committee recommends to the Board of Directors the appointment of the external auditor and the fixing of the audit fees. The Board of Directors and stockholders approve the Audit Committee's recommendation.

ITEM 9. Directors and Executive Officers of the Issuer

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

The overall management and supervision of the Company is undertaken by the Board. The Board is composed of seven members, two of whom are independent directors. The term of a director is one year from date of election and until their successors are elected and qualified.

As of December 31, 2019, the composition of the Company's Board is as follows:

Name	**Age**	**Citizenship**	**Position**	**Year Position was Assumed**
Nico Jose S. Nolledo	43	Filipino	Chairman	2001
Alexander D. Corpuz	53	Filipino	Director, President, Chief Information Officer and Chief Finance Officer[6]	2019
Fernando Jude F. Garcia	46	Filipino	Director, Treasurer and Chief Technology Officer	2001
Mercedita S. Nolledo	79	Filipino	Director	2001
Wilfredo O. Racaza	71	Filipino	Director	2001
Jonathan Gerard A. Gurango	62	Filipino	Independent Director	2014

Each of the Company's directors was elected to the Board during the Company's annual stockholders' meeting held on November 8, 2019. Each director shall remain in office until the next annual meeting of the stockholders of the Company or his or her removal or resignation as may be allowed under law.

The following independent directors were elected during the Special Stockholders' Meeting held oon May 7, 2020:

Name	**Age**	**Citizenship**	**Position**	**Year Position was Assumed**
Imelda C. Tiongson	52	Filipino	Independent Director	2020
Bartolome S.Silayan, Jr.	53	Filipino	Independent Director	2020

The table below sets forth the Company's executive officers in addition to its executive directors listed above as of December 31, 2019:

Name	**Age**	**Citizenship**	**Position**
Mark S. Gorriceta	42	Filipino	Corporate Secretary, Chief Legal Officer and Chief Officer

The following discussion presents a brief description of the business experience of each of the Company's directors and executive officers.

[6] Mr. Alexander D. Corpuz was appointed as Director and President in 2019. He has been the Chief Finance Officer of Xurpas since 2014.

Nico Jose S. Nolledo, Filipino, 43, director of the Company since 2001.

Mr. Nolledo is the first Filipino Entrepreneur chosen by the Endeavour network. He is also the Ernst and Young's 2015 Philippine Entrepreneur of the year and was chosen as one of The Outstanding Young Men ("TOYM") in the Philippines in 2015. Mr. Nolledo holds a Bachelor of Science degree in Management from Ateneo de Manila University.

Alexander D. Corpuz, Filipino, 53, director of the Company since 2019.

Mr. Corpuz was appointed as Director and President of the Company effective February 1, 2019. He has also been the Chief Finance Officer since 2014 and Chief Information Officer since 2018. Mr. Corpuz has 29 years of experience in the field of finance, ten years of which was in investment and commercial banking. He was Vice President of Bank of America in 2001, before serving as CFO for Liberty Telecoms, Information Gateway, Mañosa Group of Companies and Hatchd Inc. Mr. Corpuz holds a Bachelor of Science in Business Administration degree from University of the Philippines, Diliman, Cum Laude. He obtained his Masters in Business Management from the Asian Institute of Management, Makati City. He is a member of the Financial Executives Institute of the Philippines (FINEX).

Fernando Jude F. Garcia, Filipino, 46, director of the Company since 2001.

Mr. Garcia has been the Company's Chief Technology Officer since 2001. He was also appointed as Treasurer effective February 1, 2019. He created the Company's Griffin Platform, the mobile consumer content gateway and platform for all of the Company's mobile consumer content products and services. He also created the Company's modular middleware system that can easily integrate with any modern billing gateway. He is the chief engineer responsible for the Company's software architecture and systems integration. Examples of such systems and protocols are the following: SMS (CIMD2/EMI-UCP/SMPP), MMS (EIAF/MM7), Voice Services (SIP), Billing/IN (Diameter/UCIP/ParlayX2.1), Security (IPSEC), Publish-subscribe Systems and Video Streaming (RTMP/HLS) and blockchain technology (BTC/ETH). He is also responsible for architecting the Company's fully Cloud-based system infrastructure. Before founding the Company, he was a software developer in iAyala. Mr. Garcia holds a Bachelor of Science degree in Applied Physics from the University of the Philippines in Diliman, Quezon City.

Mercedita S. Nolledo, Filipino, 79, director of the Company since 2001.

Atty. Nolledo is currently a director of Bank of the Philippine Islands, BPI Family Savings Bank and BPI Capital Corporation, Anvaya Golf and Nature Club, Inc., BPI Asset Management & Trust Corporation and Michigan Holdings, Inc. She is the Chairman of BPI Investment Management Corporation. She is currently an independent director of D&L Industries, Inc. She is a member of the Board of Trustees of Ayala Foundation, Inc. and BPI Foundation, Inc. She has served as a director of Cebu Holdings, Inc. from 1993 to 2006 and of Ayala Corporation from 2004 to 2010. Atty. Nolledo was formerly Corporate Secretary and General Counsel of the Ayala Group of Companies and the Senior Managing Director of the Ayala Corporation. She served as Executive Vice President, director and Corporate Secretary of Ayala Land, Inc. and as the firm's Treasurer. Atty. Nolledo placed second in the Certified Public Accountant exams in 1960 and also placed second in the 1965 bar exams. She holds a Bachelor of Science degree in Business Administration, magna cum laude, from the University of Philippines. Atty. Nolledo holds a Bachelor of Laws degree, cum laude, from the University of the Philippines.

Wilfredo O. Racaza, Filipino, 71, director of the Company since 2001.

Mr. Racaza has 49 years of marketing and finance experience under his belt. He was the head of New Business Development in Mobil Oil Philippines for 15 years. He previously worked as an insurance executive in Manulife Financial Philippines for 33 years. He is a Registered Financial Consultant (Graduated Cum Laude in May 2015). He has garnered numerous accolades and multiple awards such as Branch of the Year recognitions and consistent agency sales awards. He has been a consistent awardee in the General Agents and Managers Association (GAMA) of the Philippines from 2003 to Present. Mr. Racaza holds a Bachelor of Science in Commerce Degree Major in Accountancy from Xavier University (Ateneo de Cagayan) in Cagayan de Oro City.

Jonathan Gerard A. Gurango, 62, Filipino, independent director of the Company since 2014.

Mr. Gurango has a solid track record in forming and running successful software companies. He founded Match Data Systems (MDS) in Seattle, USA in 1987, MDS Philippines in 1991, and MDS Australia in 1996. In 1999, he sold MDS to Great Plains Software, which was acquired by Microsoft in 2001. Mr. Gurango served as the Asia Pacific Regional Director for Microsoft Business Solutions, before he left in 2003 to form Gurango Software. In 2007, he was inducted into the Hall of Fame for Microsoft's Most Valuable Professionals, in recognition of his mastery of software technology and business. In 2006, the Philippine Center for Entrepreneurship acknowledged him as one of the country's Ten Most Inspiring Technopreneurs. In addition to leading Gurango Software as the most successful Microsoft Dynamics partner in the Philippines, he has co-founded several other software start-ups such as SPRING.ph, and was the President of the Philippine Software Industry Association from 2013 to 2014. Mr. Gurango studied Industrial Engineering at the University of the Philippines, Diliman, Quezon City. He also studied Electrical Engineering at the University of Washington, Seattle, Washington, USA.

Imelda C. Tiongson, Filipino, 52, independent director of the Company since 2020.

Ms. Tiongson is currently the President of Opal Portfolio Investments (SPV-AMC) Inc. She is currently an independent director of Fin Tech Global Resources Inc. and Ovo Worldwide Trading Corporation, and a Trustee of Fintech Philippines Association. Ms. Tiongson is also involved in several organizations; She is a Trustee of the Institute of Corporate Directors, Vice Chair of the Governance Committee of the Management Association of the Philippines, and the Head of Technoethics and Chair of Governance for Fintech Alliance. She is also a lecturer for Risk Management for International Finance Corporation (*an entity affiliated with the World Bank Group*) and Institute of Corporate Directors (ICD). She is also a lecturer in Ateneo Graduate School of Business - Center for Continuing Education.

She previously worked as a Senior Lending Officer in National Australia Bank and as Senior Vice President of Philippine National Bank. She was also a director of Vitarich Corporation and a board advisor of East Asia Power Corporation.

Ms. Tiongson also participated in the groups that drafted the Revised Corporation Code which was enacted in 2019 and the Financial Rehabilitation and Insolvency Act of 2010.

Ms. Tiongson obtained her Bachelor of Business in Accountancy from Royal Melbourne Institute of Technology. She also completed a Master Class on Remedial in Asian Institute of Management (AIM), Master Class in Blockchain/Cryptocurrency facilitated by Terrapinn and Master Class in Risk/Audit conducted by Worldbank ICD.

Bartolome S. Silayan Jr., Filipino, 53, independent director of the Company since 2020.

Mr. Silayan is currently the President of Phoenix One Knowledge Solutions Inc. (“Phoenix One”), a technology corporate training company which he started in 2005. He is also the President of Cafisglobal Inc, a boutique software services company serving clients in Australia. Prior to Phoenix

One, he also founded Mind Stream Inc. in 2001, the franchise holder of NIIT, the largest technology education company from India. Before he became an entrepreneur, he was the Philippine Country Head of The Pillsbury company in 1997. He worked in Hongkong and China in 1994 as Marketing Manager for the Quaker Oats company handling the Gatorade brand. He finished BS Business Management from Ateneo de Manila University and obtained his MBA from Northwestern University's Kellogg school of management.

Mark S. Gorriceta, 42, Filipino, Corporate Secretary, Chief Legal Officer and Chief Compliance Officer of the Company since 2014.

Atty. Gorriceta has been in the practice of law for fourteen years. He acts as legal counsel to several other listed companies, its subsidiaries or affiliates. Atty. Gorriceta also serves as Chief Legal Counsel and/or Corporate Secretary to several leading online and tech companies in the Philippines. He heads the Corporate Group of Gorriceta Africa Cauton & Saavedra. He was formerly connected with the Law Firm of Quiason Makalintal Barot Torres & Ibarra. A member of the Philippine Bar since 2005, he holds a Bachelor of Arts, Political Science degree from the Ateneo de Manila University. He also attended certificate courses in Finance at the Asian Institute of Management in Makati City. Atty. Gorriceta is currently enrolled in Harvard University's certificate program in Corporate Finance.

Significant Employees

While the Company values the contribution of each executive and non-executive employee, there is no non-executive employee that the resignation or loss of whom would have a significant adverse effect on the business of the Company. Other than standard employment contracts, there are no arrangements with non-executive employees that will assure the continued stay of these employees with the Company.

Family Relationships

Mr. Nico Jose S. Nolledo, Chairman, is the son of Atty. Mercedita S. Nolledo, also a director.

Mr. Wilfredo O. Racaza's son, Mr. Raymond Gerard S. Racaza, is a principal shareholder of the Company.

There are no family relationships between the current members of the Board and the key officers / principal shareholders other than the above.

Involvement in Certain Legal Proceedings

There are no material legal proceedings, bankruptcy petition, conviction by final judgment, order, judgment or decree or any violation of a securities or commodities law for the past five years to which any of its directors or executive officers is a party.

ITEM 10. Executive Compensation [Note to Xurpas: See our comment on disclosable executive officers]

Since its incorporation in 2001, the Company's directors (other than reasonable per diem for nonexecutive directors as discussed below) have not received any salary or compensation for their services as directors.

The following table summarizes the aggregate compensation received by the President and Chief Executive Officer, and top five (5) most highly compensated officers of the Company for the past five (5) years:

Name	Position	Estimated Salary	Bonus	Other	Total
Alexander D. Corpuz	President, Chief Finance Officer & Chief Information Officer				
Fernando Jude F. Garcia	Treasurer & Chief Technology Officer				
Total	2020 (Projected)	₱8,764,000.00	N/A	N/A	₱8,764,000.00
	2019	6,163,838.25	N/A	N/A	₱6,163,838.25
	2018	12,584,516.66	N/A	N/A	12,584,516.66

The total annual compensation consists of basic pay and other taxable income.

The Company's executive officers have no other remuneration aside from the compensation described above.

Compensation of Directors

Standard Arrangements

The directors receive a standard per diem of ₱20,000.00 for every meeting attended, which may be adjusted, as decided by the Personnel and Compensation Committee. Non-executive directors have no compensation aside from their per diem, while directors who hold executive positions receive compensation discussed in Item 6, in addition to their per diem.

Other Arrangements

The Company has no other existing arrangements such as bonus, profit sharing, stock options, warrants, rights, or other compensation plans or arrangements with its directors except for the Employee Stock Option Plan, approval of which is currently pending with the Securities and Exchange Commission and the listing of such shares is pending with the Philippine Stock Exchange.

Employment Contracts with Executive Officers

The Company does not have any compensatory plan or arrangements such as bonus, profit sharing, stock options, warrants, rights or other compensation plans or arrangements that results from the resignation, retirement of employment, or any other termination of an executive officer's employment with the Company, or from a change in control of the Company.

Warrants and Options Held by the Executive Officers and Directors

As of date, the Company does not have any stock options, warrants or similar plans for any of its directors or officers except the Employee Stock Option Plan, approval of which is currently pending with the Securities and Exchange Commission and the Philippine Stock Exchange.

ITEM 11. Security Ownership of Certain Beneficial Owners and Management

Security ownership of certain record and beneficial owners

As of July 31, 2020, the Company is not aware of any person who is directly or indirectly the record or beneficial owner of more than 5% of the Company's capital stock except as set forth below:

Title of Class	Name and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares and Nature of Ownership (Direct or Indirect)	Percent of Class[7]
Common	**Nico Jose S. Nolledo** Chairman and Chief Executive Officer	Nico Jose S. Nolledo	Filipino	322,226,622 (Direct and Indirect)	17.21%
Common	**Raymond Gerard S. Racaza** President and Chief Operating Officer	Raymond Gerard S. Racaza	Filipino	375,765,960 (Direct)	20.06%
Common	**Fernando Jude F. Garcia** Chief Technology Officer	Fernando Jude F. Garcia	Filipino	375,073,960 (Direct)	20.04%
Common	**PCD Nominee Corp.**	PCD participants acting for themselves and for their customers[8]	Filipino	557,017,730 (Direct)	29.74%
Common	**PCD Nominee Corp.**	PCD participants acting for themselves and for their customers[9]	Non-Filipino	250,870,795 (Direct)	13.40%

As of July 31, 2020, 13.40% of the outstanding shares of the Company are held by non-Filipino.

Security ownership of directors and management as of July 31, 2020

[7] Total Outstanding Shares as of July 31, 2020 is at 1,872,796,877
[8] Each beneficial owner of shares through a PCD participant is the beneficial owner to the extent of the number of shares in his account with the PCD participant. The Company has no record relating to the power to decide how the shares held by PCD are to be voted.
[9] Id.

As of July 31, 2020, the Company's directors and executive officers own the following number of shares:

Title of Class	Name of Owner and Position	Citizenship	No. of Shares and Nature of Ownership (Direct or Indirect)	Percent of Class
Common	**Nico Jose S. Nolledo** Chairman	Filipino	322,226,622 (Direct and Indirect)	17.21%
Common	**Alexander D. Corpuz** Director, President and Chief Information Officer	Filipino	1,000	0.00%
Common	**Fernando Jude F. Garcia** Director, Chief Technology Officer and Treasurer	Filipino	375,073,960 (Direct)	20.04%
Common	**Mercedita S. Nolledo** Director	Filipino	2,378,338 (Direct)	0.13%
Common	**Wilfredo O. Racaza** Director	Filipino	1,060 (Direct)	Nil
Common	**Jonathan Gerard A. Gurango** Independent Director	Filipino	169,399 (Direct)	0.01%
Common	**Imelda C. Tiongson** Independent Director	Filipino	1,000 (Direct)	Nil
Common	**Bartolome S. Silayan, Jr.** Independent Director	Filipino	2,000 (Direct)	NIl
Total (Directors and Officers as a Group)			699,853,379	37.39%

<u>Voting Trust Holders of 5% or More</u>

The Company is not aware of any person holding 5% or more of the Company's shares under a voting trust or similar agreement.

Changes in Control

There was no change of control in the Company during the year. There are no existing provisions in the Company's Articles of Incorporation or By-Laws that will delay, defer, or in any manner prevent a change in control of the Company.

ITEM 12. Certain Relationships and Related Transactions

The Company has regularly disclosed its related party transactions such as acquisition of shares in corporations in which the Company has interlocking directors or common stockholders, with the Securities and Exchange Commission and the Philippine Stock Exchange. In the conduct of its day-to-day business, the Company engages in related party transactions such as service and licensing agreements, always at arms-length and taking into consideration the best interest of the Company.

PART IV – CORPORATE GOVERNANCE

ITEM 13. Corporate Governance.

Pursuant to SEC Memorandum Circular No. 20 (Series of 2016), the Annual Corporate Governance Report (ACGR) for 2016 is no longer required to be attached herein. Further, pursuant to SEC Memorandum Circular No. 15 (Series of 2017), companies listed in the Philippine Stock Exchange by 31 December of a given year shall submit a fully accomplished I-ACGR on May 30 of the following year. Accordingly, the Company submitted its I-ACGR on May 29, 2019. You may refer to the Company's website for its Manual on Corporate Governance and its ACGR.

ITEM 14.

SUSTAINABILITY REPORT

Contextual Information

Company Details	
Name of Organization	Xurpas Inc.
Location of Headquarters	7th Floor, Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City
Location of Operations	Salcedo Village, Makati City
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Xurpas Inc. and Subsidiaries
Business Model, including Primary Activities, Brands, Products, and Services	Develop, produce, sell, buy or otherwise deal in products, goods or services in connection with the transmission, receiving, or exchange of voice, data, video or any form or kind of communication
Reporting Period	December 31, 2019
Highest Ranking Person responsible for this report	Alexander D. Corpuz

BRIEF ON THE COMPANY

Xurpas Inc. is a Filipino owned corporation originally founded in 2001 to create and develop digital products and services for mobile end-users. Over the years, the Company has expanded its services to platform development and customization, system integration, mobile platform consultancy services, management of off-the-shelf application and social media related services. This includes Information Technology (IT) staff augmentation and various enterprise solutions-based services to Telcos and other companies for network and application development.

In December 2014, Xurpas was listed in the Philippine Stock Exchange (PSE:X).

The company's operation is supported by a diverse group of talented employees wherein a mechanism for employee participation was developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance1 process.

MISSION: To make world class Filipino technology products, and to put our country on the world technology map.

VISION: To become the biggest, most trusted IT solutions company in the Philippines.

MATERIALITY ASSESSMENT AND REPORTING PRACTICES

Given the need to operate in a sustainable manner, the Company is starting to become aware of possible ways its contribution to the economic, environmental and social impacts. The material topics included in this report are limited to the operational matters which have direct and significant effects in relation to the Company's sustainability and the interest of its identified stakeholders (shareholders, employees, customers and suppliers).

As an Information Technology company, we identify that our main contribution to sustainability is providing digital transformation with our technical capabilities. It is worth noting that as an IT company, the effects of its operations mainly affect the economic and social aspects of sustainability.

This Sustainability Report has been prepared in reference to the globally accepted framework report namely, the Global Reporting Initiative (GRI) standards. The GRI standard covers the economic, environment and social impacts. This is the Company's first Sustainability Report since its inception covering the period of January 2019 to December 2019. Aside from that, this report identifies how the Company's operations contribute to the UN Sustainable Development Goals.

Economic disclosures pertain to the way in which the company utilizes its resources to contribute to the economy. It looks into the direct economic value of the company, climate related risks and opportunities, procurement practices and anti-corruption practices. Environmental disclosures, on the other hand, pertains to the management of natural resources (energy, water, and materials conservation) and how the negative impacts of operations to the environment is minimized. Lastly, the Social disclosures talks about the Company's relationship with its stakeholders such as employees and customers. It talks about topics such as diversity of manpower complement, the benefits and trainings offered to the employees and the overall workplace environment. Aside from that, it also discusses topics such as customer management and data privacy/security.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated:	946,735,121	Php
Direct economic value distributed:		
a. Operating costs	286,437,054	Php
b. Employee wages and benefits	646,518,578	Php
c. Payments to suppliers, other operating costs	2,574,893,910	Php
d. Dividends given to stockholders and interest payments to loan providers	39,684,866	Php
e. Taxes given to government	28,796,552	Php
f. Investments to community (e.g. donations, CSR)	20,222	Php
Direct economic value retained:	(2,626,971,914)	Php

What is the impact and where does it occur? What is the organization's involvement in the impact	Which stakeholders are affected?	Management Approach
The Economic Performance of the Company impacts the business as a whole. Being profitable and having healthy liquidity stance result to strong business operations and provides opportunities for expansion and growth.	All stakeholders	As can be measured through its annual reports and financial statements, the Company assures all stakeholders to provide quality services for customers through continuous research and development that bring forth positive economic performance.

What are the Risk/s Identified?		
Internal Risks: Loss of customers, management risk, and financial risk **External Risks:** Regulatory risks, Stiff competition in the IT industry, and product obsolescence brought about by ever changing and upgrade of various technology solutions		To address these risks, Xurpas banks on the quality services that it provides its customers backed up by its management expertise and technological know-how.
What are the Opportunity/ies Identified?		
The pandemic that the world faces presently brings about realization on the importance of digital transformation across all businesses regardless of size.		The continuous relationship building to its clientele base (new and existing) and other technology company opens up opportunities to grow the business not only in the local market but the international market as well. Also, these relationships provide information of relevant trends that may improve the offered services that may result to increased economic performance.

Climate-related risks and opportunities

Governance	Strategy	Risk Management	Metrics and Targets
The Company, as of date, does not have governance around climate-related risks and opportunities. Nevertheless, it strives to do implement sustainability in the organization whenever applicable.	Not Applicable	Not Applicable	Not Applicable
Recommended Disclosures			
The Board, as of date, does not oversee climate-related risks and opportunities.	Not Applicable	Not Applicable	Not Applicable
The Management, as of date, does not have any process for managing climate- related risks.	Not Applicable	Not Applicable	Not Applicable
	Not Applicable	Not Applicable	Not Applicable

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	99.88	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company recognizes the importance of interdependence of businesses such as the suppliers and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.	Suppliers	The Company prefers to avail of goods and services locally due to its availability and lower cost. It also provides economic development to the suppliers.
What are the Risk/s Identified?		
Concentration risk that may result to shortage of supplies.		Having a diverse supplier base mitigates risk of shortage in supplies.
What are the Opportunity/ies Identified?		
Having good relationship with suppliers mutually benefits the Company and the supplier. This relationship may lead to an opportunity where Xurpas becomes a preferred customer and may have certain privileges offered by the supplier.		The Company continues to support local suppliers and be a credible customer by making timely payments for the goods and services provided.

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anticorruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	-	%
Percentage of directors and management that have received anti-corruption training	-	%
Percentage of employees that have received anti-corruption training	–	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company through its BOD and employees are duty-bound to apply high ethical standards, taking into account the interest of all stakeholders. This results to positive and trustworthy image for the Company.	All Stakeholders	The Company has established anti-corruption policy available to all stakeholders The Company expects everyone involved in the business to act in good faith at all times. For violations of this policy committed by employees, the Human Resources Department shall monitor, evaluate and impose the necessary penalties. in the company's website.
What are the Risk/s Identified?		
The organization's employees are exposed to the risk of seeking financial and material advantages from its dealings with clients, suppliers, and the government.	Employees	
What are the Opportunity/ies Identified?		
Being regarded as an honest and professional business partner would strengthen relationships to customers and suppliers. This will help the company sustain its operations in the long run and support future plans for growth.	All Stakeholders	

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	-	#
Number of incidents in which employees were dismissed or disciplined for corruption	-	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	-	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Incidents of Corruption inside and outside the Company has a negative impact for the overall business operation and is not tolerated as a way of practice.	Employees	The Company has established anti-corruption policy available to all stakeholders The Company expects everyone involved in the business to act in good faith at all times. For violations of this policy committed by employees, the Human Resources Department shall monitor, evaluate and impose the necessary penalties. in the company's website.
What are the Risk/s Identified?		
Employees are exposed to the risk of seeking financial and material advantages from its dealings with clients, suppliers, and the government.		

What are the Opportunity/ies Identified?		
Having no incidents of corruption and promoting an honest business environment for all stakeholders can be beneficial to the Company. It will give a positive image and be regarded as a trustworthy business partner to its customers and suppliers. This will help the company sustain its operations in the long run and support future plan for growth.	All Stakeholders	

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	-	GJ
Energy consumption (gasoline)	-	GJ
Energy consumption (LPG)	-	GJ
Energy consumption (diesel)	-	GJ
Energy consumption (electricity)	88,568.99	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	–	GJ
Energy reduction (LPG)	–	GJ
Energy reduction (diesel)	–	GJ
Energy reduction (electricity)	–	kWh

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Reduction of energy consumption is being encouraged throughout the Company as it reduce utility expenses at the same time help the environment. Reducing energy consumption is seen to be a solution to minimize the emission of greenhouse gases in the atmosphere causing climate change.	Employees	As part of the Company's initiative to minimize expenses, employees are expected to act responsible and professionally in terms of incurring expenses. Employees are encouraged conserve energy whenever possible (e.g making sure that lights and aircon in the conference rooms are turned off when not in use).

What are the Risk/s Identified?		
Instability of prices for fuel and other energy resources.	Suppliers and Employees	Given that the identified risk is an external factor in which the Company does not have control over. Hence, employees are encouraged conserve energy whenever possible.
What are the Opportunity/ies Identified?		
Internal cost reduction and savings can contribute to finance other profitable projects.	Stockholders and Employees	Employees are encouraged to save electricity whenever possible.

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	-	Cubic meters
Water consumption	508.44	Cubic meters
Water recycled and reused	-	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Like energy conservation, the Company encourages its employees to be mindful of their water consumption as it results to lower utility costs. Managing water resource properly maintains healthy aquatic environment, minimize water pollution and protects drinking water resources, etc.	Employees and Community	As part of the Company's initiative to minimize the expenses, employees are expected to act responsible and professionally in terms of incurring expenses. Employees are encouraged to be mindful in using water (e.g All water faucets in the office should be turned off when not in use).
What are the Risk/s Identified?		
Shortage of water supply brought about by natural occurrence namely, drought.	Suppliers and Employees	Given that the identified risk is an external factor in which the Company does not have control over, the management encourages mindfulness to its employees in water usage.
What are the Opportunity/ies Identified?		
Internal cost reduction and savings that can contribute to finance other profitable projects.	Stockholders and Employees	As mentioned, employees are encouraged to save water whenever possible.

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
Renewable	–	kg/liters
Non-renewable	–	kg/liters
Percentage of recycled input materials used to manufacture the organization’s primary products and services	–	%

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company is engaged in software development and other IT solutions thus the main operations don’t usually consume materials that may affect the services’ pricing and availability.	Customers and Suppliers	The Company ensures that its systems (hardware and software) are upgraded and in good condition. It also encourages recycling habits for other departments who utilizes consumable materials such as paper, office supplies, etc.
What are the Risk/s Identified?		
No identifiable risk in relation to sourcing materials that may have a big impact to the operations of the Company and the environment.	Not Applicable	Not Applicable
What are the Opportunity/ies Identified?		
No identifiable opportunity in relation to sourcing materials that may have a big impact to the operations of the Company and the environment.		

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	–	
Habitats protected or restored	–	ha
IUCN17 Red List species and national conservation list species with habitats in areas affected by operations	–	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The property that is being leased by the Company is not within, or adjacent to any protected areas and areas of high biodiversity value outside protected areas.	Not Applicable	Not Applicable
What are the Risk/s Identified?		
No risk identified since the Company's office is not located near protected areas of areas of high biodiversity.		
What are the Opportunity/ies Identified?		
No identifiable opportunity in relation to impact/involvement to the ecosystem and areas of high biodiversity.		

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	–	Tonnes CO2e
Energy indirect (Scope 2) GHG Emissions	–	Tonnes CO2e
Emissions of ozone-depleting substances (ODS)	–	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Given the nature of the Company's business, that is, software development and other IT services, it does not have a direct contribution to the emission of greenhouse gases in the environment. Nevertheless, it strives to work towards sustainable development.	Not Applicable	Not Applicable
What are the Risk/s Identified?		
No identifiable risks since the Company is engaged in software development and does have a direct contribution to the emission of greenhouse gases in the environment.		
What are the Opportunity/ies Identified?		
No identifiable opportunities in relation to the topic since the Company is engaged in software development and does not have a direct contribution to the emission of greenhouse gases in the environment.		

Air pollutants

Disclosure	Quantity	Units
NOx (Nitrogen Oxides)	–	kg
SOx (Sulfur Oxides)	–	kg
Persistent organic pollutants (POPs)	–	kg
Volatile organic compounds (VOCs)	–	kg
Hazardous air pollutants (HAPs)	–	kg
Particulate matter (PM)	–	kg

<table>
<tr><th>What is the impact and where does it occur? What is the organization's involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management Approach</th></tr>
<tr><td>Given the nature of the Company's business, that is, software development and other IT services, it does not contribute any air pollutant into the environment. Nevertheless, it strives to work towards sustainable development.</td><td rowspan="5">Not Applicable</td><td rowspan="5">Not Applicable</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>No identifiable risks since the Company is engaged in software development and does not contribute air pollutants.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>No identifiable opportunities since the Company is engaged in software development and does not contribute air pollutants.</td></tr>
</table>

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	-	kg
Reusable	-	kg
Recyclable	-	kg
Composted	-	kg
Incinerated	-	kg
Residuals/Landfilled	-	kg

<table>
<tr><th>What is the impact and where does it occur? What is the organization's involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management Approach</th></tr>
<tr><td>Given the nature of the Company's business, that is, software development and other IT services, it does not contribute any solid waste into the environment. Nevertheless, it strives to work towards sustainable development.</td><td rowspan="5">Not Applicable</td><td rowspan="5">Not Applicable</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>No identifiable risks since the Company is engaged in software development and does not contribute solid waste into the environment.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>No identifiable opportunities since the Company is engaged in software development and does not contribute solid waste into the environment.</td></tr>
</table>

<u>Hazardous Waste</u>

Disclosure	Quantity	Units
Total weight of hazardous waste generated	–	kg
Total weight of hazardous waste transported	–	kg

<table>
<tr><th>What is the impact and where does it occur? What is the organization's involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management Approach</th></tr>
<tr><td>Given the nature of the Company's business, that is, software development and other IT services, it does not contribute any hazardous waste into the environment. Nevertheless, it strives to work towards sustainable development.</td><td rowspan="5">Not Applicable</td><td rowspan="5">Not Applicable</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>No identifiable risk in relation to production of hazardous waste since the Company is engaged in software development.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>No identifiable opportunity in relation to minimizing/production of hazardous waste that requires any prescribed disposal method since the Company is engaged in software development.</td></tr>
</table>

<u>Effluents</u>

Disclosure	Quantity	Units
Total volume of water discharges	-	Cubic meters
Percent of wastewater recycled	-	%

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management Approach</th></tr>
<tr><td>Given the nature of the Company’s business, that is, software development and other IT services, it does not contribute any effluents into the environment. Nevertheless, it strives to work towards sustainable development.</td><td rowspan="5">Not Applicable</td><td rowspan="5">Not Applicable</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>No identifiable risk in relation to production of hazardous discharge or liquid waste on any bodies of water since the Company is engaged in software development.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>No identifiable opportunity in relation to minimizing/production of hazardous discharge or liquid waste that requires any prescribed disposal method since the Company is engaged in software development.</td></tr>
</table>

Environmental compliance

<u>Non-compliance with Environmental Laws and Regulations</u>

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	-	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	-	#
No. of cases resolved through dispute resolution mechanism	-	#

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Which stakeholders are affected?	Management Approach
As an Information Technology company, we identify that our main contribution to sustainability is providing digital transformation with our technical capabilities. Though the effects of digital transformation to the environment and society is indirect, the Company, nevertheless complies with the environmental laws and regulations.	Customers, Employees, and Stockholders	Through its own way, the Company tries to contribute to sustainable development by providing digital transformation to customers. This results to increased efficiency resulting to less consumption of natural resources. Moreover, policies on conserving energy and water in the workplace is encouraged not only to lessen utility cost but also minimize help conserve natural resources.

What are the Risk/s Identified?		
The Company complies with environmental laws and regulations hence, it does not identify any risk in relation to the topic.	Not Applicable	
What are the Opportunity/ies Identified?		
The IT industry in which the Company operates in seen to be a driver for sustainability. By optimizing business processes though digitization, businesses can operate more efficiently at the same time minimize the consumption of natural resources.	Customers	The Company ensures to deliver quality and efficient solutions to its clients.

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees		
a. Number of female employees	36	#
b. Number of male employees	48	#
Attrition rate	47.62	%
Ratio of lowest paid employee against minimum wage	-	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	2	3
PhilHealth	Y	4	3
Pag-ibig	Y	1	-
Parental leaves	Y	1	-
Vacation leaves	Y	33	42
Sick leaves	Y	32	42
Medical benefits (aside from PhilHealth))	Y	25	33
Housing assistance (aside from Pagibig)	N	-	-
Retirement fund (aside from SSS)	N	-	-
Further education support	N	-	-
Company stock options	N	-	-
Telecommuting	N	-	-
Flexible-working Hours	Y	34	47
(Others)	N	-	-

<table>
<tr><th>What is the impact and where does it occur? What is the organization's involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>Human resource plays a vital role for the Company's success. A mechanism for employee participation was developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.</td><td rowspan="5">The Company is committed to continually review its incentive programs that rewards its employees for their contribution to achieve the Company's goals.</td></tr>
<tr><td>What are the Risk/s Identified?</td></tr>
<tr><td>Increasing attrition rate and employee dissatisfaction.</td></tr>
<tr><td>What are the Opportunity/ies Identified?</td></tr>
<tr><td>Having a competitive compensation package provides the opportunity to retain talented employees & increase employee satisfaction. It can also attract potential talents that may contribute to the Company's success.</td></tr>
</table>

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	104	hours
b. Male employees	336	hours
Average training hours provided to employees		
a. Female employees	13	hours/employee
b. Male employees	21	hours/employee

<table>
<tr><th>What is the impact and where does it occur? What is the organization's involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>Developing the talents and skill sets of employees impact the Company's efficiency and productivity. Having a well-developed workforce ensures timely and quality outputs positively impacts the company's relationship with customers and its financial state.</td><td rowspan="5">The Company has programs for upgrading employee skill sets which allow them to acquire new skills that may help them easily adopt to the challenges of the industry where technology evolution is considered fast-paced. Moreover, the compensation package is reviewed periodically and the employee is appropriately recognized for their contributions to the growth of the Company.</td></tr>
<tr><td>What are the Risk/s Identified?</td></tr>
<tr><td>Without talent development, the Company may face the risk of project delays due to inefficient manpower complement. This may lead to losses in terms of number of customer base and generation of revenues. Another risk that the Company may face is losing a talented employee to another company who may offer better compensation package.</td></tr>
<tr><td>What are the Opportunity/ies Identified?</td></tr>
<tr><td>Having a talented and diverse workforce opens the opportunity for the Company to strengthen its efficiency in performing its services to customers. This efficiency can result to increased revenue generation since it can accomplish more projects in less time.</td></tr>
</table>

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	-	%
Number of consultations conducted with employees concerning employee-related policies	9	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
In terms of Labor-Management Relations, the Company does not deal with any labor unions. The Company does not identify any impact of this topic to the business operations, etc.	Even though employees are not represented by any labor union, the Company still aims to provide a work environment that is safe and healthy. It also works providing an inclusive feeling where employees feel that their contribution to achieve set goals is important and is recognized.
What are the Risk/s Identified?	
No risk identified regarding this topic.	
What are the Opportunity/ies Identified?	
With the absence of any labor group paves the way to efficient business dealings to all stakeholders.	

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	43	%
% of male workers in the workforce	57	%
Number of employees from indigenous communities and/or vulnerable sector*	4	#

*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Xurpas Inc. is committed to fair employment practices without prejudice to gender, age, religion, etc. The Company respects all of its employees and strives to protect them from all forms of harassment or any other inhumane treatments. Fostering a work environment that is inclusive and open to all affects the efficiency of the Company in delivering quality services.	Through the Company's policies on safe and healthy work environment, it ensures that the fair employment practices are implemented.
What are the Risk/s Identified?	
Given the strict implementation of its policies on inclusivity and equality among its employees, the Company cannot identify any risk in relation to the topic.	

What are the Opportunity/ies Identified?	
Promotion of the diverse and equal employment opportunity in terms of employee management allows better synergy in the workplace. When problems arise and people work on it together, it may result to finding fast and creative solutions.	

<u>Workplace Conditions, Labor Standards, and Human Rights</u>

<u>Occupational Health and Safety</u>

Disclosure	Quantity	Units
Safe Man-Hours	8	Man-hours
No. of work-related injuries	-	#
No. of work-related fatalities	-	#
No. of work related ill-health	104	#
No. of safety drills	-	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company ensures that the physical, emotional and mental well-being of its employees are well taken care of. The health, safety and welfare of its employees and members of community are of vital importance through which human and operational efficiencies are achieved. It also ensures the Company's competitiveness to strive amidst stiff competition in the industry.	The Company complies with the regulations of the Department of Labor and Employment (DOLE) including the occupational health and safety standards. The Company also promotes a work-life balance for its employees with its flexible working hours. Lastly, it has established programs to engage employees and check on their overall well-being.
What are the Risk/s Identified?	
Given the strict implementation of its policies on inclusivity and equality among its employees, the Company cannot identify any risk in relation to the topic.	
What are the Opportunity/ies Identified?	
Having a safe and healthy workplace promotes a conducive and productive environment.	

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	-	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace? **Yes, the Company has a policy on employee health, safety and welfare. Said policy is found on the Company's website.**

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	
Child labor	N	
Human Rights	N	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company respects all of its employees and strives to protect them from all forms of harassment or any other inhumane treatments. Fostering a work environment that is inclusive and open to all affects the efficiency of the Company in delivering quality services.	Through the Company's policies on promoting a work environment that is safe and healthy for everyone, it ensures that the fair employment practices are implemented. It does not tolerate any form of harassment or bullying that may result to mental and emotional degradation.
What are the Risk/s Identified?	**Management Approach**
Strictly implementing and ensuring that the work place upholds the value of respect and professionalism, the Company has not identified any risk.	Not Applicable
What are the Opportunity/ies Identified?	**Management Approach**
Having a company caring for its employees well-being may bring about the abolition of illegal labor practices. Having every employee feel safe and their individual traits are respected results to increased efficiency and productivity.	Through the Company's policy on promoting a work environment that is safe and healthy for everyone, it ensures that the fair employment practices are implemented. It does not tolerate any form of harassment or bullying that may result to mental and emotional degradation.

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy: **None**

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the company policy
Environmental performance	N	
Forced labor	N	
Child labor	N	
Human rights	N	
Bribery and corruption	Y	Anti-Corruption Policy, Whistleblowing Policy, RPT Policy and Insider Trading Policy

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
In terms of supply chain management, the Company deals mostly with IT companies whose operations does not have a direct impact in the environment and social issues.	The Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates. Moreover, it ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development
What are the Risk/s Identified?	
No identifiable risk in relation to supply chain.	Not Applicable
What are the Opportunity/ies Identified?	
No identifiable opportunities since the Company deals mostly with other IT companies whose operations does not have a direct impact in the environment and social issues.	

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Not Applicable					

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available. **Not Applicable.**

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	–	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Providing quality services and having strong and good relationships to the customers is of utmost importance. Not only does it result to positive results financially but will also result positively to all stakeholders involved with the Company.	The Company commits to provide quality services and innovative solutions to help the customers achieve digital transformation encouraging increased efficiency and productivity.
What are the Risk/s Identified?	
Customer dissatisfaction & loss of clients.	
What are the Opportunity/ies Identified?	
The opportunities that the Company may encounter includes good and trustworthy reputation and increased market share through servicing new clients and/or grow existing business accounts.	

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	–	#
No. of complaints addressed	–	#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company has not encountered health and safety issues from customers given the services provided consist of software development and other IT solutions.	Though the Company does not have these issues, it is still committed to provide quality services to its customers.
What are the Risk/s Identified?	
No identifiable risks in relation to this topic.	
What are the Opportunity/ies Identified?	
No identifiable opportunities in relation to this topic.	

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	–	#
No. of complaints addressed	–	#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company ensures that it delivers what it promises through its marketing channels. The marketing and sales team constantly updates product offerings and provides feedback for any customer-related concerns.	The Company is committed to practicing ethical and responsible marketing. It discourages misleading and dishonest marketing and advertising activities that may result to customer dissatisfaction or reputational risks.
What are the Risk/s Identified?	
Misleading unethical marketing practices poses a risk of loss of customer and revenue. It also risks the Company's image.	
What are the Opportunity/ies Identified?	
Having an honest marketing practice can be beneficial to the Company. It will give a positive image and be regarded as a trustworthy business partner to its customers and suppliers. This will help the company sustain its operations in the long run and support future plan for growth.	

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy	–	#
No. of complaints addressed	–	#
No. of customers, users and account holders whose information is used for secondary purposes	–	#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

<table>
<tr><th>What is the impact and where does it occur? What is the organization's involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>The Company adopts strict implementation not to disclose any pertinent information about its customers for secondary purposes. Disclosing such information may have a negative impact to the Company, namely, loss of client and revenue. It may also have a negative effect on the Company's image and trustworthiness.</td><td rowspan="5">The Company complies with Data Privacy Act and only discloses customers' data as required by the law and/or as stated in the contract.</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>Risks identified in relation to this topic is violation of Data Privacy Act that may lead to serious legal consequences.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>Constant review of its customer privacy policies will improve internal control regarding customer privacy at the same time, mitigate the risk of unlawful disclosures.</td></tr>
</table>

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	–	#

<table>
<tr><th>What is the impact and where does it occur? What is the organization's involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>The Company adopts strict implementation not to disclose any pertinent information about its customers for secondary purposes. Disclosing such information may have a negative impact to the Company, namely, loss of client and revenue. It may also have a negative effect on the Company's image and trustworthiness.</td><td rowspan="5">The Company complies with Data Privacy Act and only discloses customers' data as required by the law and/or as stated in the contract.</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>Risks identified in relation to this topic is violation of Data Privacy Act that may lead to serious consequences.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>Constant review of its customer privacy policies will improve internal control regarding customer privacy at the same time, mitigate the risk of unlawful disclosures.</td></tr>
</table>

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Software Development and Other IT-Related Services	**Gender Equality and Reduced Inequalities** (The Company is committed to fair employment practices without prejudice to gender, age, religion, etc. It also ensures that the physical, mental and emotional well-being of the employees are taken care of through its policy and employee engagement programs.	No identifiable negative impact of contribution.	The Company sees no negative impact of hiring talents regardless of their backgrounds and differences. In fact, it welcomes a diverse workforce who can produce a synergy that can contribute to the Company's growth and sustainability.
	Decent work and Economic Growth (The Company provides a safe and healthy work environment for its employees. It abides by the DOLE's safety standards. Moreover, the Company provides full and productive employment for all especially the young professionals.)	No identifiable negative impact of contribution.	
	Industry, Innovation and Infrastructure (Through the services and expertise it provides, the Company is promoting digital transformation for all kinds of companies across all sectors. Upgrading systems result to increased productivity and efficiency. It also promotes inclusivity and sustainable industrialization.	Breach of Data and Customer Privacy.	The Company complies with Data Privacy Act and only discloses customers' data as required by the law and/or as stated in the contract. Aside from that, it also enforces strict internal data precautions.
	Peace, Justice and	No identifiable	

	Strong Institutions (The Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs including acquisitions and financial standing. It values transparency and accountability since it recognizes the importance of regular communication to the stakeholders.	negative impact of contribution.	

PART V - EXHIBITS AND SCHEDULES

ITEM 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits – See accompanying Index to Exhibits

The other exhibits as indicated in the Exhibit Table of Revised Securities Act Forms are either not applicable to the Company or require o answer.

(b) Reports on SEC Form 17-C

Xurpas Inc. (the "**Company**") filed the following reports on SEC Form 17-C were filed in 2019 and the first two (2) quarters of 2020:

DATE FILED	ITEMS REPORTED
January 4, 2019	Certification on the attendance of the Board of Directors in its 2018 meetings
January 7, 2019	Certification on adoption of leading practices and principles of good corporate governance.
January 15, 2019	Public Ownership Report
January 16, 2019	List of Top 100 Stockholders
January 30, 2019	On January 29, 2019, Mr. Raymond Gerard S. Racaza resigned as Director, President and Chief Executive Officer. His resignation became effective on January 30, 2019. Mr. Alexander D. Corpuz and Mr. Fernando Jude F. Garcia was appointed as President and Treasurer, respectively.
January 30, 2019	Press Release: Listed tech company Xurpas Inc. (PSE: X) announced that it has engaged the services of Primeiro Partners as its financial advisor to provide strategic and financial advisory services for the company.
February 07, 2019	The Company furnished the Commission with its Amended General Information Sheet for the year 2018, incorporating the changes since its last submission.
February 20, 2019	The Company announced that its founders will provide shareholder advances in an aggregate amount of Php150 million into the Company, through shareholder advances. The said loan has been approved by the board of directors of the Company on the said date.
April 01, 2019	Statement of changes in Beneficial Ownership of Securities.

April, 8 2019	The Company submitted the following: a. PSE Disclosure Form 17-13 - Foreign Ownership Report; b. PSE Disclosure Form 4-30 - Material Information Transactions on the date, time and agenda for the 2019 Annual Stockholders' Meeting and issuance of 415,000 Xurpas shares to the Company's President and Chief Finance Officer, Alexander Corpuz; c. PSE Disclosure Form 7-1 - Notice of Annual Stockholders' Meeting; and d. PSE Disclosure Form 9-2 - Sale of Treasury Shares;
April 12, 2019	List of Top 100 Stockholders.
July 4, 2019	The Company submitted PSE Disclosure Form 4-30 or Material Information / Transaction on the sale of 475,000 Xurpas shares to certain Employees. The Company also submitted PSE Disclosure Form 9-2 on the sale of Treasury Shares.
July 11, 2019	List of Top 100 Stockholders
July 15, 2019	Public Ownership Report
August 7, 2019	The Company submitted PSE Disclosure form 4-30 on Material Information / Transactions. The disclosure reflects the approval of the date of the Annual Stockholders' Meeting and approval of the Unaudited Consolidated Financial Statements. The Company also amended the Notice of Annual Stockholders' Meeting.
August 19, 2019	The Company submitted an amended PSE Disclosure Form 7-1 or the Notice of Annual or Special Stockholder Meeting or PSE Disclosure form 7-1. The disclosure was amended to reflect the following information: 1. Record Date (September 6, 2019); and 2. The Start and End Dates of closing of Stock Transfer Books.
September 12,2019	The Company submitted PSE Disclosure Form 4-32 or the Reply to Exchange's query for additional information relevant to the sale of Yondu Inc. to Globe Telecom and dissolution of Xeleb Technologies Inc. and Xeleb Inc.
September 12, 2019	The Company submitted PSE Disclosure Form 17-11 or the List of Stockholders as of Record Date.
October 15, 2019	The Company submitted the following: a. PSE Disclosure Form POR-1 - Public Ownership Report; b. PSE Disclosure Form 17-12 - the List of Top 100 Stockholders.
November 6, 2019	The Company submitted the following disclosures: a. PSE Disclosure Form LR-1 or Comprehensive Corporate Disclosure on Issuance of Shares to issue new shares from its authorized capital stock to the General Partners of Wavemaker Partners US, namely: Eric Manlunas, Paul Santos and James Jordan; b. PSE Disclosure Form 4-2 or Acquisition or Disposition of Shares of Another Corporation on the approval of the purchase of 100% equity interest in Wavemaker Partners US; c. PSE Disclosure Form 4-31 or Press Release wherein the Company

	disclosed that it acquired Wavemaker Partners US.
November 8, 2019	The Company submitted the following disclosure: a. Results of Annual Stockholders' Meeting; b. Results of Organizational Meeting.
November 11, 2019	The Company submitted SEC Form 17-Q or the Quarterly Report for the period ended September 30, 2019.
November 11, 2019	In relation to the sale by Xurpas Inc. of its 51% share in Yondu Inc., and the dissolution of Xeleb Technologies Inc.and Xeleb Inc., the Company submitted its Pro Forma Consolidated Financial information to show the significant effect had the transaction occurred at an earlier date.
November 12, 2019	The Company submitted the following: a. Amended PSE Disclosure Form 4-2 or the Acquisition or Disposition of Shares of Another Corporation to clarify the following matters: (1) Xurpas will purchase 100% equity interest in a holding company that has not been formed as of date; (2) the said holding company will consolidate all of the General Partners' rights in the following management companies: 62.5% of Siemer Ventures LLC, 66.67% of Wavemaker Partners LLC, 90% of Wavemaker Management LLC, and 100% of Wavemaker Global Select, LLC (collectively known as Wavemaker Partners US); b. PSE Disclosure Form 4-32 of the Reply to Exchange's Query on additional information relevant to the acquisition of a holding company, Wavemaker Partners US.
November 26, 2019	The Company announced that the Board of Directors approved to hold a special stockholder meeting on February 19, 2020, with record date on December 13, 2019.
December 20, 2019	The Company submitted PSE Disclosure Form 17-11 or the List of Stockholder as of Record Date.
January 10, 2020	The Company submitted a Certification that the Corporation has adopted the leading practices and principles of good corporate governance in its Revised Manual on Corporate Governance approved and adopted on May 30, 2017.
January 14, 2020	The Company submitted the following disclosures: a. PSE Disclosure Form 17-12 or List of Top 100 Stockholders b. PSE Disclosure Form POR-1 or Public Ownership Report
January 27, 2020	The Board of Directors of the Company approved to move the date of the Special Stockholders' Meeting from February 19, 2020 to March 4, 2020.
January 27, 2020	The Company submitted its Definitive Information Statement for the Special Stockholders' Meeting.
February 11, 2020	The Board of Directors of the Company approved to move the date of the Special Stockholders' Meeting from March 4, 2020 to March 24, 2020 and amended PSE Disclosure Form No. 7-1 or the Notice of Special

	Stockholders' Meeting.
February 14, 2020	The Definitive Information Statement was amended to incorporate the comments of the SEC.
March 16, 2020	The Company responded to the SEC Memorandum issued on March 12, 2020 regarding Covid-19. As a technology company which has the capability to provide and/or deliver its services remotely, the Company expects limited interruptions in its operations.
March 16, 2020	The Company amended the Notice of Special Stockholders' Meeting to indefinitely postpone meeting originally the scheduled on March 24, 2020.
March 30, 2020	The Company amended the Notice of Special Stockholders' Meeting to hold the meeting on May 7, 2020. The said Special Stockholders' Meeting shall also be conducted virtually.
March 30, 2020	The Company submitted PSE Disclosure Form No. 4-4 or Amendments to By-Laws to allow the following: a. Distribution of meeting materials via electronic means; b. Participation of stockholders in meetings through remote communication or in absentia; and c. Voting in absentia.
March 30, 2020	The Company submitted PSE Disclosure Form No. 4-30 or Material Information / Transactions to announce the decision of the Board to suspend the business operations of its wholly owned subsidiary in Singapore, Art of Click Pte. Ltd. The Board also approved the sale of 80% of the shares of CTX Technologies Inc. to Mr. Fernando Jude F. Garcia.
March 30, 2020	The Company submitted PSE Disclosure Form 4-32 or Reply to Exchange's Query requesting for additional information on Art of Click Pte. Ltd and CTX Technologies Inc.
March 31, 2020	The Company submitted PSE Disclosure Form 4-2 or the Acquisition / Disposition of Shares of Another Corporation which reflects the sale of 80% of CTX Technologies Inc. to Mr. Fernando Jude F. Garcia.
March 31, 2020	The Company submitted an amendment to PSE Disclosure Form 4-32 to provide additional information requested by the Exchange regarding its recent disclosures on Art of Click and CTX Technologies Inc.
April 2, 2020	The Company amended the Definitive Information Statement to reflect that the meeting will be conducted on May 7, 2020 via http://ssmlivestream.xurpas.com.
April 2, 2020	The Company amended the Notice of Special Stockholders' Meeting to hold the meeting on May 7, 2020 via http://ssmlivestream.xurpas.com.
April 3, 2020	The Company submitted PSE Disclosure Form 17-3 or the Request for Extension to File SEC Form 17-A.
April 3, 2020	The Company submitted PSE Disclosure Form 17-4 or the Request for Extension to File SEC Form 17-Q.
April 3, 2020	The Company approved the postponement of the Annual Stockholders' Meeting to 3rd Quarter of 2020.

April 13, 2020	In compliance with SEC Notice dated April 3, 2020, the disclosure on the Postponement of Annual Stockholders' Meeting was amended to include SEC Form 17-C and the Secretary's Certificate reciting the resolution of the Board postponing the Annual Stockholders' Meeting.
April 13, 2020	The Company amended PSE Disclosure Form 17-3 or the Request for Extension to File SEC Form 17-A or Annual Report to include SEC Form 17-LC.
April 13, 2020	The Company amended PSE Disclosure Form 17-4 or the Request for Extension to File SEC Form 17-Q or Quartely Report to include SEC Form 17-LC.
April 13, 2020	The Company submitted the following: a. PSE Disclosure Form POR-1 - Public Ownership Report; b. PSE Disclosure Form 17-12 - the List of Top 100 Stockholders.
May 7, 2020	The Company submitted PSE Disclosure Form 4-8 or Change in Directors and/or Officers to disclose the election of Mr. Bartolome Silayan Jr. and Ms. Imelda C. Tiongson as independent directors.
May 7, 2020	PSE Disclosure Form 4-4 was amended to reflect the date of stockholders' approval to the amendments to By-Laws.
May 7, 2020	The Company disclosed the Results of the Special Stockholders' Meeting. The following matters were approved during the meeting: 1. Approval of Minutes of the Special Stockholders' Meeting held on November 8, 2019; 2. Approval on the issuance of up to 1,706,072,261 New Common Shares from the unissued authorized capital stock and listing of the Subscription Shares with the PSE; 3. Election of Mr. Bartolome Silayan, Jr. and Ms. Imelda C. Tiongson as Independent Directors; and 4. Amendment of By-Laws to reflect the following: (a) allow electronic distribution of stockholders' meeting materials; (b) participation through remote participation or in absentia; and (c) voting in absentia.
May 8, 2020	The Company submitted PSE Disclosure Form 4-30 or Material Information / Transactions to provide for new Board Committee Memberships.
May 8, 2020	The Company disclosed the Change in Directors and / or Officers to show the election of Mr. Bartolome Silayan, Jr. and Ms. Imelda C. Tiongson.
May 8, 2020	The Company submitted PSE Disclosure Form 4-4 or Amendments to By-Laws to include SEC Form 17-C.
May 8, 2020	The Company submitted PSE Disclosure Form 4-24 or Results of the Special Stockholders' Meeting to include SEC Form 17-C.
May 8, 2020	The Company submitted PSE Disclosure Form 4-30 or Material Information / Transaction to include SEC Form 17-C.

May 29, 2020	The Company submitted the Amended General Information Sheet of Xurpas Inc. which reflects the election of its independent directors, Ms. Imelda C. Tiongson and Mr. Bartolome S. Silayan Jr.

INDEX TO EXHIBITS

Form 17-A

No.		**Page No.**
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession	*
(5)	Instruments Defining the Rights of Security Holders, Including Indentures	*
(8)	Voting Trust Agreement	*
(9)	Material Contracts	*
(10)	Annual Report to Security Holders, Form 11-Q or Quarterly Report to Security Holders	*
(13)	Letter re Change in Certifying Accountant	*
(15)	Letter re: Change in Accounting Principles	*
(16)	Report Furnished to Security Holders	*
(18)	Subsidiaries of the Registrant	**
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	15
(20)	Consent of Experts and Independent Counsel	*
(21)	Power of Attorney	*
(29)	Additional Exhibits	*

*These Exhibits are either not applicable to the Company or require no answer.
**Please refer to *Note 2* of the accompanying Notes to the Consolidated Financial Statements for details.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned thereunto duly authorized, in the City of PASIG CITY on AUG 1 4 2020.

By:

ALEXANDER D. CORPUZ
President/ Chief Finance Officer

FERNANDO JUDE F. GARCIA
Treasurer/ Chief Technology Officer

ESTRELITA B. LABAN
Finance Controller

MARK S. GORRICETA
Corporate Secretary

Republic of the Philippines)
PASIG CITY) S.S.

SUBSCRIBED AND SWORN to before me this AUG 1 4 2020 affiant(s) exhibiting to me his/their Competent Evidence of Identity, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUANCE	PLACE OF ISSUANCE
ALEXANDER D. CORPUZ	P5670777A	January 18, 2018	DFA NCR East
FERNANDO JUDE F. GARCIA	P3524556B	October 15, 2019	DFA NCR East
MARK S. GORRICETA	P4531123B	January 24, 2020	DFA NCR East
ESTRELITA B. LABAN	EC8421222	July 28, 2016	DFA NCR South

Doc. No. 214;
Page No. 44;
Book No. 3;
Series of 2020.

ATTY. MARIEL CLAIRE D. GONZALES
PTR No. 5242389 / 01-10-2020/ Pasig City
IBP LIFETIME No. 017254 / 06-09-17
Roll No. 69080
MCLE Compliance VI-0020653; 03-25-19
Gorriceta Africa Cauton & Saavedra Law Office
5th Flr. Strata 2000 Building, F. Ortigas, Jr. Road
Pasig City, Tel. No. (02)6960988/6990687
Appointment No. 147 (2019-2020)

C O V E R S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 2 0 0 1 1 7 7 0 8

C O M P A N Y N A M E

X U R P A S I N C .

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

7th Floor, Cambridge Centre, 108 Tordesillas St. Salcedo Village, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S	S E C	N / A

C O M P A N Y I N F O R M A T I O N

Company s Email Address	Company s Telephone Number	Mobile Number
info@xurpas.com	8889-6467	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
26	2nd Monday of May	December 31

CONTACT PERSON INFORMATION

The designated contact person _____ be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Alexander D. Corpuz	mar@xurpas.com	8889-6467	N/A

CONTACT PERSON's ADDRESS

7th Floor Cambridge Centre, 108 Tordesillas St. Salcedo Village, Makati City

M In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

N All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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Submission Date/Time: **Aug 14, 2020 03:25 PM**
Company TIN: **219-934-330**

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"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS"

The management of **XURPAS INC.** (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, 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.

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

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

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

NICO JOSE S. NOLLEDO
Chairman of the Board

ALEXANDER D. CORPUZ
President/ Chief Finance Officer

FERNANDO JUDE GARCIA
Treasurer/ Chief Technology Officer

Signed this AUG 1 4 2020

Republic of the Philippines)
PASIG CITY) S.S.

SUBSCRIBED AND SWORN to before me this 14th day of August 2020 at Pasig City affiants exhibiting to me their respective Passports:

Name	Passport No.	Date of Issuance	Place of Issuance
NICO JOSE S. NOLLEDO	P3513313A	June 28, 2017	DFA Manila
FERNANDO JUDE F. GARCIA	P3524556B	October 15, 2019	DFA NCR East
ALEXANDER D. CORPUZ	P5670777A	January 18, 2018	DFA NCR East

Doc. No. 218;
Page No. 45;
Book No. 3;
Series of 2020.

ATTY. MARIEL CLAIRE D. GONZALES
PTR No. 524[illegible] / 01-1[illegible]-2020/ Pasig City
IBP LIFE[illegible] 06-09-17
MCLE Comp[illegible]53; 03-25-19
Gorriceta Afric[illegible] Saavedra Law Office
5th Flr. Strata 2000 Building, F. Ortigas, Jr. Road
Pasig City, Tel. No. (02)6960988/6990687
Appointment No. 147 (2019-2020)

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
Xurpas Inc.
7th Floor, Cambridge Centre Buidling,
108 Tordesillas St., Salcedo Village,
Makati City

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the accompanying parent company financial statements of Xurpas Inc. (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2019 and 2018, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company 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 audit of the parent company 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the parent company financial statements, which indicates that the Parent Company incurred a net loss of ₱2,677.54 million and ₱558.54 million, and net operating cash outflow of ₱149.59 million and ₱1.38 million for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the Parent Company's current liabilities exceeded its current assets by ₱33.38 million and ₱548.36 million, respectively. As stated in Note 1, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

In preparing the parent company financial statements, management is responsible for assessing the Parent 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 Parent Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company 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 PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

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

- Identify and assess the risks of material misstatement of the parent company 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 Parent 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 Parent 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 parent company 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 Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company 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 audit.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 26 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Parent Company. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Dolmar C. Montañez.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
SEC Accreditation No. 1561-AR-1 (Group A),
January 31, 2019 valid until January 30, 2022
Tax Identification No. 925-713-249
BIR Accreditation No. 08-001998-119-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8125272, January 7, 2020, Makati City

August 14, 2020

XURPAS INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 22)	**₱130,589,983**	₱15,109,315
Accounts and other receivables (Notes 5, 18 and 22)	**206,954,274**	251,263,979
Other current assets (Note 6)	**24,034,812**	28,818,518
Total Current Assets	**361,579,069**	295,191,812
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (Notes 7 and 22)	**440,000**	475,000
Investment in associates (Note 8)	**325,537,430**	577,561,082
Investment in subsidiaries (Note 9)	**78,535,986**	2,963,690,905
Property and equipment (Note 10)	**3,377,679**	9,570,099
Right-of-use asset (Notes 2 and 17)	**741,825**	–
Other noncurrent assets (Note 6)	**29,448,338**	28,114,673
Total Noncurrent Assets	**438,081,258**	3,579,411,759
	₱799,660,327	₱3,874,603,571
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 11, 18 and 22)	**₱394,100,289**	₱555,841,009
Lease liability (Notes 2 and 17)	**861,023**	–
Loans payable (Notes 12, 22 and 24)	**–**	287,709,500
Total Current Liabilities	**394,961,312**	843,550,509
Noncurrent Liability		
Advances from stockholders - net of current portion (Notes 18 and 22)	**54,033,333**	–
Pension liability (Note 20)	**20,038,308**	17,777,551
Total Noncurrent Liabilities	**74,071,641**	17,777,551
Total Liabilities	**469,032,953**	861,328,060
Equity		
Capital stock (Note 21)	**193,492,586**	193,492,586
Additional paid-in capital (Note 21)	**3,585,092,296**	3,592,076,660
Deficit (Note 21)	**(2,929,915,993)**	(252,107,993)
Net unrealized loss on financial assets at FVOCI (Note 7)	**(44,254,956)**	(44,219,956)
Retirement benefit reserve (Note 20)	**(7,870,216)**	(2,004,079)
Equity reserve (Notes 9 and 21)	**(358,497,432)**	(358,497,432)
Treasury stock (Note 21)	**(107,418,911)**	(115,464,275)
Total Equity	**330,627,374**	3,013,275,511
	₱799,660,327	₱3,874,603,571

See accompanying Notes to Parent Company Financial Statements.

XURPAS INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2019	2018
SERVICE INCOME (Note 13)	**₱62,627,620**	₱73,948,939
COST OF SERVICES (Note 14)	**(56,453,902)**	(139,658,859)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 15)	**(2,433,758,864)**	(246,000,407)
OTHER CHARGES - NET (Note 16)	**(249,282,624)**	(247,890,370)
LOSS BEFORE INCOME TAX	**(2,676,867,770)**	(559,600,697)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 19)	**668,930**	(1,064,991)
NET LOSS	**(2,677,536,700)**	(558,535,706)
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will not be reclassified to profit or loss in subsequent periods:		
Unrealized (loss) gain on financial assets at FVOCI (Note 7)	**(35,000)**	95,000
Actuarial gain (loss) on pension liabilities - net of income tax effect (Note 20)	**(5,866,137)**	3,157,532
	(5,901,137)	3,252,532
TOTAL COMPREHENSIVE LOSS	**(₱2,683,437,837)**	(₱555,283,174)

See accompanying Notes to Parent Company Financial Statements.

XURPAS INC.
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Year Ended December 31, 2019								
	Capital Stock (Note 21)	**Additional Paid-in Capital** (Note 21)	**Retained Earnings - Appropriated** (Note 21)	**Retained Earnings - Unappropriated** (Notes 2 and 21)	**Net Unrealized Loss on Financial Assets at FVOCI** (Note 7)	**Retirement Benefit Reserve** (Note 20)	**Equity Reserve** (Notes 9 and 21)	**Treasury shares** (Note 21)	**Total Equity**
Balances at beginning of year, as previously reported	**₱193,492,586**	**₱3,592,076,660**	**₱115,464,275**	**(₱367,572,268)**	**(₱44,219,956)**	**(₱2,004,079)**	**(₱358,497,432)**	**(₱115,464,275)**	**₱3,013,275,511**
Adjustment as a result of PFRS 16 adoption	–	–	–	**(271,300)**	–	–	–	–	**(271,300)**
Balances at beginning of year, as restated	**193,492,586**	**3,592,076,660**	**115,464,275**	**(367,843,568)**	**(44,219,956)**	**(2,004,079)**	**(358,497,432)**	**(115,464,275)**	**3,013,004,211**
Reissuance of treasury shares	–	**(6,984,364)**	–	–	–	–	–	**8,045,364**	**1,061,000**
Net loss	–	–	–	**(2,677,536,700)**	–	–	–	–	**(2,677,536,700)**
Other comprehensive income - net of tax effect	–	–	–	–	**(35,000)**	**(5,866,137)**	–	–	**(5,901,137)**
Total comprehensive (loss) income	–	–	–	**(2,677,536,700)**	**(35,000)**	**(5,866,137)**	–	–	**(2,683,437,837)**
Balances at end of year	**₱193,492,586**	**₱3,585,092,296**	**₱115,464,275**	**(₱3,045,380,268)**	**(₱44,254,956)**	**(₱7,870,216)**	**(₱358,497,432)**	**(₱107,418,911)**	**₱330,627,374**

	Year Ended December 31, 2018									
	Capital Stock (Note 21)	Additional Paid-in Capital (Note 21)	Retained Earnings - Appropriated (Note 21)	Retained Earnings - Unappropriated (Note 21)	Net Unrealized Loss on Financial Assets at FVOCI (Notes 2 and 7)	Net Unrealized Loss on AFS Financial Assets (Notes 2 and 7)	Retirement Benefit Reserve (Note 20)	Equity Reserve (Notes 9 and 21)	Treasury shares (Note 21)	Total Equity
Balances at beginning of year, as previously reported	₱186,764,015	₱3,343,119,548	₱115,464,275	₱303,626,635	₱–	(₱70,000)	(₱5,161,611)	(₱358,497,432)	(₱115,464,275)	₱3,469,781,155
Adjustments as a result of PFRS 9 adoption	–	–	–	(112,663,197)	(44,314,956)	70,000	–	–	–	(156,908,153)
Balances at beginning of year, as restated	186,764,015	3,343,119,548	115,464,275	190,963,438	(44,314,956)	–	(5,161,611)	(358,497,432)	(115,464,275)	3,312,873,002
Issuance of common shares through cash subscription	6,728,571	248,957,112	–	–	–	–	–	–	–	255,685,683
Net loss	–	–	–	(558,535,706)	–	–	–	–	–	(558,535,706)
Other comprehensive income - net of tax effect	–	–	–	–	95,000	–	3,157,532	–	–	3,252,532
Total comprehensive (loss) income	–	–	–	(558,535,706)	95,000	–	3,157,532	–	–	(555,283,174)
Balances at end of year	₱193,492,586	₱3,592,076,660	₱115,464,275	(₱367,572,268)	(₱44,219,956)	₱–	(₱2,004,079)	(₱358,497,432)	(₱115,464,275)	₱3,013,275,511

See accompanying Notes to Parent Company Financial Statements.

XURPAS INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱2,676,867,770)**	(₱559,600,697)
Adjustments for:		
Provision for impairment losses (Note 15)	**2,361,554,478**	175,846,935
Loss on disposal of investment in subsidiary (Notes 9 and 16)	**337,387,133**	–
Interest expense (Notes 12, 16 and 18)	**27,950,374**	24,887,214
Depreciation and amortization (Notes 10, 14, 15 and 17)	**9,963,528**	11,578,459
Loss on disposal of property and equipment (Notes 10 and 16)	**114,753**	–
Loss on derecognition of derivatives (Notes 9 and 16)	**–**	248,818,855
Dividend income (Notes 9 and 16)	**–**	(41,537,611)
Unrealized foreign currency exchange (gain) loss	**(3,782,385)**	4,267,281
Pension expense (gain on curtailment) (Note 20)	**(3,605,380)**	2,525,818
Interest income (Notes 4 and 16)	**(6,007,247)**	(3,943,351)
Gain on derecognition of trade payables (Notes 16 and 18)	**(103,777,265)**	–
Operating loss before changes in working capital	**(57,069,781)**	(137,157,097)
Decrease (increase) in:		
Accounts and other receivables - net	**(49,668,916)**	7,013,363
Other assets	**(6,331,400)**	(2,523,176)
(Decrease) increase in accounts and other payables	**(42,771,743)**	149,503,354
Net cash generated from (used in) operations	**(155,841,840)**	16,836,444
Dividend received	**31,153,208**	10,384,403
Interest received	**1,485,844**	224,181
Interest paid	**(25,722,012)**	(22,524,428)
Income taxes paid, including creditable withholding taxes	**(668,930)**	(6,302,081)
Net cash used in operating activities	**(149,593,730)**	(1,381,481)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of:		
Investment in subsidiary (Note 9)	**501,251,674**	–
Property and equipment (Note 10)	**1,510,149**	–
Additions to:		
Property and equipment (Notes 10 and 24)	**(356,183)**	(2,477,019)
Investment in subsidiaries (Note 9)	**(4,000,000)**	(1,955,769)
Investment in associates (Note 8)	**–**	(1,977,019)
Payments to former shareholders of a subsidiary (Note 9)	**–**	(255,685,683)
Decrease (increase) in other noncurrent assets	**–**	(97,895)
Net cash provided by (used in) investing activities	**498,405,640**	(262,193,385)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from stockholders (Note 18)	**150,000,000**	–
Issuance of shares (Note 21)	**–**	255,685,683
Proceeds from loans payable (Note 12)	**–**	231,533,000
Payments of:		
Principal and interest portion of lease liability (Note 17)	**(3,437,460)**	–
Advances from stockholders (Note 18)	**(95,966,667)**	–
Loans payable (Note 12)	**(287,709,500)**	(309,242,500)
Net cash (used in) provided by financing activities	**(237,113,627)**	177,976,183
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**111,698,283**	(85,598,683)
EFFECT OF CHANGE IN FOREIGN EXCHANGE RATE	**3,782,385**	6,992,086
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**15,109,315**	93,715,912
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱130,589,983**	₱15,109,315

See accompanying Notes to Parent Company Financial Statements.

1. Corporate Information

Xurpas Inc. (the Parent Company or Xurpas) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on November 26, 2001. The principal activities of the Parent Company is to develop, produce, sell, buy or otherwise deal in products, goods or services in connection with the transmission, receiving, or exchange of voice, data, video or any form or kind of communication whatsoever.

The Parent Company's registered office address and principal place of business is at 7th Floor, Cambridge Centre, 108 Tordesillas St. Salcedo Village, Makati City.

On December 2, 2014, the Parent Company's shares of stock were listed in the PSE.

The Parent Company incurred a net loss of ₱2,677.54 million and ₱558.54 million and net operating cash outflow of ₱149.59 million and ₱1.38 million for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the Parent Company's current liabilities exceeded its current assets by ₱33.38 million and ₱548.36 million, respectively. These conditions indicate a material uncertainty exists that may cast significant doubt on the Parent Company's ability to continue as a going concern and therefore, the Parent Company may not be able to realize its assets and discharge its liabilities in the normal course of business. Management's plans on future actions to address such uncertainty include the Parent Company's continuous venture into new revenue potentials, cost cutting measures, and entry of new strategic investors .

Management does not have plans to liquidate and continues to believe that the Parent Company is in a unique position being one of the few technology companies that can assist companies in their digital transformation initiatives and develop marketing promotions for consumer and enterprise businesses.

Planned acquisition of Wavemaker US Fund Management Holdings, LLC
In 2019, the Parent Company's Board of Directors (BOD) approved the acquisition of 100% equity interest in Wavemaker US Fund Management Holdings, LLC, a venture capital management firm based in Los Angeles. As of August 14, 2020, the transaction is subject to the approval of stockholders.

The accompanying parent company financial statements were approved and authorized for issue by BOD on August 14, 2020.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying parent company financial statements have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVPL), financial assets at fair value through other comprehensive income (FVOCI) which have been measured at fair value. The parent company financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency. All amounts were rounded off to the nearest peso, except when otherwise indicated.

Statement of Compliance
The accompanying parent company financial statements as at December 31, 2019 and 2018 and for the years then ended have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the parent company financial statements are consistent with those of the previous financial year except for the new PFRS, amended PFRS and improvements to PFRS which were adopted beginning January 1, 2019. Adoption of these new standards and amendments did not have any significant impact on the parent company financial position or performance unless otherwise indicated.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

- PFRS 16, *Leases*

  PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease,* Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation 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 lessees to recognize most leases on the parent company statement of financial position.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. PFRS 16 did not have an impact for leases where the Parent Company is the lessor. Unlike lessors, the Parent Company as lessee is required right-of-use assets and lease liabilities.

  As a lessee, the Parent Company adopted PFRS 16 using the modified retrospective approach upon adoption of PFRS 16 in 2019 and elected to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. Under the modified retrospective approach, the Parent Company recognized right-of-use asset based on its carrying amount as if PFRS 16 had always been applied while the lease liability is recognized at date of adoption, January 1, 2019. The difference between the right-of-use asset and lease liability is recognized in the beginning Retained Earnings as at January 1, 2019.

  The Parent Company has lease contract for the office space it occupies. Before the adoption of PFRS 16, the Parent Company classified its leases at the inception date as an operating lease. The standard provides specific transition requirements and practical expedients, which has been applied by the Parent Company.

  Leases previously accounted for as operating leases

  Except for short-term leases, the Parent Company recognized right-of-use asset and lease liability for those leases previously classified as operating leases. The right-of-use asset for all leases was recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liability was recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Parent Company also applied the available practical expedients wherein it:

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The effect of the adoption of PFRS 16 to the parent company statement of financial position as at January 1, 2019 is as follows:

	Increase (decrease)
Assets	
Right-of-use asset	₱3,709,123
Liabilities	
Lease liability	₱4,102,104
Accounts and other payables	(121,681)
	3,980,423
Equity	
Retained earnings	(271,300)
	₱3,709,123

The lease liability as at January 1, 2019 as can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

Operating lease commitment as at December 31, 2018	₱14,028,870
Weighted average incremental borrowing rate at January 1, 2019	8.31%
Discounted operating lease commitments at January 1, 2019	13,826,544
Commitments relating to short term leases	(9,724,440)
Lease liability recognized at January 1, 2019 (Note 17)	₱4,102,104

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

- 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 material impact on the parent company financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and 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 entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption, the Parent Company has assessed whether it has any uncertain tax position. The Company applies significant judgement in identifying uncertainties over its income tax treatments. The Parent Company determined, based on its assessment, that it is probable that its income tax treatments will be accepted by the taxation authorities. Accordingly, the Philippine Interpretation did not have an impact on the parent company financial statements.

- *Annual Improvements* to PFRS 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  - IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23)

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Parent Company does not expect that the future adoption of the said pronouncements will have a significant impact on its parent company financial statements. The Parent Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

- Amendments to PAS 1, *Presentation of Financial Statements,* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*
  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

Deferred effectivity

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)

- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

During its March 2020 Board Meeting, the International Accounting Standards Board (IASB) completed its planned re-deliberations on the Exposure Draft Amendments to PFRS 17, *Insurance Contracts*. The IASB agreed to defer the effective date of PFRS 17 to annual reporting periods beginning January 1, 2023.

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

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Current and Noncurrent Classification
The Parent Company presents assets and liabilities in the parent company statement of financial position based on current / noncurrent classification. An asset is current when it is:
- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Parent Company classifies all other liabilities as noncurrent.

Fair Value Measurement

Fair value is the estimated 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:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Parent Company.

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

The Parent 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 parent company financial statements are categorized within the fair value hierarchy (see Note 22).

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, the Parent Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Instruments

Date of recognition

The Parent Company recognizes a financial asset or a financial liability in the parent company statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

a. Financial assets

Initial recognition of financial instrument

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Parent Company's business model for managing them. The Parent Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*. Refer to the accounting policies on revenue recognition.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Parent Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost
The Parent Company measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective 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.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Parent Company's financial assets at amortized cost includes "Cash and cash equivalents" and "Accounts and other receivables".

Financial assets at FVOCI (debt instruments)
The Parent Company measures debt instruments at FVOCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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 debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income (OCI). Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Parent Company has not designated any financial assets under this category.

Financial assets at FVOCI (equity instruments)
Upon initial recognition, the Parent Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Parent Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Parent Company elected to classify irrevocably its quoted and unquoted equity investments under this category.

Financial assets at FVPL
Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the parent company statement of financial position at fair value with net changes in fair value recognized in the parent company statement of comprehensive income.

This category includes derivative instruments and listed equity investments which the Parent Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as other income in profit or loss when the right of payment has been established.

The Parent Company has designated its unquoted debt instruments under this category.

<u>Derecognition</u>
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the parent company statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or;
- The Parent Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Parent Company has transferred substantially all the risks and rewards of the asset, or (b) the Parent Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Parent Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Parent Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Parent Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Parent Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.

Impairment of Financial Assets
The Parent Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Parent Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For cash, the Parent Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to below credit risk investments. It is the Parent Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

For trade receivables, the Parent Company applies a simplified approach in calculating ECLs. Therefore, the Parent Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Parent Company has established a provision matrix for trade receivables that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets such as receivable from related parties, nontrade receivables, interest receivables, advances to employees and other receivables, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-month (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The key inputs in the model include the Parent Company's definition of default and historical data of three years for the origination, maturity date and default date. The Parent Company considers accounts receivables in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company.

Determining the stage for impairment
At each reporting date, the Parent Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Parent Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Parent Company considers that there has been a significant increase in credit risk when contractual payments are more than 60 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

b. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Parent Company's financial liabilities include "Accounts and other payables" (except "Accrued expenses", "Taxes payable", "Deferred output VAT" and statutory payables included in "Other payables" which are covered by other accounting standard), "Lease liability" and "Loans payable".

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Parent Company that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Parent Company has not designated any financial liability as at FVPL.

Other Financial Liabilities

Issued financial instruments or their components, which are not designated at FVPL, are classified as accounts payable and accrued expenses where the substance of the contractual arrangement results in the Parent Company having an obligation either to deliver cash or another financial asset to the holder, or to 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. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR 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. Any effect of restatement of foreign currency-denominated liabilities is recognized in profit or loss.

This accounting policy applies to the Parent Company's "Accounts and other payables" (except "Accrued expenses", "Taxes payable", "Deferred output VAT" and statutory payables included as "Other payables"), "Lease liability", "Loans payable" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the profit or loss.

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

Investments in Subsidiaries and Associates
The Parent Company's investments in its subsidiaries and associates are accounted for under the cost method and are carried at cost less accumulated provisions for impairment losses, if any. A subsidiary is an entity over which the Parent Company has control. The Parent Company controls an entity when it is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. An associate is an entity in which the Parent Company has a significant influence and which is neither a subsidiary nor a joint venture.

The Parent Company recognizes dividend income from the investment only to the extent that the Parent Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as recovery of investment and are recognized as a reduction of the cost of the investment.

The Parent Company reduces the carrying value of its investment based on average acquisition cost per share (historical cost) when the Parent Company disposes the investment or the investee reacquires its own equity instruments from the Parent Company. Any gain or loss from disposal of an investment is recognized in profit or loss.

Property and Equipment
Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price and other directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. It excludes the cost of day-to-day servicing.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Parent Company and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the property and equipment which are as follows:

	Years
Information Technology (IT) equipment	4
Office equipment	4
Furniture and fixtures	4
Leasehold improvements	4 years or lease term, whichever is shorter

The estimated residual values, useful life and depreciation and amortization method are reviewed at least annually to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

If there is an indication that there has been a significant change in depreciation and amortization rate or the useful lives, the depreciation of that property and equipment is revised prospectively to reflect the new expectations.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged against current operations.

Impairment of Nonfinancial Assets

The Parent Company assesses at each financial reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Investments in Subsidiaries and Associates
The Parent Company also determines at each reporting date whether there is any objective evidence that the investments in subsidiaries and associates are impaired. If this is the case, the Parent Company calculates the amount of impairment as being the difference between the recoverable amount and the carrying value of the associate and recognizes the difference in profit or loss.

In assessing impairment indicators, the Parent Company considers, as a minimum, the following indicators: (a) dividends exceeding the total comprehensive income of the associate in the period the dividend is declared; or (b) the carrying amount of the investment in the parent company financial statements exceeding the carrying amount of the associate's net assets, including goodwill.

For investment in subsidiaries, a test of impairment is performed annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of each cash-generating unit (CGU) (or group of CGUs). Where the recoverable amount of the CGUs is less than its carrying amount, an impairment loss is recognized.

Equity
Capital stock and additional paid-in capital
Capital stock is measured at par value for all shares issued. When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital". When the shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Parent Company, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

The Parent Company incurred various costs in issuing its own equity instruments. Those costs include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognized as an expense.

Treasury shares
Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Parent Company and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Retained earnings
Retained earnings represent the cumulative balance of net income or loss, dividend distributions, prior period adjustments, effects of the changes in accounting policy and other capital adjustments.

Unappropriated retained earnings
Unappropriated retained earnings represent the portion of retained earnings that is free and can be declared as dividends to stockholders.

Appropriated retained earnings
Appropriated retained earnings represent the portion of retained earnings which has been restricted and therefore is not available for dividend declaration.

Equity reserve
Equity reserve represents a portion of equity against which payments to a former shareholder of a subsidiary was charged (see Note 9).

Revenue Recognition
Revenue is measured based on the consideration to which the Parent Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognized when the Parent Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

Service income
Service income consists of revenue from Value-Added Services (VAS), which pertains to the Parent Company's short services of mobile content application for telephone, internet, mobile and other forms of communication. Service income is recognized at a point in time when the services are rendered in accordance with the terms of the contract.

For the year ended December 31, 2019 and 2018, the Parent Company has no variable consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Interest Income
Interest income is recognized as it accrues using the effective interest method.

Other Income
Other income is recognized as it accrues.

Cost and Expenses
"Cost of services" and "General and administrative expenses" are expenditures that arise in the course of the ordinary operations of the Parent Company. The following specific recognition criteria must also be met before costs and expenses are recognized:

Cost of services
Cost that includes all expenses associated with the specific sale of services. Cost of services include outsourced services, salaries, wages and employee benefits, segment fee and network costs and other expenses related to services. Such costs are recognized when the related sales have been recognized.

General and administrative expenses
General and administrative expenses constitute expenses of administering the business and are recognized in profit or loss as incurred.

Leases effective January 1, 2019
The Parent Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Parent Company as lessee
Except for short-term leases, the Parent Company applies a single recognition and measurement approach for all leases. The Parent Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets
The Parent Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of cost to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Office space	1.5 to 3 years

If ownership of the leased asset transfers to the Parent Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in 'Impairment of nonfinancial assets' section.

ii) Lease liabilities
At the commencement date of the lease, the Parent Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Parent Company and payments of penalties for terminating the lease, if the lease term reflects the Parent Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Parent Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases
The Parent Company applies the short-term lease recognition exemption to its short-term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Leases prior to January 1, 2019

Parent Company as lessee

Leases where the lessor retains substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Income Tax

Current tax

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

Deferred tax

Deferred tax is provided using the balance sheet liability method on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and NOLCO can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investment in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will not reverse in the foreseeable future taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investment in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic associates and interests in joint ventures.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the financial reporting date. Movements in deferred tax assets and liabilities arising from changes in tax rates are charged or credited to income for the period.

Deferred tax relating to items outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

Value-Added Tax (VAT)
Revenue, expenses and assets are recognized net of the amount of sales tax except:

- Where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,
- Receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of other current assets or payables in the parent company statements of financial position.

Pension Liability
The net pension liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any).

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses are recognized immediately in the parent company statements of financial position with a corresponding debit or credit through other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The Parent Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Foreign Currency Transactions
The parent company financial statements are presented in Philippine Peso, which is also the Parent Company's functional currency. The Philippine peso is the currency of the primary economic environment in which the Parent Company operates.

Transactions denominated in foreign currencies are initially recorded in Philippine Peso at the exchange rate based on the Bangko Sentral ng Pilipinas (BSP) rate at the date of transaction. Foreign currency-denominated monetary assets and liabilities are retranslated at the closing BSP rate at reporting date. Exchange gains or losses arising from foreign currency transactions are recognized in profit or loss.

Segment Reporting
The Parent Company's operating business is its only income generating activity and such is the measure used by the Chief Operations Officer (COO) in allocating resources.

Provisions
Provisions are recognized when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the parent company financial statements but are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but are disclosed in the notes when an inflow of economic benefits is probable.

Events after the Reporting Period
Post year-end events up to date when the parent company financial statements are authorized for issue that provide additional information about the Parent Company's position at the reporting period (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the parent company financial statements when material.

3. Significant Accounting Judgments and Estimates

The preparation of the accompanying parent company financial statements in compliance with PFRS requires management to make judgments and estimates that affect the amounts reported in the parent company financial statements and accompanying notes. The judgments and estimates used in the accompanying parent company financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the parent company financial statements. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the parent company financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Parent Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the parent company financial statements:

a. *Assumption of going concern*

The use of the going assumption involves management making judgments, at a particular point in time, about the future outcome of events or condition that are inherently uncertain. The Parent Company has no plans to liquidate. Management believes that it will be able to maintain its positive cash position and settle its liabilities as they fall due through future actions such as continuous venture into new revenue potentials, cost cutting measures, and entry of new strategic investors. Accordingly, the parent company financial statements are prepared on a going concern basis.

b. *Provision for credit losses of accounts and other receivables*

The Parent Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss pattern. The provision matrix is initially based on the Parent Company's historical observed default rates. The Parent Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Parent Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

For other financial assets such as receivable from related parties, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

c. *Determination of control over investment in subsidiaries*

The Parent Company determined that it has control over its subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following were also considered:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual agreements
- The Parent Company's voting rights and potential voting rights

d. *Existence of significant influence over associates*
The Parent Company determined that it exercises significant influence over its associates (see Note 8) by considering, among others, its ownership interest (holding 20% or more of the voting power of the investee) and board representation.

Management's Use of Estimates
The key assumption concerning the future and other key sources of estimation uncertainty at the reporting date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. *Realizability of deferred tax assets*
The Parent Company reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

The Parent Company did not recognize deferred tax assets on deductible temporary differences, NOLCO and MCIT amounting to ₱502.82 million and ₱600.64 million as at December 31, 2019 and 2018, respectively (see Note 19).

b. *Evaluation of nonfinancial assets for impairment*
The Parent Company reviews its nonfinancial assets for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in the asset's market value or net realizable value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

Based on management's assessment, its nonfinancial assets are recoverable as of December 31, 2019 and 2018. The carrying values of the Company's nonfinancial assets follow:

	2019	2018
Other current assets (Note 6)*	**₱18,974,683**	₱28,818,518
Investment in associates (Note 8)	**325,537,430**	577,561,082
Investment in subsidiaries (Note 9)	**78,535,986**	2,963,690,905
Property and equipment (Note 10)	**3,377,679**	9,570,099
Right-of-use asset (Note 17)	**741,825**	–
Other noncurrent assets (Note 6)*	**6,770,052**	4,141,790
	₱433,937,655	₱3,583,782,394

**This excludes restricted cash equivalents, advances to affiliate and rental deposits*

Allowance for impairment losses on investment in associates amounted to ₱252.02 million and nil as of December 31, 2019 and 2018, respectively (see Note 8). Allowance for impairment losses on investment in subsidiaries amounted to ₱2,187.04 million and ₱144.86 million as of December 31, 2019 and 2018, respectively (see Note 9).

4. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand	**₱34,170**	₱34,162
Cash in banks	**29,482,875**	15,075,153
Cash equivalents	**101,072,938**	–
	₱130,589,983	₱15,109,315

Cash in banks earn interest at the prevailing bank deposit rates.

Cash equivalents are short-term, highly liquid investments that are made for varying periods up to three (3) months depending on the immediate cash requirements of the Parent Company, and earn interest at the respective short-term rates.

Interest income earned from cash in banks and cash equivalents amounted to ₱1.49 million and ₱0.21 million in 2019 and 2018, respectively (see Note 16).

There are no restrictions on the Parent Company's cash balances as of December 31, 2019 and 2018.

5. Accounts and Other Receivables

This account consists of:

	2019	2018
Receivable from related parties (Note 18)	**₱270,167,277**	₱259,790,134
Interest receivable (Note 18)	**10,305,798**	5,784,395
Nontrade receivable	**7,595,250**	7,887,000
Trade receivables	**3,837,228**	10,346,165
Other receivables	**526,999**	148,262
	292,432,552	283,955,956
Less: Allowance for impairment losses	**85,478,278**	32,691,977
	₱206,954,274	₱251,263,979

Interest receivable pertains to interest on short-term advances to subsidiaries and is expected to be settled within one year.

Nontrade receivable pertains to advances to Einsights Pte. Ltd ("Einsights") which is due and demandable.

Trade receivables arise mainly from mobile content development services. These are noninterest-bearing and are generally settled on a 30- to 60-day term.

Other receivables are noninterest-bearing and are generally collectible within one year.

The table below shows the movements in the allowance for impairment losses of accounts and other receivables:

	2019	2018
Balance at beginning of year	**₱32,691,977**	₱4,715,258
Provision (Note 15)	**67,346,817**	32,691,977
Reversal (Note 15)	**–**	(1,700,409)
Write-off	**(14,560,516)**	(3,014,849)
Balance at end of year	**₱85,478,278**	₱32,691,977

6. **Other Assets**

Other current assets
This account consists of:

	2019	2018
Deferred input VAT	**₱10,805,519**	₱23,072,372
Restricted cash equivalents	**5,060,129**	–
Input VAT	**4,855,588**	1,593,007
Creditable withholding taxes	**2,602,909**	2,600,565
Prepaid expenses	**710,667**	1,552,574
	₱24,034,812	₱28,818,518

Deferred input VAT represents input VAT related to unpaid balances for the services availed by the Parent Company. These will be recognized as input VAT and applied against output VAT upon payment. Any remaining balance is recoverable in the future periods.

Restricted cash equivalents earn interest at the prevailing bank deposit rates. This was reserved as a counterbond in connection with the legal case of Seer Technologies Inc.'s, a subsidiary.

Input VAT represents VAT imposed on the Parent Company by its suppliers for the acquired goods and services already paid.

Prepaid expenses mainly pertain to deposits to network companies for the internet subscription of the Parent Company.

Creditable withholding taxes refer to income taxes withheld by customers of the Parent Company that can be applied against income tax liability in the future.

Other noncurrent assets
This account consists of:

	2019	2018
Advances to affiliate (Note 8)	**₱22,084,586**	₱22,084,586
Developed software	**6,770,052**	4,141,790
Rental deposit	**593,700**	1,888,297
	₱29,448,338	₱28,114,673

Developed software pertain to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment.

Rental deposits represent refundable deposits for office and parking space which are refundable after the contract term.

7. Financial Assets at Fair Value through Other Comprehensive Income and at Fair Value through Profit or Loss

This account consists of:

	2019	2018
Balance at beginning of year	**₱475,000**	₱380,000
Unrealized (loss) gain on financial assets at FVOCI	**(35,000)**	95,000
Balance at end of year	**₱440,000**	₱475,000

The rollforward analysis of net unrealized loss on financial assets at FVOCI follow:

	2019	2018
Balance at beginning of year	**(₱44,219,956)**	(₱44,314,956)
Unrealized (loss) gain on financial assets at FVOCI	**(35,000)**	95,000
Balance at end of year	**(₱44,254,956)**	(₱44,219,956)

Unrealized loss on financial assets at FVOCI is recognized under "Other comprehensive income" in the parent company statements of comprehensive income.

Carrying amount of the investments in financial assets at FVOCI and FVPL as of December 31, 2019 and 2018 are as follow:

	2019	2018
Financial assets at FVOCI:		
Quoted equity investment		
Club Punta Fuego	**₱440,000**	₱475,000
Unquoted equity investment		
Zowdow Inc.	**44,244,956**	44,244,956
Less: Unrealized loss on financial assets at FVOCI	**(44,244,956)**	(44,244,956)
Financial assets at FVPL		
Unquoted debt investments	–	–
	₱440,000	₱475,000

The quoted shares are categorized under the Level 2 of the fair value hierarchy. The unquoted equity and debt investments are categorized under Level 3 (see Note 22).

Quoted equity investments
Quoted equity instruments consist of investment in golf club shares.

Unquoted equity investments
In April 2015, the Parent Company acquired 666,666 shares of Series A Preferred Stock of Zowdow Inc. ("Zowdow") at a purchase price of $1.50 per share for a total investment of US$999,999 or ₱44.24 million. As at December 31, 2019 and 2018, the Parent Company holds a 3.56% ownership of Zowdow on a fully-diluted basis.

Unquoted debt investments
MatchMe Pte. Ltd.
On November 2, 2015, the Parent Company acquired a convertible promissory note for US$300,000 (₱14.06 million) issued by MatchMe Pte. Ltd. ("MatchMe"), an associate of the Parent Company based in Singapore (see Note 8). On February 11, 2016, the Parent Company acquired additional convertible promissory note issued by MatchMe for US$500,000 (₱23.89 million). On October 7, 2016, the Parent Company acquired additional convertible promissory note issued by MatchMe for US$300,000 (₱14.55 million).

Altitude Games Pte. Ltd.
On January 19, 2016, the Parent Company purchased a convertible promissory note for US$400,000 (₱19.26 million) issued by Altitude Games Pte. Ltd. ("Altitude Games"), an associate of the Parent Company. On September 21, 2016, the Parent Company acquired additional convertible promissory note for US$200,000 (₱9.60 million) issued by Altitude Games.

Einsights Pte. Ltd.
On September 30, 2015, the Parent Company purchased a convertible promissory note for US$500,000 (₱23.48 million) issued by Einsights, a Singapore-based technology solutions provider with operations in Singapore, Vietnam, Hong Kong, India, Australia, Canada and Switzerland.

Pico Candy Pte. Ltd.
In August 2013, the Parent Company invested in Pico Candy Pte. Ltd.'s ("Pico Candy") convertible bonds amounting to SG$0.10 million (₱3.60 million). Pico Candy operates a digital sticker distribution platform. It was founded in 2013 and is based in Singapore.

As of December 31, 2019 and 2018, the unquoted debt investments classified as financial assets at FVPL have nil carrying amounts.

8. **Investment in and Advances to Associates**

The Parent Company's investment in associates are accounted for under the cost method of accounting, adjusted for impairment losses, if any. The Parent Company determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Parent Company calculates the amount of impairment as being the difference between the recoverable amount and the carrying value of the associate company and recognizes the difference in profit or loss.

In assessing impairment indicators, the Parent Company considers, as a minimum, the following indicators: (a) dividends exceeding the total comprehensive income of the associate in the period the dividend is declared; or (b) the carrying amount of the investment in the parent company financial statements exceeding the carrying amount of the associate's net assets, including goodwill.

The related percentages of ownership are shown below:

	Percentages of Ownership		Carrying Amounts	
	2019	2018	**2019**	2018
Investment in associates				
Micro Benefits Limited	**23.53%**	23.53%	**₱469,780,137**	₱469,780,137
MatchMe Pte. Ltd.	**29.10**	29.10	**63,577,019**	63,577,019
Altitude Games Pte. Ltd.	**21.78**	21.78	**33,008,920**	33,008,920
PT Sembilan Digital Investama	**49.00**	49.00	**10,983,350**	10,983,350
Altitude Games Inc.	**21.17**	21.17	**211,656**	211,656
			577,561,082	577,561,082
Less: Allowance for impairment loss			**252,023,652**	–
			325,537,430	577,561,082
Advances to associate			**22,084,586**	22,084,586
			₱347,622,016	₱599,645,668

Micro Benefits Limited
On March 9, 2016, the Parent Company acquired 718,333 new Series C Preferred Shares equivalent to a 23.53% stake in Micro Benefits Limited ("Micro Benefits") for US$10.00 million. Micro Benefits, a company registered in Hong Kong, is engaged in the business of providing employee benefits to Chinese workers through its operating company, Micro Benefits Financial Consulting (Suzhou) Co. Ltd. located in China.

In 2019, indicators of impairment were identified by management, as a result, an impairment test was carried out for investment in Micro Benefits where it showed that an impairment provision must be recognized. In determining the provision, the recoverable amount was determined based on value-in-use ("VIU") calculations. The VIU was derived from cash flow projections over a period of five years based on the 2019 financial budgets and calculated terminal value.

Using the projections for five years and applying a terminal value thereafter, the Parent Company calculated a recoverable amount of ₱281.55 million. Consequently, the Parent Company recognized a provision for impairment loss of its investment in Micro Benefits amounting to ₱188.23 million. The key assumptions used to which the fair value is most sensitive to are discount rates, including cost of debt and cost of capital, and growth rates.

Micro Benefits' registered office address is at 11th Floor, Club Lusitano, 16 Ice House Street, Central, Hong Kong.

MatchMe Pte. Ltd.
On March 30, 2015, the Parent Company acquired 1,000,000 ordinary shares of MatchMe Pte. Ltd. ("MatchMe), an international game development company based in Singapore, for a total consideration amounting to ₱61.60 million.

In 2018, MatchMe issued 1,547,729 ordinary shares worth US$0.079 per share or a total of US$122,944. The Parent Company subscribed to 467,820 ordinary shares for a total of US$37,161 or ₱1,977,018 resulting to increase in percentage ownership from 28.59% to 29.10%.

MatchMe incurred recurring losses for the past four years and attained capital deficiency position as of December 31, 2019. During the year, it was also made known to the management that MatchMe became dormant. On these bases, the Parent Company recognized full impairment loss on its investment in MatchMe amounting to ₱63.58 million in 2019 (see Note 15).

MatchMe's registered office address is at 100 Cecil Street #10-01/02 the Globe, Singapore.

Altitude Games Pte. Ltd.
As at December 31, 2019 and 2018, the Parent Company owns 21.78% ownership in Altitude Games Pte. Ltd. ("Altitude Games"), a Singaporean IT company engaged in computer game development and publishing. The Parent Company acquired a total of 24.69 million shares with par value of US$0.01 per share for a total consideration of US$740,800 or US$0.03 per share.

Altitude Games' registered office address is at 16 Raffles Quay, #33-03, Hong Leong Building, Singapore.

PT Sembilan Digital Investama
On March 26, 2015, the Parent Company acquired 147 shares representing 49% shareholdings in PT Sembilan Digital Investama ("SDI") amounting to ₱10.98 million. The acquisition gave the Parent Company access to PT Ninelives Interactive ("Ninelives"), a mobile content and distribution company in Indonesia, which SDI owns.

As of December 31, 2019 and 2018, the Parent Company has advances to SDI amounting to ₱22.08 million to fund its mobile content and distribution services.

SDI's registered office address is at Jl. Pos Pengumben Raya No. 01 RT 010 RW 03, Kel Srengseng, Jakarta Barat.

Altitude Games Inc.
On July 22, 2015, the Parent Company subscribed to 211,656 shares of stock or 21.17% shareholdings in Altitude Games Inc. ("Altitude Philippines"), an affiliate of Altitude Games. Altitude Philippines is engaged in the business of development, design, sale and distribution of games and applications.

In 2019, the Parent Company provided full impairment loss on its investment in Altitude Philippines based on recurring losses and capital deficiency position. The Parent Company recognized an impairment loss amounting to ₱0.21 million (see Note 15).

Altitude Philippines' registered office address is at Unit A51 5th Floor Zeta II Bldg, Salcedo St. Legaspi Village, Makati City.

As at December 31, 2019 and 2018, there are no capital commitments relating to the Parent Company's interests in its associates.

9. **Investment in Subsidiaries**

The Parent Company's investment in subsidiaries are accounted for under the cost method of accounting, adjusted for impairment losses, if any, and the related percentages of ownership are shown below:

	Percentages of Ownership		Carrying Amount	
	2019	2018	**2019**	2018
Art of Click Pte. Ltd	**100.00%**	100.00%	**₱1,959,810,316**	₱1,978,142,415
Storm Technologies, Inc.	**51.31**	53.96	**202,723,635**	202,723,635
Xeleb Technologies Inc.	**100.00**	67.00	**68,085,646**	64,085,646
Seer Technologies, Inc.	**70.00**	70.00	**18,000,000**	18,000,000
CTX Technologies Inc.	**100.00**	–	**9,999,995**	–
Xurpas Enterprise Inc.	**100.00**	100.00	**5,000,000**	5,000,000
ODX Pte. Ltd.	**100.00**	100.00	**1,955,769**	1,955,769
Yondu Inc.	–	51.00	–	838,638,807
			2,265,575,361	3,108,546,272
Less: Allowance for impairment losses			**2,187,039,375**	144,855,367
			₱78,535,986	₱2,963,690,905

Art of Click Pte. Ltd. ("AOC")

On October 6, 2016, the Parent Company executed a Share Purchase Agreement for the acquisition of 100.00% shares of AOC, for an aggregate consideration of ₱1.40 billion in cash and in Parent Company's shares. AOC is a Singaporean start-up firm established in 2011 that specializes on mobile marketing solutions for advertisers, publishers, app developers, and other operators. Its key markets include Japan, Korea, Hong Kong, Taiwan, Southeast Asia, North America and Europe.

The cash consideration consists of (1) an upfront payment to Emmanuel Michel Jean Allix and Wavemaker Labs Pte. Ltd. (the Sellers) amounting to US$2,797,106 (₱135,379,930) and (2) cancellation of employee stockholder options through Parent Company's subscription to one ordinary share in the capital of AOC for US$2,202,894 (₱106,620,070). This was used to pay the AOC's Employee Stock Ownership Plan ("ESOP") shareholders.

The Xurpas shares to be issued to the Sellers consists of (1) an Upfront Payment amounting to US$19,451,739 payable in Xurpas shares to the Sellers on the acquisition date, (2) Installment Payment payable to the Sellers in Xurpas shares one year after the closing date and every year thereafter until three years after the closing date, and (3) a Deferred Purchase consideration which shall be subject to a net income after tax floor per year that AOC has to meet as a condition precedent to the entitlement of the Sellers to the Deferred Purchase Consideration. The aggregate amount of Deferred Payment Consideration for a three year deferred payment period shall in no case be greater than US$13,962,725. In the finalization of the purchase price, the parties have clarified that the Deferred Purchase Consideration shall be fixed at US$13,962,725 and shall not be subject to the performance metrics of AOC, and such is intentionally part of the original consideration. The Deferred Purchase Consideration was considered as part of the acquisition cost in the final purchase price.

The number of Xurpas shares to be issued at each tranche shall be determined using the average market value of Xurpas common shares 15 days before and 15 days after the closing date or each commitment date, as applicable, agreed to by the parties.

The Installment Payment payable and Deferred Purchase Consideration in the next three years amounted to ₱760.69 million was initially recognized under payable to former shareholders of a subsidiary in the parent company statements of financial position. These were measured at its fair value as at acquisition date using an assumed discount rate of 11.55%. In 2016, interest expense and foreign exchange loss amounting to ₱21.96 million and ₱22.78 million, respectively, were recognized in "Other income - net" in the parent company statements of comprehensive income.

Included in the Share Purchase Agreement is a call option granting the Sellers an option exercisable within 51 months following the Closing Date and only upon the occurrence of a Call Option event to purchase from the Parent Company their respective proportionate share in the Sale Shares. This was subsequently waived.

In June 2017, the Parent Company entered into an agreement to reacquire the 53,298,242 common shares Upfront Payment issued at acquisition date to Emmanuel Michel Jean Allix ("Allix"), a former shareholder of AOC, for a consideration of US$532,983 or ₱26.65 million (see Note 21). On the same date, amendments were made to the share purchase agreement with Allix which (a) resulted in the payment of US$7.24 million or ₱358.50 million, (b) changed the manner of payment of the Installment Payment payable and Deferred Purchase Consideration from being partly in cash and Xurpas shares to solely in cash, and (c) changed the term of the Installment Payment payable from being payable in three years after the closing date to being payable within the year. The additional payment and the buyback of the common shares are linked transactions and in substance is accounted for as an equity transaction for accounting purposes. Based on the agreement, only the ₱26.65 million is presented as treasury shares while the remaining amount of ₱358.50 million is presented under equity reserve in the parent company statements of financial position. The change from being payable in three years to being payable within the year resulted in the acceleration of the accretion of unamortized interest expense amounting to ₱26.00 million.

In October 2017, the Parent Company entered into an agreement to amend the share purchase agreement with Wavemaker Labs Pte. Ltd. ("Wavemaker"), a former shareholder of AOC, which provides for (a) the adjusted purchase price, (b) the change in manner of payment for the Installment Payment and Deferred Consideration pertaining to Wavemaker from being payable in Xurpas shares to cash, and (c) changed the term of the Installment Payment payable from being payable in three years after the closing date to being payable within the year. To implement these amendments, there will be a placement and subscription transaction involving 67,285,706 Xurpas listed shares by way of a block sale through the facilities of the PSE in 2018. The amendments resulted in an additional payable to Wavemaker amounting to US$3.01 million or ₱153.96 million. The change in the timing of the payment resulted in an acceleration of the accretion of unamortized interest expense amounting to ₱4.92 million. The amendments were ratified by the BOD on February 22, 2018.

The 16,641,244 common shares initially issued to Wavemaker representing the Upfront Payment shall be placed by Wavemaker in an escrow agent who is authorized to sell these shares after these are listed. The allocation of the proceeds from the sale of these shares will be determined in the future subject to certain conditions.

In October 2017, Allix and Wavemaker executed a waiver of the second and third tranches of the Deferred Purchase Consideration. Since the waiver is not considered as a measurement period adjustment as allowed under PFRS 3 to adjust the recorded acquisition cost of the Parent Company's investment, the extinguishment of the liability amounting to US$7.11 million or ₱364.01 million is recognized as a gain in the parent company statements of comprehensive income. The Sellers also waived their call option on the shares.

In 2017, interest expense and foreign exchange losses amounting to ₱61.63 million and ₱26.59 million, respectively, were recognized in the parent company statements of comprehensive income. As of December 31, 2017, the remaining payable to former shareholders of a subsidiary amounted to ₱244.43 million.

In 2017, the Parent Company provided other long-term employee benefits to an employee of AOC for the services provided by the employee to AOC, which are to be settled in cash. A liability and an additional investment for the long-term employee benefit is recognized when the services have been rendered and is amortized during the period of entitlement. Other long-term benefits in 2017 amounting to ₱35.67 million is included as an additional investment in AOC. As of December 31, 2017, investment in AOC amounted to ₱1,978.14 million. Related outstanding payable amounting to ₱18.33 million as of December 31, 2017 is recognized as "Other payables" under "Accounts and other payables" in the parent company statements of financial position. In 2019, the related liability was reversed since the criteria for entitlement was not met.

In 2018, based on the assessment of AOC's VIU compared with carrying amount of investment in AOC, the Parent Company recognized impairment loss amounting to ₱144.86 million (see Note 15). The calculation of AOC's VIU in 2018 was based on budgets and forecast over a 5-year period, considering its 2017 performance and its expected future recovery in revenues. AOC's forecast in 2018 includes better revenue mix focused on programmatic and branded consumer advertising, pivoting to a license model of its ad technology to other third parties in other territories, and massive cost cutting measures. Its past performance, however, carried a heavier weight in the computed VIU warranting the recognition of impairment loss. In 2019, the failure of AOC to implement most of its plan led to erosion of its revenue base. As a result, the Parent Company recognized impairment loss amounting to ₱1,814.95 million (see Note 15).

AOC's registered office address and principal place of business is at 50 Prinsep Street, #02-01 Prinsep Place, Singapore.

Yondu Inc. ("Yondu")
On September 16, 2015, the Parent Company acquired 22,950 shares of common stock in Yondu, a content developer and provider of mobile value-added services and IT services for a total consideration of ₱900.00 million. Five thousand (5,000) shares out of the 22,950 shares were from unissued shares of Yondu while 17,950 shares were purchased from Globe Telecom, Inc. ("GTI"). Purchase price of unissued shares and shares previously held by GTI amounted to ₱230.00 million and ₱670.00 million, respectively. The purchase resulted in a 51% ownership by the Parent Company in Yondu.

Included in the Shareholders' Agreement are a call and put option granting the Parent Company the right to require GTI to sell and granting GTI the right to require the Parent Company to purchase all, but not part only, of the 49% shareholding of GTI in Yondu at ₱39,215.69 per company share, respectively. The options have an exercise date starting September 16, 2016 and will expire after two years therefrom. The put option and call option shall be exercised by a share swap of Xurpas shares for shares held by GTI or a combination of share swap and cash, at the mutual agreement of both parties.

The embedded call and put options have been separated and are carried at fair value through profit or loss. At acquisition date, the fair value of the derivative asset and the derivative liability amounted to ₱247.10 million and ₱185.74 million, respectively. These were included in the determination of the investment cost for Yondu. The derivatives were subsequently revalued to reflect their fair values as at reporting date which resulted in a gain on remeasurement of the derivatives amounting to

₱130.13 million in 2017. As at December 31, 2017, the carrying values of derivative asset amounted to ₱315.16 million while derivative liability amounted to ₱66.34 million.

On September 16, 2018, the put option and call option expired which resulted to a loss amounted to ₱248.82 million recorded as "Loss on derecognition of derivatives" under "Other Income - net" in the parent company statements of comprehensive income (see Note 16).

On September 11, 2019, the board of directors of Parent Company approved the sale of 51% ownership in Yondu to GTI for a total amount of ₱501.25 million. Loss on disposal of Yondu recognized for the year ended December 31, 2019 amounted to ₱337.39 million (see Note 16).

In 2019 and 2018, dividend income recognized from Yondu amounted to nil and ₱41.54 million, respectively (see Notes 16 and 18).

Yondu's registered office address and principal place of business is at 7th Floor Panorama Building, 34th Street corner Lane A, Bonifacio Global City, Taguig City.

Storm Technologies, Inc. ("Storm Tech")
On February 26, 2015, the Parent Company and Storm Tech, a human resource consultancy firm, signed a deal that will give the Parent Company 37,565 common shares or a 51.06% stake in Storm and other rights through primary and secondary issuances, for a total consideration of US$4.30 million or ₱190.89 million.

On December 28, 2015, a stockholder of Storm Tech assigned 342 shares to the Parent Company for a total consideration of ₱1.83 million. This brought the Parent Company's ownership from 51.06% to 51.52% of the outstanding capital stock of Storm Tech and there was no change in control.

On August 12, 2016, Storm Tech's BOD authorized the registration and/or use the name "Storm Technologies, Inc.", a human resource consultancy firm, to replace its corporate name "Storm Flex Systems, Inc." and was approved by the SEC on December 27, 2016.

On October 27, 2016, the Parent Company acquired additional 3,735 common shares of Storm Tech for ₱10.00 million. This brought the Parent Company's ownership from 51.52% to 56.60% of the outstanding capital stock of Storm Tech and there was no change in control.

In 2018, Storm Tech issued a total of 3,601 common shares for a total amount of ₱11.97 million to various individuals, bringing the Parent Company's ownership from 56.60% down to 53.96%. No change in control resulted from the said transaction.

In 2019, Storm Tech issued 3,985 common shares to various individuals for a total of ₱7.08 million. This brought down the Parent Company's ownership from 53.96% to 51.31% of the outstanding capital stock of Storm Tech. No change in control resulted from the said transaction.

The recoverable amount of Storm was determined based on its VIU using a discounted cash flow model based on cash flow projections covering a five-year period and applying calculated terminal value. In 2019, as a result of the assessment of Storm's recoverable amount, the Parent Company recognized an impairment loss amounting to ₱146.48 million (see Note 15) since the investment's carrying value exceeded the computed VIU. The key assumptions used to which the fair value is most sensitive to are discount rates, including cost of debt and cost of capital, and growth rates.

Storm Tech's registered office address and principal place of business is at 602 Centerpoint Building, Julia Vargas St. Corner Garnet Road, Ortigas Center, Pasig City.

Xeleb Technologies Inc. (“Xeleb Tech”)
On August 22, 2016, Deeds of Absolute Sale were executed for the acquisition by the Parent Company of the remaining 35.00% interest in Xeleb Tech for ₱45.00 million. The acquisition of the 35.00% interest in Xeleb Tech made it a wholly-owned subsidiary of the Parent Company.

On August 24, 2016, the BOD and Stockholders of Xeleb Tech approved its increase in authorized capital stock from ₱5.00 million divided into 5,000,000 common shares at a par value of ₱1.00 each, to ₱100.00 million divided into 4,000,000,000 common shares at a par value of ₱0.025 each.

On the same date, Xeleb Tech’s BOD authorized the registration and/or use the name “Xeleb Technologies Inc.” to replace the Company’s corporate name “Fluxion, Inc.” was approved by the SEC on November 21, 2016.

On November 21, 2016, the SEC approved the increase in authorized capital stock of Xeleb Tech. On the same date, Xeleb Tech issued shares in relation to Subscription Agreements by the Parent Company, Selajo Inc., Conrev Inc., Joseliemm Holdings Inc. and Rainy Day Future Entertainment, Inc. for a total subscription of 1,000,000,000 common shares. This resulted in the reduction of Parent Company’s interest in Xeleb Tech to 67%.

In 2019, Deeds of Absolute Sale were executed for the acquisition by the Parent Company of the remaining 33% stake in Xeleb Tech from its minority stakeholders for a total consideration of ₱4.00 million. This resulted in 100% ownership of Parent Company in Xeleb Tech.

On September 11, 2019, the board of directors of the Parent Company approved the dissolution of Xeleb Tech. As a result of management’s decision to dissolve Xeleb Tech, the Parent Company recognized impairment loss amounting to ₱68.09 million.

As at December 31, 2019, Xeleb Tech has yet to apply for the approval of government regulatory agencies for its dissolution.

Xeleb Tech’s registered office address and principal place of business is Unit 2501, The Trade and Financial Tower, 32nd St. cor. 7th Ave., Taguig City.

Seer Technologies, Inc. (“Seer”)
On June 25, 2015, the Parent Company acquired 70,000 common shares representing 70.00% stake holdings in Seer, a leading software consultancy and design company, at a price of ₱18.00 million and an earn-out amount corresponding to a fixed percentage of Seer’s net income after tax for the years 2015 to 2017. No earn-out paid for the years 2015 to 2017.

The recoverable amount of Seer was determined based on its VIU using a discounted cash flow model based on cash flow projections covering a five-year period and applying calculated terminal value. In 2019, as a result of the assessment of Storm’s recoverable amount, the Parent Company recognized an impairment loss amounting to ₱12.66 million (see Note 15) since the investment’s carrying value exceeded the computed VIU. The key assumptions used to which the fair value is most sensitive to are discount rates, including cost of debt and cost of capital, and growth rates.

Seer’s registered office address and principal place of business is Unit 2801, The Trade and Financial Tower, 32nd St. cor. 7th Ave., Taguig City.

Xurpas Enterprise Inc. ("Xurpas Enterprise")
On March 23, 2016, the Parent Company incorporated Xurpas Enterprise. Xurpas Enterprise is primarily engaged in software development including designing, upgrading and marketing all kinds of IT systems or parts thereof and other related services.

Xurpas Enterprise's registered office address and principal place of business is 4th Floor Cambridge Centre, 108 Tordesillas St., Salcedo Village, Makati City.

ODX Pte. Ltd. ("ODX")
On April 27, 2018, the Parent Company incorporated a wholly-owned subsidiary in Singapore ODX with the following principal activities: 1) other information technology and computer service activities (e.g., disaster recovery services) and 2) development of software for interactive digital media (except games).

ODX's registered office address is 25 North Bridge Road #08-01 EFG Bank Building, Singapore.

CTX Technologies Inc. ("CTX")
On October 16, 2018, the Parent Company incorporated a wholly-owned subsidiary, CTX, an entity engaged as a remittance and transfer company, to operate as a virtual currency exchange. In order to complete CTX's incorporation, a stockholder of Parent Company made an advance payment of ₱10.00 million in behalf of the Parent Company, subject to reimbursement by the latter.

CTX's registered office address is 7F Cambridge Centre Building, 108 Tordesillas Street, Salcedo Village, Brgy. Bel-Air, Makati City.

10. Property and Equipment

Rollforward of this account is as follows:

2019

	IT Equipment	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Total
Cost					
Balance at beginning of year	**₱11,118,771**	**₱16,222,368**	**₱3,188,292**	**₱6,053,672**	**₱36,583,103**
Additions	**7,483**	**370,326**	**284,542**	**145,949**	**808,300**
Disposals	**(2,723,059)**	**(4,369,860)**	**(869,428)**	**(3,647,279)**	**(11,609,626)**
Balance at end of year	**8,403,195**	**12,222,834**	**2,603,406**	**2,552,342**	**25,781,777**
Accumulated Depreciation and Amortization					
Balance at beginning of year	**7,248,498**	**13,288,537**	**2,119,936**	**4,356,033**	**27,013,004**
Depreciation and amortization (Note 15)	**1,665,216**	**2,689,278**	**401,884**	**619,440**	**5,375,818**
Disposals	**(2,291,232)**	**(4,151,904)**	**(664,722)**	**(2,876,866)**	**(9,984,724)**
Balance at end of year	**6,622,482**	**11,825,911**	**1,857,098**	**2,098,607**	**22,404,098**
Net Book Value	**₱1,780,713**	**₱396,923**	**₱746,308**	**₱453,735**	**₱3,377,679**

2018

	IT Equipment	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Total
Cost					
Balance at beginning of year	₱10,940,385	₱14,074,225	₱3,037,802	₱6,053,672	₱34,106,084
Additions	178,386	2,148,143	150,490	–	2,477,019
Balance at end of year	11,118,771	16,222,368	3,188,292	6,053,672	36,583,103
Accumulated Depreciation and Amortization					
Balance at beginning of year	4,939,091	9,732,357	1,467,481	3,086,188	19,225,117
Depreciation and amortization (Note 15)	2,309,407	3,556,180	652,455	1,269,845	7,787,887
Balance at end of year	7,248,498	13,288,537	2,119,936	4,356,033	27,013,004
Net Book Value	₱3,870,273	₱2,933,831	₱1,068,356	₱1,697,639	₱9,570,099

The Parent Company disposed property and equipment with cost amounting to ₱11.61 million resulting to a loss of ₱0.11 million in 2019 recognized under "Other charges - net" (see Note 16).

Depreciation and amortization in 2019 and 2018 charged under "General and administrative expenses" amounted to ₱5.38 million and ₱7.79 million, respectively (see Note 15).

There was no capitalized interest as at December 31, 2019 and 2018.

There were no property and equipment pledged as collateral as at December 31, 2019 and 2018.

11. Accounts and Other Payables

This account consists of:

	2019	2018
Payable to related parties (Note 18)	**₱191,013,871**	₱214,261,832
Advances from stockholders (Note 18)	**103,906,873**	100,216,884
Trade payables		
Related parties (Note 18)	**79,146,783**	193,450,555
Third parties	**1,206,303**	2,083,286
Interest payable (Note 18)	**5,249,432**	3,021,071
Accrued expenses	**3,370,898**	2,465,466
Taxes payable	**2,921,928**	1,430,163
Notes payable (Note 18)	**1,360,690**	18,058,075
Deferred output VAT	**761,101**	1,414,482
Other payables (Note 9)	**5,162,410**	19,439,195
	₱394,100,289	₱555,841,009

Trade payables represent the unpaid subcontracted services and other cost of services to third parties and related parties. These are noninterest-bearing and are normally settled within one year.

Accrued expenses mainly consist of accruals of professional fees and rent. These are noninterest-bearing and are normally settled within one year.

Taxes payable include expanded withholding tax on payment to suppliers and withholding tax on employees' compensation which are settled within one year.

Deferred output VAT represents deferral of output VAT related to trade receivables for the services rendered by the Parent Company. These will be recognized as output VAT upon receipt of payment.

Other payables consist of payable to an employee of a subsidiary and statutory payables to SSS, Philhealth and HDMF. These are noninterest-bearing and are normally settled within one year.

12. Loans Payable

This account pertains to short-term, unsecured and interest bearing 30- to 180- day term loans entered into by the Parent Company with different local banks, with interest rates of 6.90% to 9.25% per annum in 2019 and 4.25% to 7.60% in 2018.

The rollforward analysis of this account follows:

	2019	2018
Balance at beginning of year	**₱287,709,500**	₱365,419,000
Availments of loans	**–**	231,533,000
Payment of loans	**(287,709,500)**	(309,242,500)
Balance at end of year	**₱–**	₱287,709,500

Interest expense recognized in the parent company statements of comprehensive income amounted to ₱17.36 million and ₱19.17 million in 2019 and 2018, respectively (see Note 16).

There were no undrawn loan commitments, transaction costs and interest expenses capitalized in 2019 and 2018.

13. Service Income

Service income, amounting to ₱62.63 million and ₱73.95 million in 2019 and 2018, respectively, pertains mainly to revenues earned from mobile content development services. Revenue is recognized at a point in time.

The Parent Company's revenue from GTI amounted to ₱1.55 million and ₱42.25 million in 2019 and 2018, respectively, which comprise approximately 6.21% and 57.00%, respectively, of the total service income of the Parent Company.

14. Cost of Services

This account consists of:

	2019	2018
Salaries, wages and employee benefits	**₱38,963,036**	₱64,857,712
Outsourced services (Note 18)	**11,321,145**	47,427,274
Web hosting	**2,354,892**	7,409,576
Segment fee and network costs	**1,118,488**	4,724,906
Rent (Note 17)	**641,395**	6,539,281

(Forward)

	2019	2018
Utilities	**₱415,484**	₱981,173
Prizes and winnings	**16,499**	93,080
Commissions	**2,551**	3,835,285
Miscellaneous	**1,620,412**	3,790,572
	₱56,453,902	₱139,658,859

15. **General and Administrative Expenses**

This account consists of:

	2019	2018
Provision for impairment losses (Notes 5, 8 and 9)	**₱2,361,554,478**	₱175,846,935
Professional fees	**32,898,205**	9,614,136
Salaries, wages and employee benefits	**16,312,397**	20,899,184
Depreciation and amortization (Note 10 and 17)	**8,343,116**	7,787,887
Outsourced services (Note 18)	**6,081,815**	15,623,313
Taxes and licenses	**3,011,387**	6,802,193
Directors' fees (Note 18)	**2,080,000**	1,865,000
Transportation and travel	**959,621**	842,230
Dues and subscription	**577,839**	1,488,430
Advertising and promotions	**490,859**	83,311
Communication	**188,935**	392,305
Entertainment, amusement and recreation	**115,474**	1,706,830
Rent (Note 17)	**71,266**	726,587
Office supplies	**65,205**	248,674
Utilities	**40,752**	95,836
Seminars and trainings	**54,499**	87,347
Repairs and maintenance	**49,583**	55,041
Miscellaneous	**863,433**	1,835,168
	₱2,433,758,864	₱246,000,407

16. **Other Charges - net**

This account consists of:

	2019	2018
Gain on derecognition of trade payables (Note 18)	**₱103,777,265**	₱–
Other income	**8,819,716**	55,162
Interest income (Notes 4 and 18)	**6,007,247**	3,943,351
Foreign exchange gains (losses)	**3,445,484**	(18,166,178)
Loss on disposal of property and equipment (Note 10)	**(114,753)**	–
Bank charges	**(5,880,076)**	(1,554,247)
Interest expense (Notes 12 and 18)	**(27,950,374)**	(24,887,214)
Loss on disposal of investment in subsidiary (Note 9)	**(337,387,133)**	–
Dividend income (Notes 9 and 18)	**–**	41,537,611
Loss on derecognition of derivatives (Note 9)	**–**	(248,818,855)
	(₱249,282,624)	(₱247,890,370)

17. Lease Commitments

The Parent Company entered into various lease agreements with third parties for the office spaces it occupies. Leases have terms ranging from one to three years and renewable subject to new terms and conditions to be mutually agreed upon by both parties.

a. The Parent Company entered into a non-cancellable lease contract with Gervel, Inc. for the lease of 7th floor office space for a period of three (3) years which commenced on April 1, 2014 and expired on March 31, 2017. In 2017, the Parent Company renewed this contract for a period of 3 years which commenced on April 1, 2017 and expired on March 21, 2020. The applicable rate per month is ₱0.27 million and a corresponding annual increase of 4.00%.

b. The Parent Company renewed a non-cancellable lease contract with Gervel, Inc. for the 4th floor office space for a period of 1 year and 6 months which commenced on October 1, 2015 and expired on March 31, 2017. In 2017, the Parent Company renewed its contract for a period of 3 years which commenced on April 1, 2017 and expired on March 31, 2020. The applicable rate per month is ₱0.29 million and a corresponding annual increase of 4.00%. The lease contract was pre-terminated through mutual agreement of the parties on March 30, 2019.

c. In 2017, the Parent Company entered into a non-cancellable lease contract with Gervel, Inc. for the 6th floor office space for a period of 2 years and 4.5 months which commenced on November 16, 2017 and expired on March 31, 2020. The applicable rate per month is ₱0.33 million. The lease contract may be renewed in writing by mutual agreement of the parties. On March 30, 2019, the lease contract was assigned to Xurpas Enterprise Inc. effective April 1, 2019 through mutual agreement of the parties.

As at December 31, 2019 and 2018, the future minimum lease payments under non-cancellable operating leases follow:

	2019	2018
Within one year	**₱866,970**	₱11,210,340
After one year but not more than 5 years	**–**	2,818,530
	₱866,970	₱14,028,870

Set out below is the carrying amount of right-of-use asset recognized and the movement in 2019:

Cost	
Addition as result of PFRS 16 adoption (Note 2)	₱8,901,896
Accumulated Depreciation	
Addition as result of PFRS 16 adoption (Note 2)	5,192,773
Depreciation	2,967,298
Balance at end of year	8,160,071
Net Book Value	₱741,825

The rollforward analysis of lease liability as of December 31, 2019 follows:

Addition as result of PFRS 16 adoption (Note 2)	₱4,102,104
Accretion of interest	196,379
Payments	(3,437,460)
Current lease liability	₱861,023

The following are the amounts recognized in the parent company statement of comprehensive income in 2019:

Depreciation expense of right-of-use asset	₱2,967,299
Accretion of interest expense on lease liability	196,379
Rent expense charged under:	
Cost of services (Note 14)	641,395
General and administrative expenses (Note 15)	71,266
	₱3,876,339

18. Related Party Transactions

The Parent Company, in the regular conduct of business, has entered in transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions, the parties are subject to common control, or one party is an associate or a joint venture of the other party.

Terms and conditions of transactions with related parties
There have been no guarantees provided or received for any related party receivables and payables. Except as otherwise indicated, these accounts are noninterest-bearing, generally unsecured and shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties. Impairment assessment is undertaken through examination of the financial position of the related party and market in which the related party operates.

Material related party transactions ("RPT")
This refers to any related party transaction, either individually, or in aggregate over a 12-month period with the same related party, amounting to 10% or higher of the Parent Company's total consolidated assets based on its latest audited financial statements. All material related party transactions are subject to the review by the RPT Committee.

In the event wherein there are changes in the RPT classification from non-material to material, the material RPT shall be subject to the provisions of the related party transactions policy.

Details of transactions with related parties and their outstanding balances as at December 31, 2019 and 2018 follow:

			Amount/Volume		Outstanding Balance			
					2019		2018	
	Terms	Conditions	2019	2018	Receivables (Note 5)	Payables (Note 11)	Receivables (Note 5)	Payables (Note 11)
Subsidiaries								
Notes payable (a)	Noninterest-bearing	Unsecured	**₱–**	₱–	**₱–**	**₱1,360,690**	₱–	₱18,058,075
Dividend income (b)	Noninterest-bearing	Unsecured, no impairment	**–**	41,537,611	**–**	**–**	31,153,208	–
Outsourced services (c-g)	Noninterest-bearing	Unsecured	**7,648,935**	30,325,245	**–**	**79,146,783**	–	193,431,348
Advances (h)	Noninterest-bearing	Unsecured, no impairment	**39,770,445**	70,686,552	**151,539,375**	**17,231,539**	129,828,465	–
Advances (i-k)	Noninterest-bearing	Unsecured	**18,389,189**	200,501,394	**–**	**171,910,332**	–	212,676,582
Advances (l)	Interest-bearing	Unsecured, no impairment	**25,450,000**	58,000,000	**108,250,000**	**–**	93,000,000	–
Interest (l)	Noninterest-bearing	Unsecured, no impairment	**4,521,403**	3,611,931	**10,305,798**	**–**	5,784,395	–
Associates								
Cost of services (a-b)	Noninterest-bearing	Unsecured	**–**	373,198	**–**	**–**	–	19,208
Advances (c)	Noninterest-bearing	Unsecured, no impairment	**4,569,441**	550,461	**10,377,902**	**–**	5,808,461	–
Stockholders								
Payable to directors and officers (a-b)	Interest-bearing	Unsecured	**150,000,000**	–	**–**	**147,940,211**	–	100,216,884
Payable to directors and officers (c)	Noninterest-bearing	Unsecured	**2,080,000**	1,865,000	**–**	**11,871,995**	–	1,585,250
Interest (a-b)	Noninterest-bearing	Unsecured	**10,393,385**	1,518,612	**–**	**5,249,432**	–	3,021,071
					₱280,473,075	**₱434,710,982**	₱265,574,529	₱529,008,418

The significant transactions with related parties follow:

Subsidiaries:

a. On September 15, 2017, the Parent Company issued a promissory note to AOC amounting to US$1,350,000 or ₱67.40 million.

   As at December 31, 2019 and 2018, the Parent Company has outstanding payable related to subsidiaries amounting to ₱1.36 million and ₱18.06 million, respectively (see Note 11).

b. Dividend income pertains to dividends declared by Yondu payable to the Parent Company totaling to nil and ₱41.54 million in 2019 and 2018, respectively (see Note 9).

   As at December 31, 2019 and 2018, outstanding dividends receivable of the Parent Company amounted to nil and ₱31.15 million, respectively.

c. In 2018, the Parent Company availed various mobile content development services from Xeleb. Total outsourced services recognized by the Parent Company under "Cost of Services" amounted to nil and ₱10.95 million, respectively (see Note 14).

   In 2019, the Parent Company derecognized trade payable amounting to ₱46.97 million in light of the dissolution process of Xeleb. Gain from derecognition of trade payables amounting to ₱41.94 million was recognized under "Other charges - net".

   As at December 31, 2019 and 2018, the Parent Company has an outstanding payable to Xeleb amounting to ₱44.31 million and ₱91.78 million, respectively, presented under "Accounts and other payables" (see Note 11).

d. In 2019 and 2018, the Parent Company availed various mobile content development services from Xeleb Tech. Total outsourced services recognized by the Parent Company under "Cost of Services" amounted to ₱1.83 million and ₱15.29 million, respectively (see Note 14).

In 2019, the Parent Company had offset trade payable amounting to ₱11.17 million against advances to Xeleb Tech. Furthermore, the Parent Company derecognized trade payable amounting to ₱68.85 million in light of the dissolution process of Xeleb Tech. Gain from derecognition of trade payables amounting to ₱61.84 million was recognized under "Other charges - net".

As at December 31, 2019 and 2018, the Parent Company has an outstanding payable to Xeleb Technologies amounting to ₱30.38 million and ₱99.78 million, respectively, presented under "Accounts and other payables" (see Note 11).

e. In 2019 and 2018, the Parent Company availed software development services from Xurpas Enterprise. Total outsourced services recognized by the Parent Company under "Cost of Services" amounted to ₱3.70 million and ₱2.00 million, respectively (see Note 14).

   As at December 31, 2019 and 2018, the Parent Company has an outstanding payable to Xurpas Enterprise amounting to ₱4.46 million and ₱0.14 million, respectively, presented under "Accounts and other payables" (see Note 11).

f. In 2019 and 2018, the Parent Company availed software development services from Yondu. Total outsourced services recognized by the Parent Company under "Cost of Services" amounted to ₱2.12 million and ₱1.41 million, respectively (see Note 14).

   As at December 31, 2019 and 2018, the Parent Company has an outstanding payable to Yondu amounting to nil and ₱1.48 million, respectively, presented under "Accounts and other payables" (see Note 11).

g. The Parent Company availed website hosting and maintenance services from Seer. Total outsourced services recognized by the Parent Company under "Cost of services" amounted to nil and ₱0.67 million in 2019 and 2018, respectively (see Note 14).

   As at December 31, 2019 and 2018, the Parent Company has no outstanding payable to Seer.

h. Advances to subsidiaries include payments to and in behalf of Xurpas Enterprise, AOC, Seer and ODX for their operational expenditures. Total outstanding advances amounted to ₱151.54 million and ₱129.83 million as at December 31, 2019 and 2018, respectively.

i. The Parent Company received advances from ODX to finance the research and development expenditures for ODX Platform, and its overall business development. A service agreement was entered into by the parties in 2019 and commenced with the project development phase of the ODX Platform. In 2019, service revenue recognized in relation to the service agreement amounted to ₱46.58 million. Total advances extended by ODX to the Parent Company as of December 31, 2019 and 2018 amounted to ₱153.45 million and ₱186.59 million, respectively (see Note 11).

j. In 2018, the Parent Company availed management services of AOC. Total outsourced services recognized by the Parent Company under "General and administrative expenses" amounted to ₱3.84 million and ₱13.91 million, respectively (see Note 15).

   As at December 31, 2019 and 2018, the Parent Company has an outstanding payable to AOC amounting to ₱13.91 million.

k. As at December 31, 2019, the Parent Company has outstanding payable to Xeleb Tech amounting to ₱4.55 million for the purchase of property and equipment and intangible assets.

l. As of December 31, 2019 and 2018, advances to subsidiaries include short-term, interest-bearing loans to Storm Tech. Total outstanding advances amounted to ₱108.25 million and ₱93.00 million as at December 31, 2019 and 2018, respectively. These are subject to interest rate of 3.75% to 8.00% per annum. Interest income earned as at December 31, 2019 and 2018 from the said advances amounted to ₱9.92 million and ₱3.73 million, respectively.

   As at December 31, 2019 and 2018, outstanding interest receivable amounted to ₱10.24 million and ₱5.78 million, respectively.

Associates:

a. In 2014, the Parent Company gained an exclusive right to distribute a mobile game of Altitude Games, Run Run Super V. In return, the Parent Company shall pay Altitude Games a certain percentage of the revenues generated from such applications.

   In 2019 and 2018, the Parent Company has no outsourced services recognized in relation to the aforementioned transaction.

   As at December 31, 2019 and 2018, payable to Altitude Games amounted to nil and ₱0.02 million, respectively, presented under “Accounts and other payables” (see Note 11).

b. In 2016, the Parent Company was granted exclusive right to distribute “Globe with Friends”, a game developed by MatchMe. As agreed by the parties, the Parent Company shall pay MatchMe a certain percentage of the revenues earned from the said game.

   In 2019 and 2018, the Parent Company recognized “Outsourced services” under “Cost of services” amounting to nil and ₱0.37 million, respectively (see Note 14). As at December 31, 2019 and 2018, payable to MatchMe amounted to nil.

c. Advances to associates include payments to and in behalf of Altitude Games and Ninelives for their operational expenditures. Total outstanding advances amounted to ₱10.38 million and ₱5.81 million as at December 31, 2019 and 2018, respectively.

Stockholder:

a. In 2017, the Parent Company entered into a loan agreement with its directors amounting to US$1,945,758 or ₱97.15 million subject to 5% interest rate per annum. In 2019 and 2018, the Parent Company recognized interest expense amounting to ₱5.78 million and ₱5.72 million, respectively (see Note 16). As at December 31, 2019 and 2018, outstanding loans and interest payable amounted to ₱93.91 million and ₱4.67 million, respectively, and ₱100.22 million and ₱2.20 million, respectively (see Note 11).

b. On April 29, 2019, the Parent Company entered into a loan agreement with its directors amounting to ₱150.00 million subject to 5.50% interest rate per annum. In 2019, the Parent Company recognized interest expense amounting to ₱4.61 million under “Other charges - net” in its parent company statements of comprehensive income (see Note 16).

   As at December 31, 2019, outstanding loans and interest payable pertaining to this transaction amounted to ₱54.03 million and ₱0.58 million, respectively.

c. In 2019, in relation to the Parent Company's investment in CTX, the Parent Company executed a Memorandum of Agreement with a stockholder to reimburse the latter of the amount advanced in 2018 for the incorporation of CTX. As at December 31, 2019, outstanding payable pertaining to this transaction amounted to ₱10.00 million.

d. Payable to directors and officers also pertain to directors' fees amounting to ₱2.08 million and ₱1.87 million in 2019 and 2018, respectively (see Note 15).

   Outstanding payable amounted to ₱1.87 million and ₱1.59 million as at December 31, 2019 and 2018, respectively.

Key management compensation
Compensation of key management personnel amounted to ₱3.35 million and ₱14.96 million in 2019 and 2018, respectively. In 2019, the Parent Company issued 415,000 common shares from the Parent Company's treasury shares at ₱1.23 per share to its President and Chief Finance Officer.

Compensation of key management personnel by benefit type follows:

	2019	2018
Short-term employee benefits	**₱6,690,358**	₱12,584,516
Post-employment benefits	**(3,342,207)***	2,376,625
	₱3,348,151	₱14,961,141

**includes gain on curtailment on defined benefit plan*

19. Income Tax

Provision for income tax consists of the following:

	2019	2018
Current	**₱371,799**	₱–
Deferred	**–**	(1,082,197)
Final	**297,131**	17,206
	₱668,930	(₱1,064,991)

The current provision for income tax expense represents MCIT in 2019.

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. Below are the Parent Company's deductible temporary differences for which no deferred tax assets are recognized since management believes that there are no sufficient taxable profits against which the deferred tax assets can be utilized:

	2019	2018
NOLCO	**₱334,451,492**	₱232,272,657
Allowance for impairment losses	**85,478,277**	172,127,654
Accrued expenses	**71,092,558**	177,547,343
Pension liability	**10,824,441**	14,429,822
Unrealized foreign exchange loss	**484,896**	4,267,281
MCIT	**371,799**	–
Net lease liability	**119,198**	–
	₱502,822,661	₱600,644,757

The Parent Company did not recognize deferred tax assets from actuarial loss on defined benefit obligation recorded under "Retirement benefit reserve" in the parent company statements of changes in equity amounting to ₱2.76 million and ₱1.00 million in 2019 and 2018, respectively.

The unexpired excess of MCIT over RCIT is available for offset against future income tax payable over a period of three years, details of which follow:

Year Incurred	Beginning	Applied/ Expired	End	Year of Expiration
2019	₱371,799	₱–	₱371,799	2022

The carryforward of NOLCO that can be claimed as deduction from future taxable income or used as deduction against income tax liabilities over a period of three years follow:

Year Incurred	Beginning	Applied/ Expired	End	Year of Expiration
2019	₱102,178,835	₱–	₱102,178,835	2022
2018	232,272,657	–	232,272,657	2021
	₱334,451,492	₱–	₱334,451,492	

The reconciliation between the provision for income tax computed at statutory and the effective income tax rate follow:

	2019	2018
Statutory income tax	**(₱803,060,331)**	(₱167,880,209)
Tax effects of:		
Nondeductible expenses	**833,082,147**	399,970
Nontaxable dividend income	–	(12,461,283)
Interest income already subjected to final tax	**(148,622)**	(46,373)
Unrecognized deferred tax assets	**(29,204,264)**	178,922,904
Effective income tax	**₱668,930**	(₱1,064,991)

20. **Pension Liability**

The Parent Company does not have an established retirement plan and only conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) which is of the defined benefit type and provides a retirement benefit equal to 22.5 days' pay for every year of credited service. The regulatory benefit is paid in a lump sum upon retirement.

The principal actuarial assumptions used to determine the cost of pension benefits with respect to the discount rate and salary increase rate were based on historical and projected rates. Annual cost is determined using the projected unit credit actuarial valuation method.

The components of pension expense/ (gain on curtailment) (included in salaries, wages and employee benefits under "General and administrative expenses" or under "Other charges - net") in the parent company statements of comprehensive income are as follows:

	2019	2018
Current service cost	**₱1,377,388**	₱2,585,901
Interest cost on benefit obligation	**952,610**	1,223,080
Past service cost - curtailment	**(5,935,378)**	(1,283,163)
	(₱3,605,380)	₱2,525,818

Changes in the present value of the defined benefit obligation follow:

	2019	2018
Balance at beginning of year	**₱17,777,551**	₱21,197,234
Current service cost	**1,377,388**	2,585,901
Interest cost on benefit obligation	**952,610**	1,223,080
Past service cost - curtailment	**(5,935,378)**	(1,283,163)
Actuarial loss (gain)	**5,866,137**	(5,945,501)
Balance at end of year	**₱20,038,308**	₱17,777,551

Actuarial loss on defined benefit obligation recorded under "Retirement benefit reserve" in the parent company statements of changes in equity is as follows:

	2019	2018
Balance at beginning of year	**₱2,004,079**	₱5,161,611
Actuarial loss (gain)	**5,866,137**	(5,945,501)
Tax effect relating to actuarial gain (loss)	**–**	2,787,969
Balance at end of year	**₱7,870,216**	₱2,004,079

The assumptions used to determine pension benefits of the Parent Company are as follows:

	2019	2018
Discount rate	**5.54%**	7.70%
Salary projection rate	**5.00%**	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption of the defined benefit obligation (DBO) as of the end of the reporting period, assuming if all other assumptions were held constant:

		Effect on DBO Increase (decrease)	
		2019	2018
Discount rate	(+) 1.0%	**(₱2,701,946)**	(₱2,476,623)
	(−) 1.0%	**3,256,475**	2,978,495
Salary increase rate	(+) 1.0%	**₱3,240,967**	₱3,030,958
	(−) 1.0%	**(2,738,351)**	(2,556,714)

The weighted average duration of defined benefit obligation at the end of the reporting period is 14.9 years and 15.3 years in 2019 and 2018, respectively.

21. **Equity**

The details of the Parent Company's capital stock follow:

	2019	2018
Authorized shares	**5,000,000,000**	5,000,000,000
Par value per share	**₱0.10**	₱0.10
Issued shares	**1,934,925,852**	1,934,925,852
Treasury shares	**63,095,642**	63,985,642
Value of shares issued	**₱193,492,586**	₱193,492,586
Value of treasury shares	**(₱107,418,911)**	(₱115,464,275)

The Parent Company is a corporation having a renewable term of 50 years. As of December 31, 2019, the Parent Company's remaining corporate life is 32 years.

In accordance with Revised Securities Regulation Code Rule No. 68, Annex 68-K, below is the summary of the Parent Company's track record of registration of securities as of December 31:

				2019	2018
	Number of shares registered	Issue/offer price	Date of approval	Number of holders of securities as of December 31	Number of holders of securities as of December 31
Common shares	344,000,000	₱3.97 issue price	November 13, 2014	26	26

The balance of additional paid-in capital (APIC) as of December 31, 2019 and 2018 represents the excess of the subscription price over paid-up capital.

On March 2, 2018, the Parent Company issued 67.29 million common shares by way of block sale to implement the amendments in a share purchase agreement with Wavemaker in relation to the acquisition of AOC shares (see Note 9). The shares were issued at ₱3.80 per share.

In 2019, APIC reduced as a result of reissuance of treasury shares by the amount of ₱6.98 million.

<u>Retained Earnings</u>
Appropriations
On November 9, 2016, the BOD of the Parent Company approved the appropriation of unrestricted retained earnings for the buyback of its common shares up to the extent of the total allotment amounting to ₱170.00 million subject to the prevailing market price at the time of the share buyback.

On March 27, 2017, the BOD of the Parent Company approved the termination of the buyback program adopted in 2016. A total of ₱88.82 million has been used under the said program. Accordingly, the balance of ₱81.18 million previously allocated for the buyback program was released from such appropriation.

On July 18, 2017, the BOD of the Parent Company approved the appropriation of unrestricted retained earnings for the buyback of its common shares amounting to ₱26.65 million.

Appropriated retained earnings amounted to ₱115.46 million as of December 31, 2019 and 2018.

Equity Reserve
In 2017, a reserve amounting to ₱358.50 million was recognized for the payment resulting from amendments in the Share Purchase Agreement with Allix and the acquisition of the Parent Company's own shares (see Note 9).

Treasury Stock
On April 8, 2019, the Parent Company issued 415,000 shares taken from its treasury shares for a price of ₱1.23 per share.

On July 14, 2019, the Parent Company issued 475,000 shares taken from its treasury shares for a price of ₱1.16 per share.

As of December 31, 2019 and 2018, the Parent Company has 63,095,642 and 63,985,642 treasury shares amounting to ₱107.42 million and ₱115.46 million, respectively.

Employee Stock Option Plan
The Parent Company's BOD, on January 20, 2016, and the stockholders, on May 11, 2016, approved the Employee Stock Option Plan (the Plan) of the Parent Company. Full time and regular employees of the Parent Company and those deemed qualified by the Compensation and Remuneration Committee from the names recommended by the Executive Committee are eligible to participate in the Plan. As at December 31, 2019, the Plan has been filed with and still pending approval of SEC and PSE.

Capital Management
The primary objective of the Parent Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Parent 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 Parent Company may adjust the dividend payment to shareholders or issue new shares.

The Parent Company's sources of capital follow:

	2019	2018
Capital stock	**₱193,492,586**	₱193,492,586
Additional paid-in capital	**3,585,092,296**	3,592,076,660
Deficit	**(2,929,915,993)**	(252,107,993)
	₱848,668,889	₱3,533,461,253

The Parent Company is not subject to externally-imposed capital requirements. The Parent Company regards its equity as its primary source of capital. No changes were made in the capital management policies as at December 31, 2019 and 2018.

22. Financial Instruments

Fair Value Information
The methods and assumptions used by the Parent Company in estimating fair value of the financial instruments are as follows:

- Cash, accounts and other receivables, accounts and other payables (excluding "Accrued expenses", "Taxes payable", "Deferred output VAT" and statutory payables included as "Other payables"), loans payable - Carrying amounts approximate fair values due to the relatively short-term maturities of these instruments.

- Financial assets at FVOCI (quoted equity investment) - Fair value is based on quoted prices published in the market.

- Financial assets at FVOCI (unquoted equity investments) - Fair values are based on the latest selling price available.

- Financial assets at FVPL (unquoted debt investments) - Fair values are based on the comparable prices adjusted for specific market factors such as nature, industry, location and market recovery rates.

- Advances from stockholders - Fair value is estimated using the discounted cash flow methodology using the applicable risk-free rates for similar types of loans adjusted for credit spread. The discount rate used is 5.27% in 2019.

The fair values and carrying values of financial assets at FVOCI and advances from stockholders are as follows:

	2019		2018	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial asset				
Financial assets at fair value through other comprehensive income	**₱440,000**	**₱440,000**	₱475,000	₱475,000
Financial liability				
Advances from stockholders	**157,940,206**	**151,858,113**	100,216,884	100,216,884

Fair Value Hierarchy
The Parent Company uses the following three-level hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Cash, accounts and other receivables, accounts and other payables (excluding “Accrued expenses”, “Taxes payable”, “Deferred output VAT” and statutory payables included as “Other payables”) and loans payable were classified under Level 3. The fair value of these financial instruments is determined by discounting future cash flows using the applicable rates of similar types of instruments plus certain spread.

Quoted FVOCI instruments amounting to ₱0.44 million and ₱0.48 million as of December 31, 2019 and 2018 were classified under Level 2 (see Note 7).

As at December 31, 2019 and 2018, there have been no reclassifications from Level 1 to Level 2 or 3 categories.

<u>Financial Risk Management and Objectives and Policies</u>
The Parent Company’s principal financial instruments comprise of cash, accounts and other receivables, financial assets at FVOCI, accounts and other payables (excluding accrued expenses, taxes payable, deferred output VAT and statutory payables), and loans payable which arise directly from operations. The main purpose of these financial instruments is to finance the Parent Company’s operations and to earn additional income on excess funds.

Exposure to credit risk and liquidity risk arise in the normal course of the Parent Company’s business activities. The main objectives of the Parent Company’s financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

There were no changes in the Parent Company’s risk management objectives and policies in 2019 and 2018.

The Parent Company’s risk management policies are summarized below:

Credit Risk
Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Parent Company by failing to discharge an obligation.

The Parent Company’s credit risk is primarily attributable to cash, accounts and other receivables, financial assets at FVPL and financial assets at FVOCI. Credit risk management involves monitoring its exposure to credit risk on a continuous basis.

The Parent Company entered into an agreement with GTI, wherein the former will provide mobile content services and mobile application development services to the latter in accordance with the service order and description specified in the service level agreement among the parties involved. The mobile content services include creation and development of mobile electronic content for delivery to GTI and distribution to GTI’s mobile phone subscribers. Mobile application development, on the other hand, includes development and maintenance of its own platforms which host and enable mobile subscribers to access or use GTI’s mobile content products.

In 2018, the Parent Company has concentration of credit risk with receivable from GTI, its largest customer, representing 31% of its total trade receivables as at December 31, 2018 (see Note 5). Recent economic condition and market segment of GTI shows its continuing growth and success. There is no concentration of credit risk in 2019.

There being no collaterals or credit enhancements attached to the Company's financial assets, the carrying value of its financial assets approximates the maximum exposure to credit risk as at December 31, 2019 and 2018.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rate based on days past due of all customers as they have similar loss patterns. The expected credit loss rate ranges from 0.40% to 11.29% that resulted in the ECL of ₱44.52 million and ₱32.69 million as of December 31, 2019 and 2018, respectively.

The Parent Company's credit risk exposure on its accounts and other receivables using provision matrix are as follows:

December 31, 2019

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	**₱288,887,074**	**₱–**	**₱–**	**₱3,837,228**	**₱292,724,302**
Loss allowance	**(84,524,028)**	**–**	**–**	**(954,250)**	**(85,478,278)**
Carrying amount	**₱204,363,046**	**₱**	**₱–**	**₱2,882,978**	**₱207,246,024**

December 31, 2018

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱273,129,607	₱–	₱480,184	₱10,346,165	₱283,955,956
Loss allowance	(31,327,852)	–	(480,184)	(883,941)	(32,691,977)
Carrying amount	₱241,801,755	₱	₱–	₱9,462,224	₱251,263,979

The credit quality of the financial assets was determined as follows:

Cash in banks, financial assets at FVPL and financial assets at FVOCI - based on the nature of the counterparty and the Parent Company's rating procedure. These are held by counterparty banks with minimal risk of bankruptcy and are therefore classified as high grade.

Accounts and other receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to three defaults in payment; and low grade pertains to receivables with more than three defaults in payment.

Unquoted financial assets at FVOCI are unrated.

Liquidity Risk
Liquidity risk is the risk that the Parent Company will be unable to meet its obligations as they fall due. The Parent Company seeks to manage its liquidity risk to be able to meet its operating cash flow requirement, finance capital expenditures and service maturing debts. To cover its short-term funding requirements, the Parent Company intends to use internally generated funds and available short-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD. The Parent Company can also obtain additional advances from its stockholders, refinance its short-term loans, renew its credit lines and negotiate for longer payment terms for its payables to manage liquidity.

The table summarizes the maturity profile of the Parent Company's financial assets and liabilities as at December 31, 2019 and 2018 based on contractual undiscounted payments:

December 31, 2019

	<1 year	>1 to <5 years	>5 years	Total
Financial Assets				
Cash in banks and cash equivalents	**₱130,555,813**	**₱–**	**₱–**	**₱130,555,813**
Accounts and other receivables				
Receivable from related parties	**270,167,277**	–	–	**270,167,277**
Interest receivable	**10,305,798**	–	–	**10,305,798**
Nontrade receivable	**7,595,250**	–	–	**7,595,250**
Trade receivables	**3,837,228**	–	–	**3,837,228**
Other receivables	**526,999**	–	–	**526,999**
Other current assets				
Restricted cash equivalent	**5,060,129**	–	–	**5,060,129**
Financial assets at FVOCI	–	**440,000**	–	**440,000**
Total undiscounted financial assets	**428,048,494**	**440,000**	–	**428,488,494**
Financial Liabilities				
Accounts and other payables				
Payable to related parties	**191,013,871**	–	–	**191,013,871**
Advances from stockholders	**103,906,873**	**60,945,899**	–	**164,852,772**
Trade payables	**80,353,086**	–	–	**80,353,086**
Interest payable	**5,249,432**	–	–	**5,249,432**
Notes payable	**1,360,690**	–	–	**1,360,690**
Lease liability	**866,970**	–	–	**866,970**
Total undiscounted financial liabilities	**382,750,922**	**60,945,899**	–	**443,696,821**
Liquidity gap	**₱45,297,572**	**(₱60,505,899)**	**₱–**	**(₱15,208,327)**

December 31, 2018

	<1 year	>1 to <5 years	>5 years	Total
Financial Assets				
Cash in banks	₱15,075,153	₱–	₱–	₱15,075,153
Accounts and other receivables				
Receivable from related parties	259,790,134	–	–	259,790,134
Trade receivables	10,346,165	–	–	10,346,165
Nontrade receivable	7,887,000	–	–	7,887,000
Interest receivable	5,784,395	–	–	5,784,395
Other receivables	148,262	–	–	148,262
Financial assets at FVOCI	–	475,000	–	475,000
Total undiscounted financial assets	299,031,109	475,000	–	299,506,109
Financial Liabilities				
Accounts and other payables				
Payable to related parties	214,261,832	–	–	214,261,832
Advances from stockholders	100,216,884	–	–	100,216,884
Trade payables	195,533,841	–	–	195,533,841
Interest payable	3,021,071	–	–	3,021,071
Notes payable	18,058,075	–	–	18,058,075
Loans payable	287,709,500	–	–	287,709,500
Total undiscounted financial liabilities	818,801,203	–	–	818,801,203
Liquidity gap	(₱519,770,094)	₱475,000	₱–	(₱519,295,094)

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The terms and maturity profile of the interest-bearing financial assets, together with the corresponding nominal amounts and carrying values are shown in the following table:

December 31, 2019

	Interest Terms (p.a.)	**Rate Fixing Period**	**Nominal Amount**	**<1 year**	**1 to 6 years**	**>6 years**	**Carrying Value**
Cash in banks and cash equivalents	Fixed at the date of investment	Various	**₱130,555,813**	**₱130,555,813**	**₱–**	**₱–**	**₱130,555,813**
Receivable from related parties	Fixed at 3.75% to 8.00%	n/a	**108,250,000**	**108,250,000**	**–**	**–**	**108,250,000**
Nontrade receivable	Fixed at 5%	n/a	**7,887,000**	**7,887,000**	**–**	**–**	**7,887,000**
Financial assets at FVPL							
Floating							
SGD	Variable at 3.5% to 4.5%	Annually	**3,602,123**	**–**	**3,602,123**	**–**	**–**
Fixed							
USD	Fixed at 5%	n/a	**52,495,000**	**–**	**52,495,000**	**–**	**–**
USD	Fixed at 3% and 3.75%	n/a	**28,856,000**	**–**	**28,856,000**	**–**	**–**
USD	Fixed at 3%	n/a	**23,475,000**	**–**	**23,475,000**	**–**	**–**
			₱355,120,936	**₱246,692,813**	**₱108,428,123**	**₱–**	**₱246,692,813**

December 31, 2018

	Interest Terms (p.a.)	Rate Fixing Period	Nominal Amount	<1 year	1 to 6 years	>6 years	Carrying Value
Cash in banks	Fixed at the date of investment	Various	₱15,075,153	₱15,075,153	₱–	₱–	₱15,075,153
Receivable from related parties	Fixed at 3.75%	n/a	247,614,946	247,614,946	–	–	247,614,946
Nontrade receivable	Fixed at 5%	n/a	7,887,000	7,887,000	–	–	7,887,000
Financial assets at FVPL							
Floating							
SGD	Variable at 3.5% to 4.5%	Annually	3,602,123	–	3,602,123	–	–
Fixed							
USD	Fixed at 5%	n/a	52,495,000	–	52,495,000	–	–
USD	Fixed at 3% and 3.75%	n/a	28,856,000	–	28,856,000	–	–
USD	Fixed at 3%	n/a	23,475,000	–	23,475,000	–	–
			₱379,005,222	₱270,577,099	₱108,428,123	₱–	₱270,577,099

Foreign Currency Risk
The Parent Company's exposure to foreign exchange rate is minimal as concentration of business is denominated in Philippine peso.

The table below summarizes the Parent Company's exposure to foreign exchange risk as of December 31, 2019 and 2018. As of December 31, 2019 and 2018, the applicable exchange rates were US$1.00 to ₱50.74 and US$1.00 to ₱52.72, respectively.

	2019		2018	
	USD	**Peso equivalent**	USD	Peso equivalent
Asset				
Cash in bank	**1,953**	**₱99,121**	11,803	₱613,625
Liabilities				
Accounts and other payables				
Payable to related party	**4,067,422**	**206,397,253**	3,832,916	202,086,644
Advances from stockholders	**1,850,601**	**93,906,878**	1,862,850	98,216,884
Notes payable	**26,815**	**1,360,690**	342,502	18,058,075
	5,944,838	**301,664,821**	6,038,268	318,361,603
Net foreign currency denominated financial instruments		**(₱301,565,700)**		(₱317,747,978)

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-US dollar exchange rate, with all variables held constant, of the Parent Company's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Parent Company's equity.

	2019		2018	
	+1%	**-1%**	+1%	-1%
USD	**(₱5,997,617)**	**₱5,888,153**	(₱1,587,780)	₱10,465,150

There is no other impact on the Parent Company's equity other than those already affecting the net income.

Equity Price Risk

Equity price risk is the risk that the financial assets whose values will fluctuate as a result of changes in market prices. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in market. As of December 31, 2019 and 2018, the Parent Company has minimal exposure in equity price risk since the Parent Company's financial asset at FVOCI amounted only to ₱0.44 million and ₱0.48 million, respectively. Moreover, the Parent Company's financial asset at FVOCI are generally perceived as not highly susceptible to the equity price risk since the shares are issued by stable companies and are not subjected to other than temporary decline.

There is no impact on the Parent Company's equity other than those already affecting net income.

23. Segment Reporting

The Parent Company has determined that it is operating as an operating segment. Based on management's assessment, no part or component of the business of the Parent Company meets the qualifications of an operating segment as defined by PFRS 8, *Operating Segments*.

The Parent Company's business operations is its only income generating activity and such is the measure used by the Chief Operating Officer (COO) in allocating resources.

24. Notes to Parent Company Statements of Cash Flows

Disclosed below is the rollforward of liabilities under financing activities:

	January 1, 2019	Cash flows	Non-cash changes	December 31, 2019
Loans payable	**₱287,709,500**	**(₱287,709,500)**	**₱–**	**₱–**
Lease liability	**4,102,104**	**(3,437,460)**	**196,379**	**861,023**
Advances from stockholders	**100,216,884**	**54,033,333**	**3,689,989**	**157,940,206**
Total liabilities from financing activities	**₱392,028,488**	**(₱237,113,627)**	**₱3,886,368**	**(₱158,801,229)**

	January 1, 2018	Cash flows	Non-cash changes	December 31, 2018
Loans payable	₱365,419,000	(₱77,709,500)	₱–	₱287,709,500
Advances from stockholders	97,151,697	–	3,065,187	100,216,884
Total liabilities from financing activities	₱462,570,697	(₱77,709,500)	₱3,065,187	₱387,926,384

In 2018, the Parent Company issued 67.29 million common shares by way of block sale to implement the amendments in the share purchase agreement (see Note 21). The shares were issued at ₱3.80 per share. Proceeds from issuance of shares amounted to ₱255.69 million in 2018.

The noncash investing and financing activity of the Parent Company are as follows:
- Unrealized gain on financial assets at FVOCI amounted to ₱35,000 and ₱95,000 in 2019 and 2018, respectively.
- As of December 31, 2019, additions to property and equipment with outstanding trade payables amounted to ₱0.45 million.

25. Events after Reporting Date

COVID-19 Outbreak
In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine until May 31, 2020, general community quarantine until July 30, 2020, and modified enhanced community quarantine until August 18, 2020, unless earlier lifted or extended throughout the island of Luzon. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Parent Company continues to abide by and comply with all rules and regulations issued by the government in relation to the COVID-19 pandemic. In the interim, in line with applicable rules and regulations, the said risks are mitigated by business continuity strategies set in place by the Parent Company.

The Parent Company considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. The Parent Company will continue to monitor the situation and assess its impact on its 2020 financial results and periods thereafter.

AOC suspension of operations
On March 30, 2020, the Board of Directors approved to suspend the business operations of AOC in light of the AOC's continuing business challenges.

Sale of CTX
On March 30, 2020, the Board of Directors approved the sale of 80% ownership in CTX to Mr. Fernando Jude Garcia, a founder of the Parent Company, for a total amount of ₱4.00 million.

Issuance of Shares
On May 7, 2020, the Parent Company conducted its Special Stockholders' Meeting on the approval of the issuance of up to 1,706,072,261 new common shares to new investors from the unissued authorized capital stock of the Parent Company. Pending subscription agreement and such other definitive agreements and considering that less than 67% of the outstanding shares of Parent Company was present or represented in the meeting, there was no stockholders' approval on the purchase of 100% interest in Wavemaker US Fund Management Holdings, LLC.

Sale of Treasury Shares
On July 23, 2020, the Board of Directors approved the issuance of 966,667 Xurpas shares to certain employees of the Parent Company from its treasury shares.

26. Supplementary Information Required Under Revenue Regulations 15-2010

Revenue Regulations (RR) No. 15-2010 are promulgated to amend certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of parent company financial statements accompanying tax returns. In addition to the disclosures mandated under PFRS, RR No. 15-2010 requires disclosures regarding information on taxes, duties and license fees paid or accrued during the taxable year.

The Parent Company also reported and/or paid the following types of taxes for 2019:

Value-added tax
Output VAT
The Parent Company is a VAT-registered company with VAT output tax declaration of ₱2.24 million for 2019 based on the net receipts on taxable sales of services amounting to ₱18.65 million.

Input VAT
Details of the Parent Company's input VAT follow:

Input tax carried over from previous period	₱1,593,007
Current year's domestic purchases/payments for:	
Domestic purchase of services	5,391,580
Domestic purchases of goods other than capital goods	46,147
Purchase of capital goods not exceeding ₱1 million	21,191
Amortization of deferred input tax on capital goods exceeding ₱1 million from previous year	41,304
	7,093,229
Claims for tax credit/refund and other adjustments	(2,237,641)
Balance at end of year	₱4,855,588

The Parent Company's taxable sale of services are based on actual collections received, hence, may not be the same as amounts accrued in the parent company statements of comprehensive income.

Taxes and Licenses
This includes all other taxes, local and national, including licenses and permit fees lodged in the Parent Company statement of comprehensive income under the general and administrative expenses in the account "Taxes and licenses" for the year ended December 31, 2019.

Details consist of the following:

Documentary stamp tax	₱1,859,868
Municipal permits and licenses	558,306
Capital gains tax	469,681
Community tax certificate	10,500
BIR annual registration	500
Others	112,532
	₱3,011,387

Withholding Taxes
Details of withholding taxes for 2019 are as follow:

Withholding taxes on compensation and benefits	₱6,956,316
Final withholding taxes	4,891,325
Expanded withholding taxes	4,353,255
	₱16,200,896

Tax Contingencies
The Parent Company did not receive any final tax assessments in 2019, nor did it have tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the administration of Bureau of Internal Revenue.

C O V E R S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 2 0 0 1 1 7 7 0 8

C O M P A N Y N A M E

XURPAS INC. AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

7th Floor Cambridge Centre 108 Tordesillas St. Salcedo Village, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
ACFS	SEC	N/A

C O M P A N Y I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
info@xurpas.com	8889-6467	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
26	2nd Monday of May	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Alexander D. Corpuz	mar@xurpas.com	8889-6467	N/A

CONTACT PERSON's ADDRESS

7th Floor Cambridge Centre, 108 Tordesillas St. Salcedo Village, Makati City

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

xurpas

"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS"

The management of **XURPAS INC. AND SUBSIDIARIES** (the "Group") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

NICO JOSE S. NOLLEDO
Chairman of the Board

ALEXANDER D. CORRUZ
President/ Chief Finance Officer

FERNANDO JUDE GARCIA
Treasurer/ Chief Technology Officer

Signed this ______________

Republic of the Philippines)
PASIG CITY) S.S.

SUBSCRIBED AND SWORN to before me this 14th day of August 2020 at Pasig City affiants exhibiting to me their respective Passports:

Name	Passport No.	Date of Issuance	Place of Issuance
NICO JOSE S. NOLLEDO	P3513313A	June 28, 2017	DFA Manila
FERNANDO JUDE F. GARCIA	P3524556B	October 15, 2019	DFA NCR East
ALEXANDER D. CORPUZ	P5670777A	January 18, 2018	DFA NCR East

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
Xurpas Inc.
7th Floor Cambridge Centre
108 Tordesillas St.
Salcedo Village, Makati City

Opinion

We have audited the consolidated financial statements of Xurpas Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group 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 audit of the consolidated 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements, which indicates that the Group incurred net losses of ₱2,635.36 million and ₱811.64 million, and net operating cash outflows of ₱116.21 million and ₱186.02 million for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the Group's current liabilities exceeded its current assets by ₱357.60 million and ₱348.02 million, respectively. As stated in Note 1, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Impairment testing of goodwill and investment in associates

The Group has goodwill arising from business combinations and has various investment in associates. Under PFRSs, the Group is required to annually test the amount of goodwill for impairment while an investment in associate is tested for impairment when indicators exist that the investment may be impaired. This assessment of whether indicator of impairment exists and impairment tests are significant to our audit because the balance of goodwill and investment in associates as of December 31, 2019 is material to the consolidated financial statements and involves significant judgements and estimates. In addition, management's assessment process is complex and judgmental and is based on assumptions, specifically discount rates, growth rates, earnings before interest, taxes, depreciation and amortization (EBITDA) margins and capital expenditures.

The Group's disclosures about goodwill are included in Notes 3 and 11 while the disclosures about investment in associates are included in Note 9 to the consolidated financial statements.

Audit Response

We reviewed the Group's assessment of whether an indicator of impairment exists for its investment in associates. We involved our internal specialist in evaluating the methodologies and the assumptions used in the impairment testing analyses. These assumptions include discount rates, growth rates, EBITDA margins and capital expenditures. We compared the key assumptions used, such as growth rates, EBITDA margins and capital expenditures against the historical performance of the subsidiaries and associates and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill and investment in associates.

Accounting for cryptocurrency transactions

The Group has cryptocurrency related transactions during the year. The Group received funds denominated in both fiat and crypto currencies, and recognized certain obligations which include, among others, possible settlement of the funding in cash or through its own equity securities, building a platform, and issuance of own tokens. As of December 31, 2019, the Group continues to recognize certain crypto assets and constructive obligations coming from past cryptocurrency transactions. The related platform is still in the development stage but the Group has already issued its own tokens to investors during the year. The accounting for cryptocurrency transactions and balances was significant to our audit because of (a) the significance of the outstanding liabilities to the consolidated financial statements, (b) the use of blockchain technology to support the existence and completeness of cryptocurrency transactions, (c) involvement of an emerging area of accounting for cryptocurrency transactions, and (d) involvement of significant management analysis and estimation in determining the valuation of certain liabilities.

The Group's disclosures about cryptocurrency transactions are included in Notes 2 and 11 to the consolidated financial statements.

Audit Response

We obtained the Group's listing of cryptocurrency transactions and selected a sample of transactions. We inspected record of cryptocurrency transactions and balances on the public blockchain ledger by using multiple third-party block explorers. We obtained confirmation of cryptocurrencies held by a third party. We also recalculated realized gains/losses from the conversion of cryptocurrencies to fiat currency. We obtained management's updated analysis and estimation in determining the valuation of certain liabilities. We evaluated the Group's accounting policies for cryptocurrency transactions, including the related disclosures.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2019 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) for the year ended December 31, 2019, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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 audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Dolmar C. Montañez.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
SEC Accreditation No. 1561-AR-1 (Group A),
January 31, 2019 valid until January 30, 2022
Tax Identification No. 925-713-249
BIR Accreditation No. 08-001998-119-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8125272, January 7, 2020, Makati City

August 14, 2020

XURPAS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 28)	**₱153,929,046**	₱177,396,187
Accounts and other receivables (Notes 5, 20 and 28)	**37,182,831**	530,636,685
Contract assets (Note 6)	**8,290,141**	9,748,084
Other current assets (Note 8)	**44,201,116**	57,901,437
Total Current Assets	**243,603,134**	775,682,393
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (Notes 7 and 28)	**440,000**	475,000
Investment in associates (Note 9)	**319,936,508**	455,995,470
Property and equipment (Note 10)	**8,763,883**	59,520,797
Right-of-use assets (Notes 2 and 19)	**4,612,485**	–
Intangible assets (Notes 11 and 23)	**101,129,808**	3,612,923,684
Pension assets (Note 22)	**–**	1,410,282
Deferred tax assets - net (Note 21)	**–**	14,186,692
Other noncurrent assets (Notes 8 and 9)	**35,457,027**	46,370,777
Total Noncurrent Assets	**470,339,711**	4,190,882,702
	₱713,942,845	₱4,966,565,095
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 12, 20 and 28)	**₱478,249,032**	₱654,522,147
Loans payable (Notes 13 and 28)	**52,130,272**	358,741,481
Contract liabilities (Note 6)	**68,048,657**	44,498,497
Income tax payable	**3,184**	2,190,193
Current portion of lease liabilities (Notes 2 and 19)	**2,775,923**	–
Other current liabilities (Note 14)	**–**	63,753,036
Total Current Liabilities	**601,207,068**	1,123,705,354
Noncurrent Liabilities		
Advances from stockholders - net of current portion (Notes 20 and 28)	**54,033,333**	–
Lease liabilities - net of current portion (Notes 2 and 19)	**1,033,602**	25,388
Deferred tax liabilities - net (Note 21)	**6,951,740**	352,729,028
Pension liabilities (Note 22)	**24,823,772**	23,521,092
Total Noncurrent Liabilities	**86,842,447**	376,275,508
Total Liabilities	**688,049,515**	1,499,980,862
Equity		
Equity attributable to equity holders of Xurpas Inc.		
Capital stock (Note 25)	**193,492,585**	193,492,585
Additional paid-in capital (Note 25)	**3,585,092,298**	3,592,076,662
Deficit (Note 25)	**(3,184,802,325)**	(556,374,537)
Net unrealized loss on financial assets at FVOCI (Note 7)	**(44,254,956)**	(44,219,956)
Cumulative translation adjustment	**47,950,210**	34,451,988
Remeasurement gain (loss) on defined benefit plan (Note 22)	**(2,571,739)**	5,475,312
Equity reserve (Notes 23 and 25)	**(363,424,608)**	(402,222,322)
Treasury stock (Note 25)	**(107,418,911)**	(115,464,275)
	124,062,554	2,707,215,457
Noncontrolling interests (Notes 23 and 24)	**(98,169,224)**	759,368,776
Total Equity	**25,893,330**	3,466,584,233
	₱713,942,845	₱4,966,565,095

See accompanying Notes to Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2019	2018	2017
INCOME			
Service income (Note 15)	**₱879,812,486**	₱1,153,342,488	₱2,009,551,016
Sale of goods	**92,146,792**	88,845,797	94,018,662
	971,959,278	1,242,188,285	2,103,569,678
COST AND EXPENSES			
Cost of services (Note 16)	**742,192,172**	1,062,874,019	1,373,414,504
Cost of goods sold	**83,281,895**	69,727,817	81,005,679
	825,474,067	1,132,601,836	1,454,420,183
GENERAL AND ADMINISTRATIVE EXPENSES (Note 17)	**2,204,423,906**	701,044,377	572,616,955
EQUITY IN NET LOSSES OF ASSOCIATES (Note 9)	**33,286,655**	52,988,467	36,721,355
OTHER (INCOME) CHARGES - NET (Note 18)	**517,983,414**	22,687,905	(82,228,258)
	2,755,693,975	776,720,749	527,110,052
INCOME (LOSS) BEFORE INCOME TAX	**(2,609,208,764)**	(667,134,300)	122,039,443
PROVISION FOR INCOME TAX (Note 21)	**26,152,416**	144,506,949	19,467,099
NET INCOME (LOSS)	**(2,635,361,180)**	(811,641,249)	102,572,344
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustment	**9,118,386**	7,701,974	15,472,390
Share in OCI of an associate from cumulative translation adjustment (Note 9)	**4,375,181**	(8,656,022)	2,528,551
Unrealized gain on AFS financial assets (Note 7)	**–**	–	80,000
Item that may not be reclassified to profit or loss in subsequent periods:			
Unrealized gain (loss) on financial assets at FVOCI (Note 7)	**(35,000)**	95,000	–
Remeasurement gain (loss) on defined benefit plan, net of tax (Note 22)	**(5,069,301)**	9,125,561	3,067,528
	8,389,266	8,266,513	21,148,469
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱2,626,971,914)**	(₱803,374,736)	₱123,720,813
Net income (loss) attributable to:			
Equity holders of Xurpas Inc.	**(₱2,630,944,855)**	(₱765,794,458)	₱35,765,776
Noncontrolling interests	**(4,416,325)**	(45,846,791)	66,806,568
	(₱2,635,361,180)	(₱811,641,249)	₱102,572,344
Total comprehensive income (loss) attributable to:			
Equity holders of Xurpas Inc.	**(₱2,622,740,317)**	(₱759,949,025)	₱56,505,176
Noncontrolling interests	**(4,231,597)**	(43,425,711)	67,215,637
	(₱2,626,971,914)	(₱803,374,736)	₱123,720,813
Earnings (loss) per share (Note 27)			
Basic	**(₱1.41)**	(₱0.41)	₱0.02
Diluted	**(₱1.41)**	(₱0.41)	₱0.02

See accompanying Notes to Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Year Ended December 31, 2019											
	Equity attributable to equity holders of Xurpas Inc.											
	Capital Stock (Note 25)	Additional Paid-in Capital (Note 25)	Retained Earnings - Appropriated (Note 25)	Retained Earnings - Unappropriated (Deficit) (Notes 2 and 25)	Net Unrealized Loss on Financial Assets at FVOCI (Note 7)	Cumulative Translation Adjustment	Remeasurement Gain (Loss) on Defined Benefit Plan (Note 22)	Equity Reserve (Notes 23 and 25)	Treasury shares (Note 25)	Total	Non-Controlling Interest	Total Equity
Balances at beginning of year, as previously reported	₱193,492,585	₱3,592,076,662	₱115,464,275	(₱671,838,812)	(₱44,219,956)	₱34,451,988	₱5,475,312	(₱402,222,322)	(₱115,464,275)	₱2,707,215,457	₱759,368,776	₱3,466,584,233
Adjustment as a result of PFRS 16 adoption (Note 2)	–	–	–	(271,300)	–	–	–	–	–	(271,300)	–	(271,300)
Balance at beginning of year, as restated	193,492,585	3,592,076,662	115,464,275	(672,110,112)	(44,219,956)	34,451,988	5,475,312	(402,222,322)	(115,464,275)	2,706,944,157	759,368,776	3,466,312,933
Issuance of treasury shares (Note 25)	–	(6,984,364)	–	–	–	–	–	–	8,045,364	1,061,000	–	1,061,000
Derecognition of defined benefit plan (Note 22)	–	–	–	(813,261)	–	–	813,261	–	–	–	–	–
Acquisition of noncontrolling interest (Notes 23 and 25)	–	–	–	–	–	–	–	36,090,788	–	36,090,788	(36,090,788)	–
Increase in noncontrolling interest (Notes 23 and 25)	–	–	–	–	–	–	–	2,706,926	–	2,706,926	4,375,884	7,082,810
Sale of a subsidiary (Note 24)	–	–	–	3,601,628	–	–	(3,601,628)	–	–	–	(821,591,499)	(821,591,499)
Net income	–	–	–	(2,630,944,855)	–	–	–	–	–	(2,630,944,855)	(4,416,325)	(2,635,361,180)
Other comprehensive income (loss) - net of tax effect	–	–	–	–	(35,000)	13,498,222	(5,258,684)	–	–	8,204,538	184,728	8,389,266
Total comprehensive income	–	–	–	(2,630,944,855)	(35,000)	13,498,222	(5,258,684)	–	–	(2,622,740,317)	(4,231,597)	(2,626,971,914)
Balances at end of year	₱193,492,585	₱3,585,092,298	₱115,464,275	(₱3,300,266,600)	(₱44,254,956)	₱47,950,210	(₱2,571,739)	(₱363,424,608)	(₱107,418,911)	₱12,4062,554	(₱98,169,224)	₱25,893,330

	Capital Stock (Note 25)	Additional Paid-in Capital (Note 25)	Retained Earnings Appropriated (Note 25)	Retained Earnings Unappropriated (Deficit) (Note 25)	Net Unrealized Loss on Financial Assets at FVOCI (Note 7)	Net Unrealized Loss on AFS Financial Assets (Note 7)	Cumulative Translation Adjustment	Remeasurement Gain (Loss) on Defined Benefit Plan (Note 22)	Equity Reserve (Notes 23 and 25)	Treasury shares (Note 25)	Total	Non-Controlling Interest	Total Equity
	Year Ended December 31, 2018												
	Equity attributable to equity holders of Xurpas Inc.												
Balances at beginning of year, as previously reported	₱186,764,015	₱3,343,119,550	₱115,464,275	₱207,266,583	₱–	(₱70,000)	₱35,366,128	(₱1,189,261)	(₱1,250,719,186)	(₱115,464,275)	₱2,520,537,829	₱834,961,420	₱3,355,499,249
Adjustments as a result of PFRS 9 adoption	–	–	–	(113,359,317)	(44,314,956)	70,000	–	–	–	–	(157,604,273)	(127,826)	(157,732,099)
Adjustments as a result of PFRS 15 adoption	–	–	–	(3,144,915)	–	–	–	–	–	–	(3,144,915)	(911,415)	(4,056,330)
Balances at beginning of year, as restated	186,764,015	3,343,119,550	115,464,275	90,762,351	(44,314,956)	–	35,366,128	(1,189,261)	(1,250,719,186)	(115,464,275)	2,359,788,641	833,922,179	3,193,710,820
Issuance of common shares through cash subscription	6,728,570	248,957,112	–	–	–	–	–	–	–	–	255,685,682	–	255,685,682
Cash dividend declaration	–	–	–	–	–	–	–	–	–	–	–	(39,908,698)	(39,908,698)
Increase in noncontrolling interest - net	–	–	–	3,193,295	–	–	–	–	–	–	3,193,295	8,781,006	11,974,301
Expiration of written put option	–	–	–	–	–	–	–	–	848,496,864	–	848,496,864	–	848,496,864
Net loss	–	–	–	(765,794,458)	–	–	–	–	–	–	(765,794,458)	(45,846,791)	(811,641,249)
Other comprehensive income (loss) net of tax effect	–	–	–	–	95,000		(914,140)	6,664,573	–	–	5,845,433	2,421,080	8,266,513
Total comprehensive income (loss)	–	–	–	(765,794,458)	95,000		(914,140)	6,664,573	–	–	(759,949,025)	(43,425,711)	(803,374,736)
Balances at end of year	₱193,492,585	₱3,592,076,662	₱115,464,275	(₱671,838,812)	(₱44,219,956)	₱–	₱34,451,988	₱5,475,312	(₱402,222,322)	(₱115,464,275)	₱2,707,215,457	₱759,368,776	₱3,466,584,233

	Year Ended December 31, 2017											
	Equity attributable to equity holders of Xurpas Inc.											
	Capital Stock (Note 25)	Additional Paid-in Capital (Note 25)	Retained Earnings - Appropriated (Note 25)	Retained Earnings - Unappropriated (Note 25)	Net Unrealized Loss on Available-for-sale Financial Assets (Note 7)	Cumulative Translation Adjustment	Remeasurement Gain (Loss) on Defined Benefit Plan (Note 22)	Equity Reserve (Notes 23 and 25)	Treasury shares (Note 25)	Total	Non-Controlling Interest	Total Equity
Balances at beginning of year	₱186,764,015	₱3,343,119,550	₱235,819,709	₱143,993,010	(₱150,000)	₱16,457,357	(₱2,939,890)	(₱892,221,754)	(₱71,510,352)	₱2,959,331,645	₱830,167,876	₱3,789,499,521
Appropriation for share buy-back transactions	–	–	26,649,121	(26,649,121)	–	–	–	–	–	–	–	–
Reversal of appropriation for share buy-back transactions	–	–	(81,184,846)	81,184,846	–	–	–	–	–	–	–	–
Cash dividend declaration	–	–	–	(92,847,637)	–	–	–	–	–	(92,847,637)	(59,896,761)	(152,744,398)
Reversal of appropriation for dividend declaration	–	–	(65,819,709)	65,819,709	–	–	–	–	–	–	–	–
Payments to a former shareholder of a subsidiary	–	–	–	–	–	–	–	(358,497,432)	–	(358,497,432)	–	(358,497,432)
Acquisition by a subsidiary of its own shares from noncontrolling interest shareholders	–	–	–	–	–	–	–	–	–	–	(2,525,332)	(2,525,332)
Share buy-back transactions	–	–	–	–	–	–	–	–	(43,953,923)	(43,953,923)	–	(43,953,923)
Net income	–	–	–	35,765,776	–	–	–	–	–	35,765,776	66,806,568	102,572,344
Other comprehensive income - net of tax effect	–	–	–	–	80,000	18,908,771	1,750,629	–	–	20,739,400	409,069	21,148,469
Total comprehensive income	–	–	–	35,765,776	80,000	18,908,771	1,750,629	–	–	56,505,176	67,215,637	123,720,813
Balances at end of year	₱186,764,015	₱3,343,119,550	₱115,464,275	₱207,266,583	(₱70,000)	₱35,366,128	(₱1,189,261)	(₱1,250,719,186)	(₱115,464,275)	₱2,520,537,829	₱834,961,420	₱3,355,499,249

See accompanying Notes to Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**(₱2,609,208,764)**	(₱667,134,300)	₱122,039,443
Adjustments for:			
Provision for impairment loss (Notes 8, 9 and 11)	**1,920,116,143**	144,855,367	–
Loss on disposal of subsidiary (Note 18)	**478,950,094**	–	–
Depreciation and amortization (Notes 10, 11, 16, 17 and 19)	**76,642,043**	69,188,578	66,975,820
Interest expense (Notes 13, 18 and 19)	**39,684,855**	31,109,017	5,904,716
Equity in net losses of associates (Note 9)	**33,286,655**	52,988,467	36,721,355
Pension expense (Note 22)	**2,861,212**	(8,881,074)	11,778,555
Realized foreign exchange loss (gain) on sale of cryptocurrencies	**442,064**	(2,469,611)	–
Loss (gain) on retirement and disposal of property and equipment (Notes 10 and 18)	**244,602**	(1,041,683)	316,001
Loss from sale of cryptocurrencies (Notes 11 and 18)	**185,884**	4,985,487	–
Other income (charges) subsequent to a business combination (Notes 18 and 23)	**–**	–	(90,912,178)
Gain from expiration of liability for written put option (Notes 18 and 23)	**–**	(16,209,100)	–
Realized gain from redemption of financial assets at FVPL	**–**	–	(2,216,289)
Interest income (Note 4)	**(1,643,224)**	(444,430)	(1,588,435)
Unrealized foreign currency exchange loss (gain)	**(1,787,912)**	4,555,232	(8,677,654)
Unrealized loss (gain) on revaluation of cryptocurrencies (Notes 11 and 18)	**(2,049,649)**	2,551,474	–
Gain on curtailment (Note 22)	**(3,605,380)**	–	(2,924,924)
Operating income (loss) before changes in working capital	**(65,881,377)**	(385,946,576)	137,416,410
Changes in working capital:			
Decrease (increase) in:			
Accounts and other receivables and contract assets - net	**(45,060,315)**	304,183,225	111,235,958
Other assets	**(5,319,550)**	42,492	(5,315,085)
Increase (decrease) in:			
Accounts and other payables	**28,397,023**	(27,647,167)	76,645,851
Contract liabilities	**42,652,758**	44,498,497	–
Other current liabilities	**(8,109,539)**	(40,039,853)	67,736,955
Net cash generated from (used in) operations	**(53,321,000)**	(104,909,382)	387,720,089
Interest received	**1,643,224**	444,430	1,588,435
Interest paid	**(33,255,283)**	(27,363,844)	(4,767,843)
Income taxes paid, including creditable withholding taxes	**(31,274,360)**	(54,188,050)	(136,019,397)
Net cash provided by (used in) operating activities	**(116,207,419)**	(186,016,846)	248,521,284
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of subsidiary, net of cash disposed (Note 24)	**373,028,681**	–	–
Proceeds from disposal of property and equipment (Note 10)	**3,075,635**	3,934,123	338,131,778
Proceeds from sale of cryptocurrencies (Note 11)	**2,411,670**	158,524,137	(10,571,807)
Decrease in other noncurrent assets	**–**	4,365,067	5,021,105
Collection from financial assets at FVOCI (Note 7)	**–**	6,000,000	–
Additions to:			
Property and equipment (Notes 10 and 30)	**(9,286,275)**	(17,593,227)	(26,383,728)
Intangible assets (Notes 11 and 30)	**(3,036,792)**	–	–
Available-for-sale financial assets (Note 7)	**–**	–	(6,000,000)
Investment in associates (Note 9)	**–**	(1,977,018)	–
Payments to a former shareholder of a subsidiary (Note 23)	**–**	(255,685,683)	(470,087,747)
Net cash provided by (used in) investing activities	**366,192,919**	(102,432,601)	(169,890,399)

(Forward)

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from stockholders (Note 20)	**₱150,000,000**	₱–	₱–
Proceeds from loans payable (Note 13)	**9,735,561**	317,741,455	407,419,000
Increase in noncontrolling interest (Note 23)	**7,082,805**	11,974,301	–
Issuance of treasury shares (Note 25)	**1,061,000**	–	–
Issuance of shares (Note 25)	**–**	255,685,683	–
Payment of finance lease liabilities (Note 19)	**–**	1,029,517	(1,863,531)
Purchase of treasury shares (Note 25)	**–**	–	(43,953,923)
Payments to a former shareholder of a subsidiary (Note 23)	**–**	–	(358,497,432)
Acquisition of noncontrolling interest (Note 23)	**(4,000,000)**	–	–
Dividends paid (Note 25)	**(10,983,978)**	(13,819,758)	(231,078,267)
Payment of principal portion of lease liabilities (Note 19)	**(21,833,336)**	–	–
Payment of advances from stockholders (Note 20)	**(95,966,667)**	–	–
Payment of loans payable (Note 13)	**(316,346,770)**	(336,418,974)	(46,998,370)
Net cash provided by (used in) financing activities	**(281,251,385)**	236,192,224	(274,972,523)
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**7,798,744**	14,398,900	(16,921,505)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(23,467,141)**	(37,858,323)	(213,263,143)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**177,396,187**	215,254,510	428,517,653
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱153,929,046**	₱177,396,187	₱215,254,510

See accompanying Notes to Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

Xurpas Inc. (the Parent Company or Xurpas) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on November 26, 2001. The principal activities of the Parent Company and its subsidiaries (collectively referred to as the Group) are to develop, produce, sell, buy or otherwise deal in products, goods or services in connection with the transmission, receiving, or exchange of voice, data, video or any form or kind of communication whatsoever.

The Parent Company's registered office address and principal place of business is at 7th Floor, Cambridge Centre, 108 Tordesillas St. Salcedo Village, Makati City.

On December 2, 2014, the Parent Company's shares of stock were listed in the Philippine Stock Exchange (PSE).

The Group incurred net losses of ₱2,635.36 million and ₱811.64 million, and net operating cash outflows of ₱116.21 million and ₱186.02 million for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the Group's current liabilities exceeded its current assets by ₱357.60 million and ₱348.02 million, respectively. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may not be able to realize its assets and discharge its liabilities in the normal course of business. Management assessed that the Group will be able to maintain its positive cash position and settle its liabilities as they fall due through future actions such as continuous venture into new revenue potentials, cost cutting measures, negotiations for the extension of the maturity of the Group's existing loans and entry of new strategic investors which can provide another revenue source and support liquidity.

Management does not have plans to liquidate and continues to believe that the Group is in a unique position being one of the few technology companies that can assist companies in their digital transformation initiatives and develop marketing promotions for consumer and enterprise businesses.

Planned acquisition of Wavemaker US Fund Management Holdings, LLC
In 2019, the Parent Company's Board of Directors (BOD) approved the acquisition of 100% equity interest in Wavemaker US Fund Management Holdings, LLC, a venture capital management firm based in Los Angeles. As of August 14, 2020, the transaction is subject to the approval of stockholders.

The accompanying consolidated financial statements were approved and authorized for issue by the BOD on August 14, 2020.

2. **Summary of Significant Accounting Policies**

Basis of Preparation
The accompanying consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI). The consolidated financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency. All amounts were rounded off to the nearest peso, except when otherwise indicated.

Statement of Compliance
The accompanying consolidated financial statements of the Group as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019 have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation
The accompanying consolidated financial statements include the accounts of Xurpas Inc. and its subsidiaries as at December 31, 2019 and 2018.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect that return through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other voter holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group obtains control until the date the Group ceases to control the subsidiary.

Noncontrolling interests (NCI) represent the portion of profit or loss and net assets in a subsidiary not wholly owned and are presented separately in the consolidated statement of comprehensive income and consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from the Parent Company's equity.

Total comprehensive income within a subsidiary is attributed to the noncontrolling interest even if that results in a deficit balance.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any noncontrolling interest and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.

- Reclassifies the parent's share of components previously recognized in other comprehensive income (OCI) to profit or loss or retained earnings, as appropriate.

As of December 31, 2019, 2018 and 2017, the consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

	Percentage Ownership			
	2019	2018	2017	**Principal Activities**
Xeleb Technologies Inc. (Xeleb Technologies)	**100.00%**	67.00%	67.00%	Enterprise services and mobile consumer services
Xeleb Inc. (Xeleb)	**100.00**	67.00	67.00	Mobile consumer services
Seer Technologies, Inc. (Seer)	**70.00**	70.00	70.00	Enterprise services
Codesignate Inc. (Codesignate)*	**52.50**	52.50	52.50	Enterprise services
Storm Technologies, Inc. (Storm)	**51.31**	53.96	56.60	Human resource management
Pt. Storm Benefits Indonesia (Storm Indonesia)**	**51.31**	53.96	56.60	Human resource management
Allcare Technologies, Inc.**	**51.31**	–	–	Human resource management
Yondu Inc. (Yondu)	–	51.00	51.00	Enterprise services and mobile consumer services
Rocket Search Inc. (formerly Yondu Software Labs Inc.) (RSI)	–	51.00	51.00	Enterprise services
Xurpas Enterprise Inc. (Xurpas Enterprise)	**100.00**	100.00	100.00	Enterprise services
Art of Click Pte. Ltd. (AOC)	**100.00**	100.00	100.00	Mobile consumer services
ODX Pte. Ltd. (ODX)	**100.00**	100.00	–	Enterprise services
CTX Technologies Inc.	**100.00**	100.00	–	Enterprise services

**Codesignate is a 75.00%-owned subsidiary of Seer. The Group's effective ownership over Codesignate is 52.50%. The Group has determined that it has control over the entity and consolidates the entity on this basis.*

*** Storm Indonesia and Allcare are 100%-owned of Storm Technologies, Inc.*

All subsidiaries are domiciled in the Philippines except for Storm Indonesia, which is domiciled in Indonesia, and AOC and ODX, which are domiciled in Singapore.

<u>Xeleb Technologies, Inc.</u>
Xeleb Technologies, Inc. was organized to primarily engage in the business of mobile content development. As of December 31, 2018, the Parent Company's interest in Xeleb Technologies to 67%.

In 2019, Deeds of Absolute Sale were executed for the acquisition by the Parent Company of the remaining 33% stake in Xeleb Technologies from its minority stakeholders for a total consideration of ₱4.00 million. This brought Parent Company's interest in Xeleb Technologies to 100%.

On September 11, 2019, the BOD of the Parent Company approved the dissolution of Xeleb Technologies.

Xurpas Enterprise Inc.
On March 23, 2016, the Parent Company incorporated Xurpas Enterprise. Xurpas Enterprise was organized to primarily engage in the business of software development including designing, upgrading and marketing all kinds of information technology systems or parts thereof and other related services.

Xeleb Inc.
On July 14, 2015, the Parent Company incorporated Xeleb Inc., a mobile games company domiciled in the Philippines. Xeleb was organized primarily to design, develop, test, build, market, distribute, maintain, support, customize, sell and/or sell applications, games, software, digital solutions, whether internet, mobile or other handheld applications, portals, hardware and other related projects and services, except internet provider services, both for proprietary and custom development purposes.

On September 11, 2019, the BOD of the Parent Company approved the dissolution of Xeleb.

Storm Technologies, Inc.
The Parent Company's ownership is 56.60% of the outstanding capital stock of Storm as of December 31, 2017. In 2018, Storm issued 3,601 common shares to various individuals for a total of ₱11.97 million. This brought down the Parent Company's ownership from 56.60% to 53.96% of the outstanding capital stock of Storm, which resulted in a transfer of the Parent Company's share in the accumulated net losses of Storm to the noncontrolling interest amounting to ₱3.19 million. Net increase in NCI amounted to ₱8.78 million. No change in control resulted from the said transaction.

In 2019, Storm issued 3,985 common shares to various individuals for a total consideration of ₱4.38 million. This brought down the Parent Company's ownership from 53.96% to 51.31% of the outstanding capital stock of Storm. Net increase in NCI amounted to ₱4.38 million. No change in control resulted from the said transaction.

Storm's primary purpose is to create, develop and maintain an online platform that allows companies to exchange their current human resources benefits given to employees and transform them into a wide range of products and services, provide client management services, data management and information processing services, software network management services, software development services, consultancy, project and program management, marketing solutions, information technology services and business process outsourcing services to various companies.

Art of Click Pte. Ltd.
On October 6, 2016, Xurpas signed a Share Purchase Agreement with Emmanuel Michael Jean Allix and Wavemaker Labs Pte. Ltd. (the "Sellers") for the acquisition of 100% stake in AOC for an aggregate consideration of ₱1.94 billion in cash and in Parent Company's shares (see Note 23).

AOC is engaged in the business of mobile media agency that offers a marketing platform for advertisers.

ODX Pte. Ltd.
On April 27, 2018, the Parent Company incorporated a wholly-owned subsidiary in Singapore, ODX, with the following principal activities: 1) other information technology and computer service activities (e.g., disaster recovery services) and 2) development of software for interactive digital media (except games).

CTX Technologies Inc. ("CTX")
On October 16, 2018, the Parent Company incorporated a wholly-owned subsidiary, CTX, an entity engaged as a remittance and transfer company, to operate as a virtual currency exchange. As of December 31, 2019 and 2018, CTX has not yet started its operations.

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year except for amended PFRS and improvements to PFRS which were adopted beginning January 1, 2019. Adoption of these new standards and amendments did not have any significant impact on the consolidated financial position or performance unless otherwise indicated.

- Amendments to PFRS 9, *Financial Instruments*, *Prepayment Features with Negative Compensation*

- PFRS 16, *Leases*

  PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease,* Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation 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 lessees to recognize most leases on the statement of financial position.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  Leases previously classified as finance leases
  The Group did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right-of-use assets and lease liabilities equal to the leased assets and finance lease liabilities recognized under PAS 17). The requirements of PFRS 16 was applied to these leases from January 1, 2019.

  Leases previously classified as operating leases
  As a lessee, the Group adopted PFRS 16 using the modified retrospective approach in 2019 and elected to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. Under the modified retrospective approach, the Group recognized right-of-use assets for some leases based on its carrying amount as if PFRS 16 had always been applied while the lease liabilities are recognized at date of adoption, January 1, 2019. The difference between the right-of-use assets and lease liabilities is recognized in the beginning Retained Earnings as at January 1, 2019. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

  The Group has lease contracts for the office spaces it occupies. Before the adoption of PFRS 16, the Group classified its leases at the inception date as operating leases. Except for short-term leases, upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

The Group also applied the available practical expedients wherein it:

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The effect of the adoption of PFRS 16 to the statement of financial position as at January 1, 2019 is as follows:

	Increase (decrease)
Right-of-use assets - net	₱77,935,560
Advance rentals*	(7,209,658)
Property and equipment	(1,660,738)
Lease liabilities	76,495,086
Accounts and other payables	(7,158,621)
Retained earnings	(271,300)

** This account is recognized under "Other current assets" in the consolidated statement of financial position*

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

Operating lease commitment as at December 31, 2018	₱100,729,826
Weighted average incremental borrowing rate (IBR) at January 1, 2019	5.84%
Discounted operating lease commitments at January 1, 2019	94,818,191
Commitments relating to short term leases	(25,360,046)
Commitments relating to leases previously classified as finance lease (Note 19)	7,036,941
Lease liabilities recognized at January 1, 2019	₱76,495,086

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

- 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 material impact on the consolidated financial statements of the Group.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and 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

  An entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. An entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

  Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its assessment, that it is probable that its income tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation does not have an impact on the consolidated financial statements of the Group.

- *Annual Improvements to PFRS* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

<u>Standards Issued but not yet Effective</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

- Amendments to PAS 1, *Presentation of Financial Statements,* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

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

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

Deferred effectivity

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

  During its March 2020 Board Meeting, the International Accounting Standards Board (IASB) completed its planned re-deliberations on the Exposure Draft Amendments to PFRS 17, *Insurance Contracts*. The IASB agreed to defer the effective date of PFRS 17 to annual reporting periods beginning January 1, 2023.

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

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

<u>Current and Noncurrent Classification</u>
The Group presents assets and liabilities in the consolidated statement of financial position based on current / noncurrent classification. An asset is current when it is:
- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;

- Expected to be realized within twelve months after the reporting period; or
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash in banks are stated at face amount and earn interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and that are subject to an insignificant risk of changes in value.

Fair Value Measurement
Fair value is the estimated 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:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

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

The Group 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 consolidated financial statements are categorized within the fair value hierarchy (see Note 28).

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Instruments - initial recognition and subsequent measurement effective January 1, 2018

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

a. Financial assets

Initial recognition of financial instrument

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*. Refer to the accounting policies on revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes "Cash" and "Accounts and other receivables" (except for "Advances to employees" which are subject to liquidation), "Refundable deposits" under other current assets, and "Cash bond" under other noncurrent assets.

Financial assets at FVOCI (debt instruments)
The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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 debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group has not designated any financial assets under this category.

Financial assets at FVOCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its quoted and unquoted equity investments under this category.

Financial assets at FVPL
Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of comprehensive income.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as other income in profit or loss when the right of payment has been established.

The Group has designated its unquoted debt investments under this category.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the statement of financial position) when:

- The rights to receive cash flows from the asset have expired
  Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of Financial Assets and Contract Assets
The Group recognizes an allowance for ECLs for all debt instruments not held at FVPL and contract assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix for trade receivables and contract assets that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets such as receivable from related parties, other receivables, refundable deposits under other current assets, cash bond under other noncurrent assets and financial assets at FVOCI (debt instruments), ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, where there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables and contract assets in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 60 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

b. Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include "Accounts and other payables" (except "Deferred output VAT", "Taxes payable" and provision relating to PSA and statutory payables included as "Others"), "Loans payable" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVPL
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial liabilities are only designated as at FVPL when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the liabilities or recognizing gains or losses on them on a different basis; or
- The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited

Financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Group's own credit risk. Such changes in fair value are recorded in equity reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument.

Financial liabilities arising from amounts received under the Share and Token Allocation Agreement classified as "Nontrade payables" under "Accounts and other payables" were designated at FVTPL as it contains embedded derivatives.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to short-term debts.

Other Financial Liabilities
Issued financial instruments or their components, which are not designated at FVPL, are classified as accounts payable and accrued expenses where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to 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. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR 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. Any effect of restatement of foreign currency-denominated liabilities is recognized in profit or loss.

This accounting policy applies to the Group's "Accounts and other payables" (except "Deferred output VAT", "Taxes payable" and provision relating to PSA and statutory payables included as "Others") and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

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

Financial Instruments - initial recognition and subsequent measurement prior to January 1, 2018

Financial Instruments
Initial recognition of financial instrument
The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity investments (HTM), available-for-sale (AFS) investments and loans and receivables. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market.

Financial assets at FVPL
Financial assets at FVPL include financial assets held-for-trading and financial assets designated upon initial recognition as at FVPL.

Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract.

Financial assets at FVPL are recorded in the consolidated statement of financial position at fair value, with changes in the fair value recorded in the consolidated statement of comprehensive income, included under "Other income" account.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified as other financial assets held for trading, designated as AFS investments or financial assets designated at FVPL.

AFS financial assets
AFS financial assets are those which are designated as such or do not qualify to be classified or designated as financial assets at FVPL, HTM financial assets, or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS financial assets include convertible notes and equity investments.

Impairment of Financial Assets
The Group assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the original EIR of the asset. Accounts and other receivables, together with associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as customer type, credit history, past-due status and terms.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

AFS financial assets
For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from other comprehensive income and recognized in profit or loss as “Miscellaneous” under “General and administrative expenses” account. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss and is recorded as part of “Interest income” account in profit or loss. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

Investment in Associates

The Group’s investment in associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

An investment is accounted for using the equity method from the day it becomes an associate. On acquisition of investment, the excess of the cost of investment over the investor’s share in the net fair value of the associate’s identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor’s share of the net fair value of the associate’s identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the associate.

Under the equity method, the investment in an associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group’s share in the net assets of the associate, less any impairment in values. The consolidated statement of comprehensive income reflects the share of the results of the operations of the associate company. The Group’s share of post-acquisition movements in the associate’s equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the associate company are eliminated to the extent of the interest in the associate company and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investment in an associate is reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the associate. When the associate subsequently reports net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the associate and the Group are identical and the associate’s accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value (NRV). Cost which includes all cost directly attributable to acquisition such as purchase price and transport cost is determined using the first in, first out method. NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price and other directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. It excludes the cost of day-to-day servicing.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the property and equipment which are as follows:

	Years
Transportation equipment	3 to 5
Office equipment	2 to 4
Information technology (IT) equipment	2 to 4
Furniture and fixtures	2 to 5
Leased asset	3 to 5
Leasehold improvements	Useful life or lease term, whichever is shorter

The estimated residual values, useful life and depreciation and amortization method are reviewed at least annually to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

If there is an indication that there has been a significant change in depreciation and amortization rate or the useful lives, the depreciation of that property and equipment is revised prospectively to reflect the new expectations.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged against current operations.

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Cryptocurrencies which are not held in the ordinary course of business are recognized as intangible assets as these are identifiable non-monetary asset without physical substance.

Following initial recognition, intangible assets (other than cryptocurrencies) are carried at cost less any accumulated amortization and accumulated impairment losses. Cryptocurrencies are subsequently carried at revalued amount, being its fair value at the date of the revaluation less any accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The estimated useful lives of intangible assets follow:

	Years
Customer relationships	Indefinite
Cryptocurrencies	Indefinite
Leasehold rights	7
Developed software	5 – 8

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

If the cryptocurrencies' carrying amount is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

If the cryptocurrencies' carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance in the revaluation surplus in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

Research and Development Costs
Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of goods sold.

Business Combinations and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any noncontrolling interests in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument, is measured at fair value with changes in fair value recognized either in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests) and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

When goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

<u>Noncontrolling Interests</u>
In a business combination, as of the acquisition date, the Group recognizes, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. There is a choice of two measurement methods for those components of noncontrolling interests that are both present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of a liquidation. They can be measured at:

a. acquisition-date fair value (consistent with the measurement principle for other components of the business combination); or
b. at their proportionate share of the value of net identifiable assets acquired.

Written put option over NCI
Any put option granted to noncontrolling interests gives rise to a financial liability measured at fair value, which will be the present value of the redemption amount. The Group's accounting policy on financial instruments applies for the subsequent measurement of the financial liability.

The Group assesses whether the terms and conditions of the option give the acquirer present access to the ownership interest in the share subject to the put option. Factors that indicate that the NCI put provides a present ownership interest include:

a. pricing - to the extent that the price is fixed or determinable, rather than being at fair value;
b. voting rights and decision-making - to the extent that the voting rights or decision-making connected to the shares concerned are restricted;
c. dividend rights - to the extent that the dividend rights attached to the shares concerned are restricted; and
d. issue of call options - a combination of put and call options, with the same period of exercise and same/similar pricing indicates that the arrangement is in the nature of a forward contract.

If it is concluded that the acquirer has a present ownership interest in the shares concerned, the put option is accounted for as an acquisition of the underlying shares, and no noncontrolling interest is recognized.

When the terms of the transaction do not provide a present ownership interest, the noncontrolling interests continues to be recognized within equity until the NCI put is exercised. The carrying amount of noncontrolling interest changes due to allocations of profit or loss, changes in other comprehensive income and dividends declared for the reporting period. The financial liability for the put option is recognized through a debit made to "Equity reserve", a component of equity attributable to the Parent Company.

If the put option is exercised, the entity accounts for an increase in its ownership interest. At the same time, the entity derecognizes the financial liability and recognizes an offsetting credit in the same component of equity reduced on initial recognition.

If the put option expires unexercised, the financial liability is reclassified to the same component of equity that was reduced on initial recognition.

Combinations of Entities under Common Control

Business combinations of entities under common control are accounted for using the pooling of interests method. The pooling of interests method is generally considered to involve the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity under the "Equity reserve" account.

Impairment of Nonfinancial Assets

The Group assesses at each financial reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Investment in associates
The Group also determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount and the carrying value of the associate company and recognizes the difference in profit or loss.

In assessing impairment indicators, the Group considers, as a minimum, the following indicators: (a) dividends exceeding the total comprehensive income of the associate in the period the dividend is declared; or (b) the carrying amount of the investment in the consolidated financial statements exceeding the carrying amount of the associate's net assets, including goodwill.

Intangible assets with indefinite useful life
Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level and when circumstances indicate that the carrying value may be impaired.

Impairment of goodwill
For assessing impairment of goodwill, a test of impairment is performed annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGUs is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Equity
Capital stock and additional paid-in capital
Capital stock is measured at par value for all shares issued. When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital". When the shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. The costs of an equity transaction that is abandoned are recognized as an expense.

Treasury shares
Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Retained earnings (deficit)
Retained earnings (deficit) represent the cumulative balance of net income or loss, dividend distributions, prior period adjustments, effects of the changes in accounting policy and other capital adjustments.

Unappropriated retained earnings
Unappropriated retained earnings represent the portion of retained earnings that is free and can be declared as dividends to stockholders.

Appropriated retained earnings
Appropriated retained earnings represent the portion of retained earnings which has been restricted and therefore is not available for dividend declaration.

Equity reserve
Equity reserve represents:
(a) a portion of equity against which the recognized liability for a written put option was charged;
(b) a portion of equity against which payments to a former shareholder of a subsidiary was charged;
(c) gains or losses resulting from increase or decrease in ownership without loss of control; and
(d) difference between the consideration transferred and the net assets acquired in common control business combination.

Revenue Recognition
Prior to adoption of PFRS 15, revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, and sales taxes, if any.

Upon adoption of PFRS 15, revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognized when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

Service income
Service income consists of revenue from Value Added Services (VAS) and Business Process Outsourcing (BPO). BPO is further subdivided into IT Staffing, Custom Development and Managed Services, and Products.

VAS are mobile and content application services provided to mobile subscribers. Revenue is recognized at a point in time, that is when services are delivered to the customers during the period.

IT staffing is a business segment where the Group deploys resources to clients to fulfill their IT requirements. Revenue is recognized at a point in time, that is when services are rendered to the customers during the period.

Custom Development and Managed Services are services offered to customers that are produced in the Company's premises. Revenue is recognized over time and at a point in time. In measuring the progress of its performance obligation over time for Custom Development, the Group uses the output method which measures progress based on the completion of proportion of work done and requires technical determination by the IT specialists.

Products are readily available solutions that will cater to customers' requirements. Revenue is recognized at a point in time, that is when goods are delivered to the customers during the period.

Sale of goods
Revenue from the sale of goods in the ordinary course of activities is measured at the fair value of the consideration received or receivable, net of discounts and applicable taxes. Revenue is recognized at a point in time, which is normally upon delivery.

For the year ended December 31, 2019 and 2018, the Group has no variable consideration but the timing of revenue recognition resulted in contract assets and liabilities.

Contract Balances
Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).
Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional (e.g., warranty fees).

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer (e.g., upfront fees, implementation fees, subscription fees, etc.). If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Interest Income
Interest income is recognized as it accrues using the effective interest method.

Other Income
Other income is recognized as it accrues.

Cost and Expenses
"Cost of services", "Cost of goods sold", and "General and administrative expenses" are expenditures recognized in the consolidated statement of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measure reliably. The following specific recognition criteria must also be met before costs and expenses are recognized:

Cost of services
Cost that includes all expenses associated with the specific sale of services. Cost of services include salaries, wages and employee benefits, utilities and communication, supplies and other expenses related to services. Such costs are recognized when the related sales have been recognized.

Cost of goods sold
Cost of goods sold consists of inventory costs related to goods which the Group has sold. Inventory costs include all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

General and administrative expenses
General and administrative expenses constitute expenses of administering the business and are recognized in profit or loss as incurred.

Leases effective January 1, 2019
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee
Except for short-term leases and leases of low-value assets, the Group applies a single recognition and measurement approach for all leases. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of cost to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Office space	1.5 to 3 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in Impairment of nonfinancial assets section.

ii) Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases
The Group applies the short-term lease recognition exemption to its short-term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Leases prior to January 1, 2019
Group as lessee
Leases where the lessor retains substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Finance lease
Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of minimum lease payments. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the assets or the respective lease terms.

Income Tax
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting period.

Deferred tax
Deferred tax is provided using the balance sheet method on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:
- When the deferred tax liability from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and NOLCO can be utilized, except:
- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will not reverse in the foreseeable future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investment in domestic associates and interests in joint ventures.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the financial reporting date. Movements in deferred tax assets and liabilities arising from changes in tax rates are charged or credited to income for the period. Deferred tax relating to items outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

Value-Added Tax (VAT)
Revenue, expenses and assets are recognized net of the amount of sales tax except:

- Where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of other current assets or payables in the consolidated statement of financial position.

Pensions and other long-term employee benefits
The net pension liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any).

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses are recognized immediately in the consolidated statements of financial position with a corresponding debit or credit through other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

The Group also provided other long-term employee benefit obligations to an employee of a subsidiary as remuneration for the services provided by the employee to the subsidiary, which are to be settled in cash. A liability and expense for the long-term employee benefit is recognized when the services have been rendered and is amortized during the period of entitlement.

Share-based Payment Transactions

Certain employees of the Group receive remuneration (bonuses) in the form of share-based payment transactions from the Parent Company, whereby the employees are issued treasury shares in exchange for the rendered services (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value of the shares at the date the shares are granted. This is recognized as salaries, wages and employee benefits expense in profit or loss when vested.

Foreign Currency Transactions

The Group's consolidated financial statements are presented in Philippine Peso, which is also the Parent Company and the subsidiaries' functional currency, except for AOC and ODX, which is US dollar, and Storm Indonesia, which is Indonesian Rupiah. The Philippine peso is the currency of the primary economic environment in which the Parent Company operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions denominated in foreign currencies are initially recorded in Philippine Peso at the exchange rate at the date of transaction. Foreign currency-denominated monetary assets and liabilities are retranslated at the closing rate at reporting date. Exchange gains or losses arising from foreign currency transactions are recognized in profit or loss.

As at reporting date, the assets and liabilities of subsidiaries whose functional currency is not the Philippines Peso are translated into the presentation currency of the Parent Company (the Philippine Peso) at the closing rate as at the reporting date, and the consolidated statement of income accounts are translated at monthly weighted average exchange rate. The exchange differences arising on the translation are taken directly to a separate component of equity under "Cumulative translation adjustment" account. Upon disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

Investment in foreign associates are translated to Philippine Peso using the closing exchange rate prevailing at reporting date. The Group's share in the results of operations of the foreign investee is translated using the exchange rate at the dates of the transactions or, where practicable, the rate that approximates the exchange rates at the dates of the transactions, such as the average rate for the period. Any resulting exchange difference is recognized as a separate component of equity.

Earnings per Share (EPS)
Basic EPS is computed by dividing net income for the year attributable to common stockholders of the parent by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year attributable to common stockholders of the parent by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares, if any.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and serves different markets. Financial information on business segments is presented in Note 29 to the consolidated financial statements.

Provisions
Provisions are recognized when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

Accounting for crypto-related transactions
Proceeds Arising from the Pre-Sale Agreements (PSA)
Proceeds from the PSA are recognized upon receipt and measured at the fair value of the related crypto currency. The entire proceeds is presented under the liability section of the consolidated statement of the financial position at initial recognition. The portion of the proceeds which pertains to the estimated costs to develop the ODX platform is treated as a constructive obligation (refer to the accounting policy for Provisions) and offset by the actual costs incurred for the platform. The remaining balance of the proceeds is accounted for by analogy to government grants under PAS 20, A*ccounting for Government Grants and Disclosure of Government Assistance*. This portion will be amortized over the life of the platform when it becomes available for use.

Platform Development Costs
Actual costs incurred in the development of the ODX platform are offset against provisions and treated as a fulfillment of the constructive obligation arising from the PSA.

ODX Tokens
ODX Tokens generated but not issued are not recognized in the financial statements of the Group. Issuance of ODX Tokens to third parties do not have impact to the consolidated financial statements. Risks and rewards to these ODX Tokens are transferred to the third parties upon issuance.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes when an inflow of economic benefits is probable.

This policy also applies to agreements which the Group entered into with certain advisors for which the services received are to be paid through internally generated tokens in the future and for which the obligation cannot be measured with sufficient reliability.

Events after the Reporting Period
Post year-end events up to date when the consolidated financial statements are authorized for issue that provide additional information about the Group's position at the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material. Information on events after the reporting period is presented in Note 31 to the consolidated financial statements.

3. **Significant Accounting Judgments and Estimates and Assumptions**

The preparation of the accompanying consolidated financial statements in compliance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments and estimates used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

a. *Assumption of going concern*
The use of the going assumption involves management making judgments, at a particular point in time, about the future outcome of events or condition that are inherently uncertain. The Group has no plans to liquidate. Management assessed that it will be able to maintain its positive cash position and settle its liabilities as they fall due through future actions such as continuous venture into new revenue potentials, cost cutting measures, negotiations for the extension of the maturity of the Group's existing loans and entry of new strategic investors which can provide another revenue source and support liquidity. Accordingly, the consolidated financial statements are prepared on a going concern basis.

b. *Determination of control over investment in subsidiaries*
The Group determined that it has control over its subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following were also considered:
- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual agreements
- The Group's voting rights and potential voting rights

c. *Existence of significant influence over associates*
The Group determined that it exercises significant influence over its associates (see Note 9) by considering, among others, its ownership interest (holding 20% or more of the voting power of the investee) and board representation.

d. *Capitalization of development costs*
The Group determined that intangible assets arising from development qualify for recognition by determining that all of the following are present:
i. The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
ii. Intention to complete and its ability and intention to use or sell the asset;
iii. How the asset will generate future economic benefits;
iv. The availability of resources to complete the asset; and
v. The ability to measure reliably the expenditure during development.

e. *Determination of constructive obligation arising from cryptocurrency transactions*
The Group determined that a constructive obligation exists based on the terms of the agreements and the general expectations of the counterparties.

f. *Presentation of Yondu's operations prior to sale*
An entity is required to disclose information that enables users of the consolidated financial statements to evaluate the financial effects of discontinued operations. A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and (a) represents a separate major line of business or geographical area of operations, (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or (c) is a subsidiary acquired exclusively with a view to resale. Management has assessed that Yondu does not meet the criteria for a discontinued operation as it will continue to operate the business segment (i.e. Mobile Consumer and Enterprise Services) where Yondu was part of.

<u>Management's Use of Estimates</u>
The key assumptions concerning future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. *Evaluating impairment of goodwill, intangible assets with indefinite useful lives and investment in associates*
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less cost 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 for 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 Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the growth rates, earnings before interest, taxes, depreciation and amortization (EBITDA) margins and capital expenditures used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Group.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level and when circumstances indicate that the carrying value may be impaired.

The Group recognized impairment loss on goodwill amounting to ₱1,811.39 million, ₱144.86 million and nil in 2019, 2018 and 2017, respectively, based on an assessment of recoverability of goodwill using the DCF model (see Note 11).

The carrying values of goodwill and customer relationship follow:

	2019	2018
Goodwill (Notes 11 and 23)	**₱48,221,984**	₱2,399,762,153
Cryptocurrencies (Note 11)	**6,081,777**	5,484,591
Customer relationship (Notes 11, 23 and 24)	−	1,077,809,700
	₱54,303,761	₱3,483,056,444

Investment in associate is tested for impairment when circumstances indicate that the carrying value may be impaired.

The Group recognized impairment loss for its investment in associates amounting to ₱107.15 million, nil and nil in 2019, 2018 and 2017, respectively. The carrying values of investment in associates amounted to ₱319.94 million and ₱456.00 million as of December 31, 2019 and 2018, respectively (see Note 9).

b. *Revenue recognition*
The Group's revenue recognition require management to make use of estimates that may affect the reported amount of revenue. The Group's revenue from sale of services for development projects recognized based on the percentage of completion are measured principally on the basis of the estimated completion of the development services. In measuring the progress of its performance obligation over time, the Group uses the output method which measures progress based on the completion of proportion of work done and requires technical determination by the Group's specialists.

Judgment is exercised in determining whether the Group can recognize revenue outright or over the development period. The Group recognizes revenue over the development period if all of the following criteria are met; otherwise, revenue is recognized outright:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the software/platform under development;
- the delivery the developed software/platform directly expose the customer to any positive or negative effects of the Group's activities; and
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

Revenues from other revenue streams are recognized at a point in time when control over goods or services is transferred (see Note 2).

The Group recognized service income subject to percentage of completion amounting to ₱66.68 million and ₱125.44 million in 2019 and 2018, respectively. The Group recognized revenue from other revenue streams amounting to ₱905.28 million and ₱1,116.75 million in 2019 and 2018, respectively.

c. *Provisions and contingencies*
The Group is currently involved in assessments for national taxes. The estimate of the probable costs for the resolution of these assessments has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these assessments will have a material effect on the Group's consolidated financial position and results of operations (see Notes 12 and 31).

d. *Provision for expected credit losses of trade receivables and contract assets*
The Group uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss pattern.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As of December 31, 2019 and 2018, allowance for impairment losses on accounts and other receivables amounted to ₱263.09 million and ₱265.02 million, respectively (see Notes 5 and 28).

e. *Realizability of deferred tax assets*
The Group reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the subsidiaries of the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized. The Group looks at its projected performance in the sufficiency of future taxable income.

The Group recognized gross deferred tax assets amounting to ₱1.37 million and ₱18.46 million as at December 31, 2019 and 2018, respectively (see Note 21).

The Group did not recognize deferred tax assets on deductible temporary differences and NOLCO amounting to ₱3,244.34 million and ₱1,124.21 million as at December 31, 2019 and 2018, respectively (see Note 21).

4. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand	**₱104,525**	₱217,029
Cash in banks	**52,751,583**	177,179,158
Cash equivalents	**101,072,938**	–
	₱153,929,046	₱177,396,187

Cash in banks earn interest at the prevailing bank deposit rates.

Cash equivalents are short-term, highly liquid investments that are made for varying periods up to three (3) months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term rates.

Interest income earned from cash in banks and cash equivalent amounted to ₱1.64 million, ₱0.44 million and ₱1.59 million in 2019, 2018 and 2017, respectively (see Note 18).

5. Accounts and Other Receivables

This account consists of:

	2019	2018
Trade receivables	**₱273,387,545**	₱771,395,524
Receivable from related parties (Note 20)	**10,377,902**	5,808,461
Advances to employees	**2,389,525**	4,764,040
Others	**14,113,381**	13,693,032
	300,268,353	795,661,057
Less: Allowance for impairment losses	**263,085,522**	265,024,372
	₱37,182,831	₱530,636,685

Trade receivables arise from the mobile content development, mobile solution and key platform development services rendered by the Group to its customers. These are noninterest-bearing and are generally settled on a 30- to 60-day term.

Advances to employees mainly pertain to advances which are subject to liquidation.

Others are noninterest-bearing and are generally collectible within one year.

The table below shows the movements in the provision for impairment losses of trade receivables:

	2019	2018
Balance at beginning	**₱265,024,372**	₱118,853,129
Translation adjustments	**8,220,359**	(4,313,240)
Provisions (Note 17)	**3,299,669**	166,083,098
Sale of subsidiary	**(6,153,477)**	–
Write-off	**(7,305,401)**	(16,053,400)
Recovery	**–**	454,785
	₱263,085,522	₱265,024,372

6. Contract Balances

This account consists of:

	2019	2018
Contract assets	**₱8,290,141**	₱9,748,084
Contract liabilities	**68,048,657**	44,498,497

Contract assets are initially recognized for revenues earned from custom development as receipt of consideration is conditional on successful completion of proportion of work. Upon completion of performance obligation and acceptance by the customer, the amount recognized as contract assets are reclassified to trade receivables.

Contract liabilities consist of collections from customers under custom development services which have not qualified for revenue recognition. Amount of revenue recognized from amounts included in contract liabilities at the beginning of the year amounted to ₱39.80 million and ₱28.20 million in 2019 and 2018, respectively.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) amounted to ₱68.05 million and ₱44.50 million in 2019 and 2018, respectively.

The performance obligations expected to be recognized within one year relates to the continuous custom development.

7. Financial Assets at Fair Value through Other Comprehensive Income and Fair Value through Profit and Loss

This account consists of:

	2019	2018
Balance at beginning of year	**₱475,000**	₱6,380,000
Collections during the year	–	(6,000,000)
Unrealized gain (loss) on financial assets at FVOCI	**(35,000)**	95,000
	₱440,000	₱475,000

The rollforward analysis of net unrealized loss on financial assets at FVOCI follow:

	2019	2018
Balance at beginning of year	**(₱44,219,956)**	(₱44,314,956)
Unrealized gain (loss) on financial assets at FVOCI	**(35,000)**	95,000
Balance at end of year	**(₱44,254,956)**	(₱44,219,956)

Unrealized gain (loss) on financial assets at FVOCI is recognized under “Other comprehensive income (loss)” in the consolidated statements of comprehensive income.

Carrying amount of the financial assets at FVOCI as of December 31, 2019 and 2018 are as follow:

	2019	2018
Quoted shares		
Club Punta Fuego	**₱440,000**	₱475,000
Unquoted equity investment		
Zowdow Inc.	**44,244,956**	44,244,956
Less: Unrealized loss on financial assets at FVOCI	**(44,244,956)**	(44,244,956)
	–	–
	₱440,000	₱475,000

The quoted shares are categorized under the Level 2 of the fair value hierarchy. The unquoted equity investments are categorized under Level 3 (see Note 28).

Quoted equity investments
Quoted equity instruments consist of investment in golf club shares.

Unquoted equity investments
In April 2015, the Group acquired 666,666 shares of Series A Preferred Stock of Zowdow Inc. ("Zowdow") at a purchase price of $1.50 per share for a total investment of US$999,999 or ₱44.24 million. As at December 31, 2019 and 2018, the Group holds a 3.56% ownership of Zowdow on a fully-diluted basis. As of January 1, 2018, the Group recognized unrealized loss amounting to ₱44.24 million on this investment upon adoption of PFRS 9.

Unquoted debt investments
The Group has convertible promissory notes and bonds receivable as of December 31, 2019:

	2019	2018
Unquoted debt investments		
MatchMe Pte. Ltd.	**₱52,495,000**	₱52,495,000
Altitude Games Pte. Ltd.	**28,856,000**	28,856,000
Einsights Pte. Ltd.	**23,475,000**	23,475,000
Pico Candy Pte. Ltd.	**3,602,123**	3,602,123
	108,428,123	108,428,123
Less: Remeasurement loss	**(108,428,123)**	(108,428,123)
Balance at end of year	**₱–**	₱–

8. **Other Assets**

Other current assets
This account consists of:

	2019	2018
Input VAT	**₱15,427,616**	₱13,740,143
Cash held in trust (Note 20)	**10,000,000**	–
Creditable withholding tax	**6,911,430**	18,176,998
Restricted cash equivalent	**5,060,129**	–
Prepaid expenses	**3,925,070**	10,219,745
Deferred input VAT	**2,287,689**	3,494,984
Rental deposit	**689,200**	–
Inventories	**245,717**	832,285
Refundable deposits	**1,230,667**	11,437,282
	45,777,518	57,901,437
Less: Allowance for impairment losses (Note 17)	**1,576,402**	–
	₱44,201,116	₱57,901,437

Input VAT represents VAT imposed on the Group by its suppliers for the acquisition of goods and services.

Restricted cash equivalent earns interest at the prevailing bank deposit rates. This is reserved to accommodate Seer, a subsidiary, for credit line and such other facilities for subsequent borrowings.

Prepaid expenses mainly pertain to advances to suppliers, advances to rentals and prepaid professional fees.

Creditable withholding taxes pertain to prepaid taxes recognized at the amount withheld at source upon payment and overpayment of income tax in previous years. This can be carried forward and claimed as tax credit against income tax due. In 2019, the Group recognized an impairment loss amounting to ₱1.58 million included under "General and Administrative Expenses" in the consolidated statements of comprehensive income (see Note 17).

Deferred input VAT represents input VAT related to unpaid balances for the services availed by the Group. These will be recognized as input VAT and applied against output VAT upon payment. Any remaining balance is recoverable in future periods.

Rental deposits represent refundable deposits for office and parking space which are refundable after the contract term.

Inventories include purchases of goods to be sold. These are carried at cost. Cost of goods sold recognized amounted to ₱83.28 million, ₱69.73 million and ₱81.01 million in 2019, 2018 and 2017, respectively.

Refundable deposits pertain to security deposit made for performance bond and rent which will be received within one year.

Other noncurrent assets
This account consists of:

	2019	2018
Advances to affiliates (Note 9)	**₱22,084,586**	₱22,084,586
Creditable withholding tax	**12,689,807**	–
Rental deposit	–	19,945,712
Deferred input VAT	–	1,712,813
Refundable deposits	–	1,299,115
Others	**682,634**	1,328,551
	₱35,457,027	₱46,370,777

Rental deposit represents refundable deposits for office and parking space which are refundable after the contract term.

Deferred input VAT represents input taxes on purchases of capital goods which are being amortized over the estimated useful life of the capital goods or 5 years, whichever is shorter.

Refundable deposits mainly pertain to security deposits made for performance bond.

9. Investment in and Advances to Associates

This account consists of:

	2019	2018
Investment in Associates		
Cost		
Balance at beginning of year	**₱577,561,081**	₱575,584,063
Additions during the year	–	1,977,018
Balance at end of year	**577,561,081**	577,561,081
Equity in net loss		
Balance at beginning of year	**(133,091,435)**	(80,102,968)
Share in net losses during the year	**(33,286,655)**	(52,988,467)
Balance at end of year	**(166,378,090)**	(133,091,435)
Cumulative translation adjustment		
Balance at beginning of year	**11,525,824**	20,181,846
Movement during the year	**4,375,181**	(8,656,022)
Balance at end of year	**15,901,005**	11,525,824
Impairment loss during the year (Note 17)	**(107,147,488)**	–
	319,936,508	455,995,470
Advances to Associate (Note 8)	**22,084,586**	22,084,586
	₱342,021,094	₱478,080,056

The equity in cumulative translation adjustments represents exchange differences arising from the translation of financial statements of the foreign operations, whose functional currency is other than Philippine Peso.

The Group's equity in the net assets of associates and the related percentages of ownership are shown below:

	Percentages of Ownership		Carrying Amounts	
	2019	2018	**2019**	2018
Investment in Associates				
Micro Benefits Limited	**23.53%**	23.53%	**₱281,545,160**	₱377,307,980
Altitude Games Pte. Ltd.	**21.78**	21.78	**24,601,980**	24,339,262
PT Sembilan Digital Investama	**49.00**	49.00	**13,789,368**	10,638,785
MatchMe Pte. Ltd.	**29.10**	29.10	**–**	43,709,443
Altitude Games Inc.	**21.17**	21.17	**–**	–
			319,936,508	455,995,470
Advances to associate				
PT Sembilan Digital Investama			**22,084,586**	22,084,586
			₱342,021,094	₱478,080,056

Micro Benefits Limited
On March 9, 2016, the Group acquired 718,333 new Series C Preferred Shares equivalent to a 23.53% stake in Micro Benefits Limited ("Micro Benefits") for US$10.00 million. Micro Benefits, a company registered in Hong Kong, is engaged in the business of providing employee benefits to Chinese workers through its operating company, Micro Benefits Financial Consulting (Suzhou) Co. Ltd., located in China.

In 2019, indicators of impairment were identified by management, as a result, an impairment test was carried out for investment in Micro Benefits where it showed that an impairment provision must be recognized. In determining the provision, the recoverable amount was determined based on value-in-use ("VIU") calculations. The VIU was derived from cash flow projections over a period of five years based on the 2019 financial budgets and calculated terminal value.

Using the projections for five years and applying a terminal value thereafter, the Group calculated a recoverable amount of ₱303.52 million. Consequently, the Group recognized a provision for impairment loss of its investment in Micro Benefits amounting to ₱68.49 million.

Micro Benefit's registered office address is at 11th Floor, Club Lusitano, 16 Ice House Street, Central, Hong Kong.

Altitude Games Pte. Ltd.
As at December 31, 2018 and 2017, the Group owns 21.78% ownership interest in Altitude Games. The Group acquired a total of 24.69 million shares with par value of US$0.01 per share for a total consideration of US$740,800 or US$0.03 per share.

Altitude Game's registered office address is at 16 Raffles Quay, #33-03, Hong Leong Building, Singapore.

PT Sembilan Digital Investama
On March 26, 2015, the Group acquired 147 shares representing 49% shareholdings in PT Sembilan Digital Investama ("SDI") amounting to ₱10.83 million. The acquisition gave the Group access to PT Ninelives Interactive, a mobile content and distribution company in Indonesia, which SDI owns.

As of December 31, 2019 and 2018, the Group has advances to SDI amounting to ₱22.08 million to fund its mobile content and distribution services.

SDI's registered office address is at J1. Pos Pengumben Raya No. 01 RT 010 RW 03, Kel Srengseng, Jakarta Barat.

MatchMe Pte. Ltd.
On March 30, 2015, the Group acquired 1,000,000 ordinary shares of MatchMe, an international game development company based in Singapore, for a total consideration amounting to ₱60.47 million.

In 2016, MatchMe issued 325,385 common shares to various individuals which resulted in the decrease in the Group ownership interest from 31.52% to 28.59%.

In 2018, MatchMe issued 1,547,729 ordinary shares worth US$0.079 per share or a total of US$122,944. The Group subscribed to 467,820 ordinary shares for a total of US$37,161 or ₱1,977,018 resulting in an increase in percentage ownership from 28.59% to 29.10%.

MatchMe incurred recurring losses for the past four years and attained capital deficiency position as of December 31, 2019. During the year, it was also made known to the management that the Company became dormant. On these bases, the Group recognized full impairment loss on its investment in MatchMe amounting to ₱38.66 million.

MatchMe's registered office address is at 100 Cecil Street #10-01/002 the Globe, Singapore.

Altitude Games Inc.
On July 22, 2015, the Group subscribed to 211,656 shares of stock or 21.17% shareholdings in Altitude Games Inc. ("Altitude Philippines"), an affiliate of Altitude Games. Altitude Philippines engages in the business of development, design, sale and distribution of games and applications.

Altitude Philippine's registered office address is at Unit A51 5th Floor Zeta II Bldg., Salcedo St. Legazpi Village, Makati City.

As of December 31, 2019, and 2018, there are no capital commitments relating to the Group's interests in its associates.

The Group considers an associate with material interest if its net assets exceed 5% of its consolidated total assets as of reporting period and considers the relevance of the nature of activities of the entity compared to other operations of the Group. There are no significant restrictions on the Group's ability to use assets and settle liabilities.

Following is the significant financial information of the associate with material interest:

Micro Benefits

	2019	2018
Current assets	**₱23,637,846**	₱47,366,392
Noncurrent assets	**59,067,910**	90,497,755
Current liabilities	**(57,626,652)**	(36,564,334)
Noncurrent liabilities	**(474,376,055)**	(439,791,003)
Total equity	**(449,296,951)**	(338,491,190)
Proportion of Group's ownership	**23.53%**	23.53%
Group's share in identifiable net assets	**(105,719,573)**	(79,646,977)
Goodwill and changes in fair value of net assets	**387,264,733**	456,954,957
Carrying amount of the investment	**₱281,545,160**	₱377,307,980

No dividends were received in 2019 and 2018.

	2019	2018
Total revenue	**₱56,956,403**	₱85,040,814
Total expenses	**188,289,692**	262,009,977
Net loss/ Total comprehensive loss	**(131,333,289)**	(176,969,163)
Group's share in net loss/ total comprehensive loss for the year	**(30,902,723)**	(41,640,844)

Aggregate financial information on associates with immaterial interest is as follows:

	2019	2018
Carrying amount	**₱38,391,348**	₱78,687,490
Group's share of net losses for the year	**(2,383,932)**	(11,347,622)
Group's share in total comprehensive loss	**(2,383,932)**	(11,347,622)

In 2019 and 2018, the Group performed impairment testing using a discounted cash flow analysis to determine value-in-use. Key assumptions used to determine the value-in-use are discount rates including cost of debt and cost of capital and growth rates.

- *Discount rate*
  The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group used discount rates based on the industry's weighted average cost of capital (WACC). The rates used to discount the future cash flows are based on risk-free interest rates in the relevant markets where the associates domiciled taking into consideration the debt premium, market risk premium, gearing, corporate tax rate and asset beta of the associate. In 2019 and 2018, management assumed discount rates of 10.85% and 11.23% to 17.66%, respectively.

- *Growth rate*
  Average growth rates in revenues are based on the Group's expectation of market developments and the changes in the environment in which it operates. The Group uses revenue growth rates based on past historical performance as well as expectations on the results of its strategies. On the other hand, the perpetual growth rate used to compute for the terminal value is based on the forecasted long-term growth of real gross domestic product (GDP) of the economy in which the business operates. In 2019 and 2018, management assumed average growth rates in revenues of 5.00% to 36.88% and 5.00% to 42.94%, respectively, and terminal growth rates of 2.50% and 5.00%, respectively.

Impairment loss amounting to ₱107.15 million was recognized in 2019 for the Group's investment in associates.

10. Property and Equipment

Rollforward of this account is as follows:

December 31, 2019

	Transportation Equipment	Office Equipment	IT Equipment	Furniture and Fixtures	Leasehold Improvements	Leased Asset (Note 19)	Total
Cost							
At beginning of year	₱120,536	₱10,435,527	₱32,260,727	₱10,914,904	₱61,284,166	₱4,004,540	₱119,020,400
Transfer to right-of-use assets as a result of adoption of PFRS 16 (Note 19)	–	–	–	–	–	(4,004,540)	(4,004,540)
At the beginning of year, as restated	120,536	10,435,527	32,260,727	10,914,904	61,284,166	–	115,015,860
Additions	–	211,568	9,010,557	187,744	753,460	–	10,163,329
Retirements and disposals	–	–	(2,723,059)	(4,278,478)	(21,857,435)	–	(28,858,972)
Sale of subsidiary (Note 24)	–	(5,455,438)	(18,725,330)	(2,396,795)	(39,119,613)	–	(65,697,176)
Translation adjustments	–	(33,392)	(1,961)	–	–	–	(35,353)
At end of year	120,536	5,158,265	19,820,934	4,427,375	1,060,578	–	30,587,688
Accumulated Depreciation and Amortization							
At beginning of year	120,536	9,241,474	6,361,189	8,075,632	33,356,970	2,343,802	59,499,603
Transfer to right-of-use assets as a result of adoption of PFRS 16 (Note 19)	–	–	–	–	–	(2,343,802)	(2,343,802)
At the beginning of year, as restated	120,536	9,241,474	6,361,189	8,075,632	33,356,970	–	57,155,801
Depreciation and amortization (Notes 16 and 17)	–	262,517	10,898,754	1,559,520	9,178,550	–	21,899,341
Retirements and disposals	–	–	(2,291,232)	(3,495,781)	(19,751,722)	–	(25,538,735)
Sale of subsidiary (Note 24)	–	(5,455,438)	(1,688,108)	(2,274,314)	(22,238,260)	–	(31,656,120)
Translation adjustments	–	(1,424)	(35,058)	–	–	–	(36,482)
At end of year	120,536	4,047,129	13,245,545	3,865,057	545,538	–	21,823,805
Net Book Value	₱–	₱1,111,136	₱6,575,389	₱562,318	₱515,040	₱–	₱8,763,883

December 31, 2018

	Transportation Equipment	Office Equipment	IT Equipment	Furniture and Fixtures	Leasehold Improvements	Leased Asset (Note 19)	Total
Cost							
At beginning of year	₱120,536	₱11,012,103	₱43,599,878	₱12,326,671	₱60,034,040	₱4,967,610	₱132,060,838
Additions	–	1,192,186	14,582,231	56,572	2,523,357	–	18,354,346
Retirements and disposals	–	(1,773,570)	(25,952,487)	(1,472,458)	(1,273,231)	(963,070)	(31,434,816)
Translation adjustments	–	4,808	31,105	4,119	–	–	40,032
At end of year	120,536	10,435,527	32,260,727	10,914,904	61,284,166	4,004,540	119,020,400
Accumulated Depreciation and Amortization							
At beginning of year	120,536	8,698,118	14,984,208	6,657,036	23,089,260	2,366,049	55,915,207
Depreciation and amortization (Notes 16 and 17)	–	2,113,270	14,682,113	2,836,479	11,540,941	940,823	32,113,626
Retirements and disposals	–	(1,572,343)	(23,312,761)	(1,420,971)	(1,273,231)	(963,070)	(28,542,376)
Translation adjustments	–	2,429	7,629	3,088	–	–	13,146
At end of year	120,536	9,241,474	6,361,189	8,075,632	33,356,970	2,343,802	59,499,603
Net Book Value	₱–	₱1,194,053	₱25,899,538	₱2,839,272	₱27,927,196	₱1,660,738	₱59,520,797

Depreciation and amortization for the years ended December 31, 2019, 2018 and 2017 are charged as follows:

	2019	2018	2017
Cost of services (Note 16)	**₱224,972**	₱2,240,598	₱863,862
General and administrative expenses (Note 17)	**21,674,369**	29,873,028	30,731,085
	₱21,899,341	₱32,113,626	₱31,594,947

The Group retired and disposed property and equipment with cost amounting to ₱28.86 million resulting in a loss of ₱0.24 million in 2019, ₱31.43 million resulting in a gain of ₱1.04 million in 2018 and ₱6.26 million resulting in a loss of ₱0.32 million in 2017 recognized under “Other income (charges) - net” account (see Note 18).

There are no capitalized interest as at December 31, 2019 and 2018.

There are no property and equipment pledged as collateral as at December 31, 2019 and 2018.

11. Intangible Assets

This account consists of:

December 31, 2019

	Goodwill	Customer Relationship	Developed Software	Leasehold Rights	Crypto-currencies	Total
Cost						
At beginning of period	**₱2,544,617,520**	**₱1,077,809,700**	**₱208,845,306**	**₱17,378,812**	**₱5,484,591**	**₱3,854,135,929**
Additions	–	–	**2,520,997**	–	**1,253,879**	**3,774,876**
Disposals	–	–	–	–	**(2,652,458)**	**(2,652,458)**
Revaluation surplus	–	–	–	–	**1,995,765**	**1,995,765**
Sale of subsidiary	**(540,147,917)**	**(1,077,809,700)**	**(108,569,519)**	**(12,228,500)**	–	**(1,738,755,636)**
At end of period	**2,004,469,603**	–	**102,796,784**	**5,150,312**	**6,081,777**	**2,118,498,476**
Accumulated amortization						
At beginning of period	–	–	**87,763,575**	**8,593,303**	–	**96,356,878**
Amortization (Note 16)	–	–	**30,744,703**	**1,900,378**	–	**32,645,081**
Sale of subsidiary	–	–	**(60,893,197)**	**(6,987,713)**	–	**(67,880,910)**
At end of period	–	–	**57,615,081**	**3,505,968**	–	**61,121,049**
Impairment (Note 17)	**1,956,247,619**	–	–	–	–	**1,956,247,619**
Net Book Value	**₱48,221,984**	**₱–**	**₱45,181,703**	**₱1,644,344**	**₱6,081,777**	**₱101,129,808**

December 31, 2018

	Goodwill	Customer Relationship	Developed Software	Leasehold Rights	Crypto-currencies	Total
Cost						
At beginning of period	₱2,544,617,520	₱1,077,809,700	₱197,646,597	₱17,378,812	₱–	₱3,837,452,629
Additions	–	–	18,609,327	–	184,527,714	203,137,041
Disposals	–	–	(7,410,618)	–	(176,529,320)	(183,939,938)
Revaluation surplus	–	–	–	–	(2,513,803)	(2,513,803)
At end of period	2,544,617,520	1,077,809,700	208,845,306	17,378,812	5,484,591	3,854,135,929
Accumulated amortization						
At beginning of period	–	–	57,461,907	6,110,616	–	63,572,523
Amortization (Note 16)	–	–	34,592,265	2,482,687	–	37,074,952
Disposals	–	–	(4,290,597)	–	–	(4,290,597)
At end of period	–	–	87,763,575	8,593,303	–	96,356,878
Impairment (Note 17)	144,855,367	–	–	–	–	144,855,367
Net Book Value	₱2,399,762,153	₱1,077,809,700	₱121,081,731	₱8,785,509	₱5,484,591	₱3,612,923,684

Rollforward of impairment as follows:

	2019	2018
At beginning of period	**₱144,855,367**	₱–
Impairment during the year (Note 17)		
Art of Click Pte. Ltd.	**1,642,867,719**	144,855,367
Storm Technologies, Inc.	**88,573,284**	–
Xeleb Technologies, Inc.	**69,085,646**	–
Seer Technologies, Inc.	**10,865,603**	–
	1,811,392,252	144,855,367
At end of period	**₱1,956,247,619**	₱144,855,367

Goodwill
Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group.

Customer Relationship
Customer relationship pertains to Yondu's noncontractual and contractual agreements with Globe Telecom Inc. (GTI), its major customer, which are expected to generate revenues for the Group in subsequent periods.

Developed Software
Developed software pertain to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment.

Leasehold Rights
Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination.

Cryptocurrencies
Cryptocurrencies pertain to units of Bitcoin and Ether held by the Group as at December 31, 2019 and 2018.

The fair value of cryptocurrencies was determined using quoted market prices in active markets categorized under Level 1 of fair value hierarchy. As at December 31, 2019 and 2018, the fair value of Bitcoin is USD7,194.60 per unit and USD3,742.70 per unit, respectively, while the fair value of Ether is USD129.61 and nil, respectively.

In 2019 and 2018, the Group sold cryptocurrencies with cost amounting to ₱2.65 million and ₱176.53 million, respectively. The Group recognized "Loss from sale of cryptocurrencies" under "Other income (charges)" in 2019 and 2018 amounting to ₱0.19 million and ₱4.99 million, respectively. "Foreign exchange loss" in 2019 amounting to ₱0.45 million and "Foreign exchange gain" in 2018 amounting to ₱2.47 million.

The amortization expense of intangible assets recognized in "Depreciation and amortization" under "Cost of services" in the consolidated statements of comprehensive income amounted to ₱32.65 million and ₱37.07 million in 2019 and 2018, respectively (see Note 16).

<u>Impairment testing of goodwill and customer relationships with indefinite useful life</u>
Goodwill and customer relationship acquired through business combinations were reviewed to look for any indication that an asset may be impaired. The Group used a discounted cash flow analysis to determine value-in-use. Value-in-use reflects an estimate of the future cash flows the Group expects to derive from the cash-generating unit, expectations about possible variations in the amount or timing of those future cash flows, the time value of money and the price for bearing the uncertainty inherent in the asset. The calculation of the value-in-use is based on reasonable and supportable assumptions, the most recent budgets and forecasts approved by management covering a five-year period. Management determined the financial budgets based on past performance and its expectations for market development.

Key Assumptions Used in Value-in-Use Calculations
Key assumptions used to determine the value-in-use are discount rates including cost of debt and cost of capital, growth rates, EBITDA margins and capital expenditure.

- *Discount rate*
  The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group used discount rates based on the industry's weighted average cost of capital (WACC). The rates used to discount the future cash flows are based on risk-free interest rates in the relevant markets where the subsidiaries are domiciled taking into consideration the debt premium, market risk premium, gearing, corporate tax rate and asset betas of these subsidiaries. In 2019 and 2018, management assumed discount rates of 10.95% to 12.92% and 12.47% to 14.76%, respectively.

- *Growth rate*
  Average growth rates in revenues are based on the Group's expectation of market developments and the changes in the environment in which it operates. The Group uses revenue growth rates based on past historical performance as well as expectations on the results of its strategies. On the other hand, the perpetual growth rate used to compute for the terminal value is based on the forecasted long-term growth of real gross domestic product (GDP) of the economy in which the business operates. In 2019 and 2018, management assumed average growth rates in revenues of 21.38% to 75.00% and 19.00% to 94.00%, respectively, and terminal growth rates of 1.00% to 3.00% and 3.00% to 6.00%, respectively.

- *EBITDA margin*
  The EBITDA margin represents the operating margin before depreciation and amortization and is estimated based on the margin achieved in the period immediately before the budget period and on estimated future development in the market. Committed operational efficiency programs are taken into consideration. In 2019 and 2018, management assumed EBITDA margin of 6% to 15.00% and 10.00% to 48.00%, respectively.

- *Capital expenditure*
  In computing the value-in-use, estimates of future cash flows include future cash outflows necessary to maintain the level of economic benefits expected to arise from the asset in its current condition. Capital expenditures that improve or enhance the asset's performance therefore are not included. In 2019 and 2018, percentage of capital expenditures to revenues ranges from 0.05% to 4.30% and 0.12% to 1.91%, respectively.

Management recognizes that unfavorable conditions can materially affect the assumptions used in the determination of value-in-use. An increase of 10.5% to over 100.0% discount rates, or a reduction of growth rates of 20.0% to over 100.0% would give a value-in-use equal to the carrying amount of the cash generating units in 2019.

Impairment testing of goodwill
Goodwill acquired though business combinations pertain to the subsidiaries acquired in 2015 and 2016.

Allocation of goodwill to the CGUs is as follows:

	2019	2018
Storm Technologies, Inc.	**₱45,588,402**	₱134,161,688
Seer Technologies, Inc.	**2,633,582**	13,499,185
Art of Click Pte. Ltd.	−	1,711,953,363
Yondu, Inc. mobile consumer services (Yondu VAS)	−	334,937,958
Yondu, Inc. knowledge process outsourcing (Yondu BPO)	−	205,209,959
	₱48,221,984	₱2,399,762,153

In 2018, based on the assessment of AOC's VIU compared with its net asset's carrying amount, the Group recognized impairment loss amounting to ₱144.86 million. The calculation of AOC's VIU in 2018 was based on budgets and forecast over a 5-year period, considering its 2017 performance and its expected future recovery in revenues. AOC's forecast in 2018 includes better revenue mix focused on programmatic and branded consumer advertising, pivoting to a license model of its ad technology to other third parties in other territories, and massive cost cutting measures. Its past performance, however, carried a heavier weight in the computed VIU warranting the recognition of impairment loss. In 2019, the failure of AOC to implement most of its plan led to erosion of its revenue base. As a result, the Group recognized impairment loss amounting to ₱1,711.95 million.

The recoverable amounts have been based on value-in-use calculations using cash flow projections from forecasts provided by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using a steady growth rates of 3% to 6%.

Based on the assessment of subsidiaries' value-in-use compared to their net asset's carrying amount including goodwill, the Group recognized impairment loss amounting to ₱1,956.25 million and ₱144.86 million in 2019 and 2018, respectively (see Note 17).

Goodwill allocated to Yondu's VAS and BPO were derecognized upon sale of the subsidiary on September 11, 2019 (see Note 24) and were not subjected for impairment testing for the year ended December 31, 2019.

Impairment testing of customer relationships
The recoverable amount of customer relationships was determined based on a value-in-use calculation using cash flow projections from financial budgets covering a five-year period. In 2018, the pre-tax discount rate applied to the cash-flow projections is 14.76% and the growth rate used to extrapolate the cash flows beyond the five-year period is 6%. The growth rate is based on the long-term sustainable growth rates for the industry.

In 2018, no impairment loss was recognized for the customer relationships.

In 2019, customer relationships pertain to Yondu, Inc, which were derecognized upon sale of the subsidiary on September 11, 2019 (see Note 24) and, consequently were not subjected for impairment testing for the year ended December 31, 2019.

12. **Accounts and Other Payables**

This account consists of:

	2019	2018
Trade payables	**₱115,714,403**	₱179,196,897
Payable to related parties (Note 20)	**101,028,311**	104,026,002
Nontrade payable	**54,481,084**	55,364,501
Payable to third parties	**17,742,923**	14,065,358
Accrued expenses		
Taxes and licenses	**7,439,551**	3,029,448
Seminars and training	**5,847,031**	5,999,824
Supplies	**3,581,653**	–
Salaries and wages	**3,479,534**	2,468,686
Interest	**2,743,659**	3,086,878
Professional fees	**2,663,191**	1,947,090
Accrued rent	**–**	6,258,902
Royalty expense	**–**	639,045
Others	**251,422**	19,228,673
Taxes payable	**8,533,499**	14,869,140
Deferred output VAT	**1,708,501**	42,673,696
Others	**153,034,270**	201,668,007
	₱478,249,032	₱654,522,147

Trade payables represent the unpaid subcontracted services and other cost of services to third parties. These are noninterest-bearing and are normally settled within one year.

Nontrade payables include proceeds received by ODX under the Share and Token Allocation Agreement which grants the investor rights to certain shares of ODX and internally generated tokens in the future depending on the happening of certain events prior to termination of the agreement.

Payable to third parties are advances made by minority shareholders and affiliates of Seer, Storm, and AOC for working capital purposes. These are noninterest-bearing and are settled within one year.

Accrued expenses mainly consist of accruals for taxes and licenses, seminars and training, supplies, interest, professional fees, salaries and wages and others. These are noninterest-bearing and are normally settled within one year.

Taxes payable include output VAT after application of available input VAT and expanded withholding tax on payment to suppliers and employees' compensation which are settled within one year.

Deferred output VAT represents deferral of output VAT related to trade receivables for the services rendered by the Group. These will be recognized as output VAT and applied against input VAT upon receipt of payment.

Others consist of statutory payables to SSS, Philhealth and HDMF. This account also includes provision relating to the Token Pre-Sale Agreements ("PSA") entered into by the Group, through ODX, with various investors for the sale of ODX tokens (see Note 31). These are noninterest-bearing and are normally settled within one year.

The table below shows the movements in the provision relating to the PSA:

	2019	2018
Balance at beginning of year	**₱184,527,714**	₱–
Additions (Note 11)	**1,253,879**	184,527,714
Cost incurred for platform development	**(38,819,089)**	–
Translation adjustments	**(4,699,220)**	–
	₱142,263,284	₱184,527,714

13. **Loans Payable**

This account pertains to short-term, unsecured and interest bearing 30- to 180- day term loans entered into by the Group with different local banks and non-banks, with interest rates of 3.75% to 27% and 4.00% to 7.60% in 2019 and 2018, respectively.

The rollforward analysis of this account follow:

	2019	2018
Balance at beginning of year	**₱358,741,481**	₱377,419,000
Availments of loans	**9,735,561**	317,741,455
Payment of loans	**(316,346,770)**	(336,418,974)
	₱52,130,272	₱358,741,481

Interest expense recognized in the consolidated statements of comprehensive income amounted to ₱26.64 million, ₱25.20 million and ₱4.48 million in 2019, 2018 and 2017, respectively (see Note 18).

Undrawn loan commitments amounted to ₱0.71 million and ₱0.45 million as of December 31, 2019 and 2018, respectively. There were no transaction costs and interest expenses capitalized in 2019 and 2018.

14. **Other Current Liabilities**

As of December 31, 2018, this account consists of:

Finance lease liabilities (Note 19)	₱589,704
Dividends payable	63,163,332
	₱63,753,036

Dividends payable pertain to dividends declared to the owners of noncontrolling interests of Seer Technologies and Yondu. In 2019, the Group paid P10.98 million and derecognized ₱52.18 million, ₱50.29 million of which resulted from deconsolidation of Yondu (see Note 24)

15. **Service Income**

Service income, amounting to ₱879.81 million, ₱1,153.34 million and ₱2,009.55 million in 2019, 2018 and 2017, respectively, pertain to revenues earned from mobile consumer products and services, mobile enterprise services and knowledge process outsourcing rendered by the Group to its major customer, GTI, and other telecommunication companies. Revenue from these segments are recognized at a point in time, except for revenues from Custom Development included under mobile enterprise services which are recognized over time.

In 2019, 2018 and 2017, the Group's revenue from GTI amounted to ₱328.45 million, ₱604.90 million and ₱1,170.10 million, respectively, which comprise approximately 37%, 52% and 58%, respectively, of the total service income of the Group.

Revenue from contracts with customers
The Group derives revenue from the transfer of goods and services over time and at a point in time, in different product types of its service income. The Group's disaggregation of revenue from contracts with customers are presented below:

	2019	2018	2017
Mobile consumer services	**₱66,502,215**	₱270,854,361	₱1,336,538,813
Enterprise services	**808,143,187**	875,614,089	667,595,702
Other services	**5,167,084**	6,874,038	5,416,501
	₱879,812,486	₱1,153,342,488	₱2,009,551,016

16. **Cost of Services**

Cost of services consists of the following:

	2019	2018	2017
Salaries, wages and employee benefits	**₱539,037,013**	₱724,500,182	₱639,940,780
Segment fee and network costs	**88,664,108**	43,255,632	71,145,105
Depreciation and amortization (Notes 10 and 11)	**32,870,053**	39,315,550	36,244,735
Outsourced services	**27,792,212**	143,928,756	463,381,883
Web hosting	**15,737,294**	41,078,249	50,553,473
Consultancy fees	**6,511,677**	14,938,560	8,605,350
Utilities	**5,475,671**	514,309	1,887,804
Commissions	**2,607,323**	3,921,691	806,937
Seminar and trainings	**2,375,694**	–	215,284
Rent (Note 19)	**1,816,621**	6,474,325	11,228,412
Royalty fees (Note 19)	**1,222,981**	31,033,114	81,309,693
Prizes and winnings	**16,499**	93,080	1,389,406
Miscellaneous	**18,065,026**	13,820,571	6,705,642
	₱742,192,172	₱1,062,874,019	₱1,373,414,504

17. General and Administrative Expenses

This account consists of:

	2019	2018	2017
Provision for impairment losses (Notes 5, 8, 9 and 11)	**₱1,923,415,811**	₱310,938,465	₱106,539,273
Salaries, wages and employee benefits	**107,481,565**	151,959,481	163,022,037
Depreciation and amortization (Notes 10 and 19)	**43,771,991**	29,873,028	30,731,085
Professional fees	**42,255,889**	30,418,262	48,025,457
Outsourced services	**17,244,408**	15,271,403	19,214,959
Taxes and licenses	**11,393,352**	18,910,061	43,660,122
Utilities	**6,931,028**	11,080,786	14,101,056
Rent (Note 19)	**6,302,923**	42,093,443	33,171,842
Transportation and travels	**4,845,579**	9,247,485	12,921,436
Dues and subscriptions	**4,622,509**	6,990,692	8,366,593
Supplies	**2,545,853**	3,210,261	5,543,696
Directors' fees	**2,080,000**	1,865,000	1,722,500
Seminars and trainings	**1,926,166**	9,791,573	10,112,674
Entertainment, amusement and recreation	**1,652,236**	9,318,601	10,186,164
Marketing and promotions	**1,355,721**	20,039,431	16,310,353
Insurance	**1,248,759**	1,628,628	2,006,292
Repairs and maintenance	**1,246,713**	1,858,369	6,891,063
Advertising	**1,224,214**	6,420,538	16,017,585
Miscellaneous	**22,879,189**	20,128,870	24,072,768
	₱2,204,423,906	₱701,044,377	₱572,616,955

18. Other Income (Charges) - net

This account consists of:

	2019	2018	2017
Other income	**₱4,369,626**	₱14,605,834	₱18,280,576
Unrealized gain (loss) on revaluation of cryptocurrencies (Note 11)	**2,049,649**	(2,551,474)	–
Interest income (Note 4)	**1,643,224**	444,430	1,588,435
Gain from expiration of liability for written put option (Note 23)	**–**	16,209,100	–
Realized gain from redemption of financial assets at FVPL	**–**	–	2,216,289
Loss from sale of cryptocurrencies (Note 11)	**(185,884)**	(4,987,325)	–
Gain (loss) on retirement and disposal of property and equipment (Note 10)	**(244,602)**	1,041,683	(316,001)
Foreign exchange losses	**(461,908)**	(12,733,298)	(9,611,563)
Bank charges	**(6,518,570)**	(3,607,838)	(14,936,940)
Interest expense	**(39,684,855)**	(31,109,017)	(5,904,716)
Loss on sale of subsidiary (Note 24)	**(478,950,094)**	–	–
	(517,983,414)	(22,687,905)	(8,683,920)

(Forward)

	2019	2018	2017
Other income (charges) subsequent to a business combination (Note 23)			
Waiver of deferred purchase consideration	**₱–**	₱–	₱364,012,055
Foreign exchange losses	**–**	–	(26,594,140)
Accretion of unamortized interest expense	**–**	–	(30,916,092)
Interest expense on payable to former shareholders of a subsidiary	**–**	–	(61,633,130)
Additional payments to a former shareholder of a subsidiary	**–**	–	(153,956,515)
	–	–	90,912,178
	(₱517,983,414)	(₱22,687,905)	₱82,228,258

Other income pertains to gain on curtailment, gain on reversal of payables and other miscellaneous income.

Interest expense consists of:

	2019	2018	2017
Interest on loans payable (Notes 13 and 20)	**₱37,027,649**	₱31,109,017	₱5,904,716
Amortization of discount on lease liabilities (Note 19)	**2,657,206**	–	–
	₱39,684,855	₱31,109,017	₱5,904,716

19. Agreements and Lease Commitments

Agreements with Licensors
The Group entered into various agreements with licensors for the use of and or distribution of the licensors' products and services as mobile content. Under these agreements, the Group pays the licensors a certain percentage of revenues earned from the use and distribution of licensors' products and services. The amounts arising from these agreements are recorded as "Royalty fees" under "Cost of services", and the related liability are recorded as "Accrued expenses" under "Accounts and other payables". In 2019, 2018 and 2017, royalty fees amounted to ₱1.22 million, ₱31.03 million and ₱81.31 million, respectively (see Note 16).

Finance Lease
The Group entered into a finance lease agreement with BPI Leasing Corporation for the use of IT and transportation equipment with a lease term of three (3) and five (5) years, respectively. Effective monthly interest rates range from 0.90% to 1.42% in 2018 and 0.83% to 1.12% in 2017, respectively.

Details of finance lease liabilities recognized as of December 31, 2018 follows:

Finance lease liabilities	₱615,092
Less: Noncurrent portion	25,388
Current portion (Note 14)	₱589,704

The present value of future minimum payments as of December 31, 2018 follows:

Not later than one year	₱622,597
Later than one year and not later than five years	16,977
Total minimum lease payments	639,574
Less: Amounts representing finance charges	24,482
	₱615,092

Carrying amount of assets under the finance lease amounted to ₱1.66 million as of December 31, 2018. These are presented as "Leased asset" under "Property and equipment" (see Note 10).

As a result of adoption of PFRS 16, the carrying amounts of finance lease liabilities and leased asset as at January 1, 2019 were reclassified to lease liabilities and right-of-use assets, respectively.

Operating Lease
The Group entered into various lease agreements with third parties for the office spaces it occupies. Leases have terms ranging from one to three years and renewable subject to new terms and conditions to be mutually agreed upon by both parties.

a. The Parent Company has noncancellable lease contract with Gervel, Inc. for the 7th floor office space which expired on March 21, 2020. The applicable rate per month is ₱0.27 million and a corresponding annual increase of 4%.

b. The Parent Company has noncancellable lease contract with Gervel, Inc. for the 4th floor office space which expired on March 31, 2020. The applicable rate per month is ₱0.29 million and a corresponding annual increase of 4%. The lease contract was pre-terminated through mutual agreement of the parties on March 30, 2019.

c. In 2017, the Parent Company entered into a noncancellable lease contract with Gervel, Inc. for the 6th floor office space for a period of two (2) years and four and a half (4.5) months which commenced on November 16, 2017 and expired on March 31, 2020. The applicable rate per month is ₱0.33 million. The lease contract may be renewed in writing by mutual agreement of the parties.

   In 2019, the Parent Company assigned the contract of lease to Xurpas Enterprise, Inc.

d. Xeleb Technologies has noncancellable lease contract with TKS Holdings, Inc. for office space which expired on April 30, 2018. The applicable monthly rate is ₱0.29 million for both office and parking rentals.

e. Storm has noncancellable lease contract with CYG Trinkets Shop for office space which expired on March 1, 2018. The applicable monthly rent amounts to ₱0.04 million.

f. Storm has cancellable lease contract with All Estate Realty Brokerage Inc for office space which expired on April 15, 2020. Monthly rent applicable on the first year amounted to ₱0.05 million per month with 10% annual escalation rate on the second year.

g. Storm has noncancellable lease contract with United Tristar Realty Corporation for office space which expired December 31, 2017. Monthly rent amounted to ₱0.05 million per month.

   In 2018, the lease contract was renewed for a period of one (1) year which commenced on October 1, 2018 and expired on September 30, 2019. The applicable rate per month is ₱0.07 million and a corresponding annual increase of 4%.

   In 2019, the lease contract was renewed for a period of (1) year which commenced on October 1,2019 and will expire on September 30, 2020. The applicable rate per month is ₱0.07 million.

h. In 2017, Storm entered into a cancellable lease contract with Richdale Resource Management Corporation for a period of one (1) year which commenced on February 10, 2017 and expired on February 8, 2018. Monthly rent payable amounted to ₱0.05 million.

   In 2018, the lease contract was renewed for a period of one (1) year which commenced on February 15, 2018 and expired on February 14, 2019.

i. In 2018, Storm entered into a cancellable agreement with North Lane Residences for a period of one (1) year which commenced on March 1, 2018 and expired on February 29, 2019 with an applicable rental rate per month of ₱0.04 million.

j. Seer has noncancellable lease contract with TKS Holdings, Inc. for office space and parking slots which expired November 14, 2018. The applicable monthly rate per month amounted to ₱0.22 million.

k. Yondu has noncancellable lease contract with Panorama Development Corporation for office space which will expire on October 31, 2021. The applicable rate per month for the first year is ₱1.02 million and a corresponding increase of 5% on the second year of lease.

l. Yondu has noncancellable lease contract with Panorama Development Corporation which will expire on October 31, 2021. The applicable rate per month for the first year is ₱0.80 million and a corresponding increase of 5% in the succeeding years.

m. AOC has a noncancellable lease contract with Chan Pek Har & Loh Pek Har & Loh Lik Hwa. which expired on July 19, 2017. The applicable rate per month is SG$5,800.

   In 2017, AOC renewed its lease contract for one (1) year from July 20, 2017 to July 19, 2018 at a monthly rental of SG$5,465.

n. In 2018, AOC entered into a noncancellable lease agreement with Ong Soh Than for a period of one (1) year which commenced on July 23, 2018 and expired on July 22, 2019 with an applicable rental rate per month of SG$4,850.

As at December 31, 2019 and 2018, the future minimum lease payments under noncancellable operating leases follow:

	2019	2018
Within one year	**₱2,683,510**	₱40,023,138
After one year but not more than 5 years	**1,049,745**	60,706,688
	₱3,733,255	₱100,729,826

Set out below is the carrying amount of right-of-use assets recognized as of December 31, 2019 and the movement in 2019:

Cost	
Adjustment as result of PFRS 16 adoption (Note 2)	₱85,472,135
Additions	3,490,515
Sale of a subsidiary	(72,565,699)
Balance at end of year	16,396,951
Accumulated Depreciation	
Adjustment as result of PFRS 16 adoption (Note 2)	7,536,575
Depreciation	22,097,622
Adjustment	16,508
Sale of a subsidiary	(17,856,853)
Translation adjustments	(9,386)
Balance at end of year	11,784,466
Net Book Value	₱4,612,485

The rollforward analysis of lease liabilities as of December 31, 2019 follows:

Adjustment as result of PFRS 16 adoption (Note 2)	₱76,495,086
Additions	3,340,541
Accretion of interest	2,657,206
Payments	(21,833,336)
Sale of a subsidiary	(56,849,444)
Translation adjustment	(528)
Balance at end of year	₱3,809,525
Current lease liabilities	₱2,775,923
Noncurrent lease liabilities	₱1,033,602

The following are the amounts recognized in the consolidated statement of comprehensive income in 2019:

Depreciation expense of right-of-use assets	₱22,097,622
Accretion of interest expense on lease liabilities	2,657,206
Rent expense charged under:	
Cost of services (Note 16)	1,816,621
General and administrative expenses (Note 17)	6,302,923
	₱32,874,372

20. **Related Party Transactions**

The Group, in the normal course of business, has transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture.

Terms and conditions of transactions with related parties
There have been no guarantees provided or received for any related party receivables and payables. These accounts are noninterest-bearing and are generally unsecured. Except as otherwise indicated,

the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties. Impairment assessment is undertaken through examination of the financial position of the related party and market in which this related party operates.

Material related party transactions ("RPT")
This refers to any related party transaction, either individually, or in aggregate over a 12 month period with the same related party, amounting to 10% or higher of the Group's total assets. All material related party transactions are subject to the review by the RPT Committee.

In the event wherein there are changes in the RPT classification from non-material to material, the material RPT shall be subject to the provisions of the related party transactions policy.

Details of transactions with related parties and their outstanding payables to a related party as at December 31, 2019 and 2018 follow:

					Outstanding Balance			
			Amount/Volume		**2019**		2018	
	Terms	**Conditions**	**2019**	2018	**Receivable**	**Payable**	Receivable	Payable
Associates								
Cost of services (a-c)	Noninterest-bearing	Unsecured	**₱–**	₱373,198	**₱–**	**₱–**	₱–	₱19,208
Advances (d, e)	Noninterest-bearing	Unsecured, no impairment	**4,569,442**	550,461	**10,377,902**	**–**	5,808,461	–
			4,569,442	923,659	**10,377,902**	**–**	5,808,461	19,208
Stockholders								
Payable to directors and officers (a, b)	Interest-bearing	Unsecured	**163,393,385**	5,906,056	**–**	**153,071,966**	–	102,421,544
Payable to directors and officers (c)	Noninterest-bearing	Unsecured	**2,080,000**	1,865,000	**–**	**1,872,000**	–	1,585,250
Advances (d, e)	One year; noninterest-bearing	Unsecured, no impairment	**117,678**	–	**–**	**117,678**	–	–
Cash held in trust (f)	One year; noninterest-bearing	Unsecured	**10,000,000**	–	**–**	**–**	–	–
			₱175,591,063	₱7,771,056	**–**	**155,061,644**	–	104,006,794
					₱10,377,902	**₱155,061,644**	₱5,808,461	₱104,026,002

Associates:

a. The Parent Company gained exclusive rights to distribute several of Altitude Games' applications. In return, the Parent Company shall pay Altitude Games a certain percentage of the revenues generated from such applications.

   In 2019, 2018 and 2017, the Group recognized "Outsourced services" under "Cost of services" amounting to nil, nil and ₱7.42 million, respectively, in relation to the aforementioned transaction. As at December 31, 2019 and 2018, payable to Altitude Games amounted to nil and ₱0.19 million, respectively.

b. In February 2016, the Group entered into a service agreement with Altitude Philippines, wherein the latter will render mobile content and application services in favor of the Group. In return, the Group shall pay Altitude Philippines a certain percentage of the revenues generated from such applications.

   Total outsourced services charged under "Cost of services" account in the consolidated statements of comprehensive income amounted to nil, nil and ₱1.88 million in 2019, 2018 and 2017, respectively, and outstanding payables amounted to nil as of December 31, 2019 and 2018.

c. In 2016, the Parent Company was granted exclusive right to distribute "Globe with Friends," a game developed by MatchMe, an associate. As agreed by the parties, the Parent Company shall pay MatchMe a certain percentage of the revenues earned from the said game.

   For the years ended December 31, 2019, 2018 and 2017, the Group recognized "Outsourced services" under "Cost of services" amounting to nil, ₱0.37 million and ₱13.86 million, respectively. There were no outstanding payables to MatchMe as of December 31, 2019 and 2018.

d. In 2017, the Parent Company entered into a US$100,000 noninterest-bearing short-term loan agreement with Altitude Games for working capital purposes. As of December 31, 2019, and 2018, receivable from Altitude Games amounted to ₱5.26 million.

e. For the years ended December 31, 2019 and 2018, the Parent Company made payments on behalf of SDI for its outsourced services amounting to ₱4.57 million and ₱0.55 million, respectively, which remained outstanding as of December 31, 2019.

Stockholders:

a. In 2017, the Parent Company entered into a loan agreement with its directors amounting to US$1,945,758 or ₱97.15 million subject to 5% interest rate per annum. The loan is due and demandable. In 2019, 2018 and 2017, the Group recognized interest expense amounting to ₱5.78 million, ₱5.91 million and ₱1.42 million, respectively, under "Other income (charges)" in its consolidated statements of comprehensive income (see Note 18). As at December 31, 2019 and 2018, outstanding loans and interest payable amounted to ₱93.79 million and ₱5.25 million, respectively, and ₱100.22 million and ₱2.20 million, respectively.

b. On April 29, 2019, the Parent Company entered into a loan agreement with its directors amounting to ₱150.00 million subject to 5.50% interest rate per annum for 3 years from date of agreement and may be renewed upon mutual agreement. The Group recognized interest expense amounting to ₱4.61 million under "Other income (charges)" in its consolidated statements of comprehensive income (see Note 18).

   As at December 31, 2019, outstanding loans and interest payable pertaining to this transaction amounted to ₱54.03 million and ₱0.58 million, respectively.

c. Payable to directors and officers also pertain to directors' fees amounting to ₱2.08 million and ₱1.87 million and ₱1.72 in 2019, 2018 and 2017, respectively. Outstanding payable amounted to ₱1.87 million and ₱1.59 as at December 31, 2019 and 2018, respectively.

d. In 2019, the Group entered into a loan agreement in favor of a stockholder amounting to ₱10.00 million. This is non-interest bearing and is due and demandable.

e. Advances from stockholders pertain to cash advances for operational and corporate-related expenses paid by a stockholder in behalf of the Group. These are noninterest-bearing and are due and demandable.

f. As at December 31, 2019, cash amounting to Php10.00 million was held in trust by the President in his capacity as Treasurer of CTX (see Note 8). The said amount is subject to restriction awaiting commencement of CTX's operations and therefore, not available for general use by the other entities within the Group.

Key management compensation
Compensation of key management personnel amounted to ₱28.20 million, ₱97.10 million and ₱95.83 million in 2019, 2018 and 2017, respectively. In 2019, the Parent Company issued 415,000 common shares from the Parent Company's treasury shares at ₱1.23 per share to its President and Chief Finance Officer.

Compensation of key management personnel by benefit type follows:

	2019	2018	2017
Short-term employee benefits	**₱31,031,220**	₱91,986,269	₱90,929,092
Post-employment benefits	**(2,546,793)**	5,118,520	4,896,785
	₱28,484,427	₱97,104,789	₱95,825,877

**includes gain on curtailment on defined benefit plan*

21. Income Taxes

Provision for income tax for the years ended December 31, 2019, 2018 and 2017 consists of the following:

	2019	2018	2017
Current	**₱33,461,365**	₱52,065,923	₱81,542,409
Final	**319,512**	43,421	123,219
Deferred	**(7,628,461)**	92,397,605	(62,198,529)
	₱26,152,416	₱144,506,949	₱19,467,099

The components of the Group's net deferred taxes are as follows:

Net deferred tax assets:

	2019	2018
Deferred tax assets on:		
Lease liabilities	**₱741,825**	₱–
Pension liability	**626,786**	48,963
NOLCO	–	6,781,210
Allowance for doubtful accounts	–	6,229,376
Accruals	–	4,907,862
Past service cost	–	487,514
Unrealized foreign currency exchange loss	–	6,789
	1,368,611	18,461,714
Deferred tax liabilities on:		
Right-of-use assets	**741,825**	–
Remeasurement gain on retirement plan	**626,786**	1,087,533
Unrealized foreign currency exchange gain	–	1,757,877
Excess of percentage of completion over billed revenue	–	959,779
Pension asset	–	423,085
Discount on long-term loan	–	46,748
	1,368,611	4,275,022
Net deferred tax assets	**₱–**	₱14,186,692

Net deferred tax liabilities pertain to deferred tax on fair value adjustment on intangible assets amounting to ₱6.95 million and ₱352.73 million as at December 31, 2019 and 2018, respectively.

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. Below are the Group's deductible temporary differences for which no deferred tax assets are recognized since management believes that there are no sufficient taxable profits against which the deferred tax assets can be utilized:

	2019	2018
NOLCO	**₱819,656,506**	₱467,613,479
Allowance for impairment losses	**98,080,045**	412,790,496
Accrued expenses	**80,330,124**	173,085,658
Unrealized loss on financial assets at FVOCI	**44,279,957**	44,244,957
Pension liability	**26,734,449**	15,129,319
MCIT	**2,335,709**	1,737,050
Unrealized loss on revaluation of cryptocurrencies	**2,049,649**	2,551,474
Excess of billed revenue over POC	**539,617**	5,581,302
Unrealized foreign exchange loss	**479,153**	1,479,265
Net lease liability	**119,198**	–
	₱1,074,604,407	₱1,124,213,000

The carryforward NOLCO and MCIT that can be claimed as deduction from future taxable income or used as deduction against income tax liabilities over a period of three years follow:

NOLCO:

Year Incurred	Beginning	Additions	Applied/ Expired	End	Year of Expiration
2016	₱40,686,981	₱–	₱40,686,981	₱–	2019
2017	110,083,742	–	2,690,054	107,393,688	2020
2018	361,626,200	–	733,565	360,892,635	2021
2019	–	351,370,183	–	351,370,183	2022
	₱512,396,923	₱351,370,183	₱44,110,600	₱819,656,506	

MCIT:

Year Incurred	Beginning	Additions	Applied/ Expired	End	Year of Expiration
2017	₱553,932	₱–	₱39,683	₱514,249	2020
2018	634,956	–	209	634,747	2021
2019	–	1,186,713	–	1,186,713	2022
	₱1,188,888	₱ 1,186,713	₱39,892	₱2,335,709	

The reconciliation between the statutory and effective income tax rates for the years ended December 31, 2019, 2018 and 2017 follows:

	2019	2018	2017
Statutory income tax rate	**(₱782,762,629)**	(₱200,140,290)	₱36,611,833
Adjustments resulting from:			
Nondeductible expenses	**737,361,900**	594,805	2,898,489
Changes in unrecognized deferred tax assets	**70,352,480**	322,771,685	16,090,335
Effect of lower income tax rate	**1,741,924**	4,950,591	4,504,399
Nondeductible loss from investment in associates	**–**	15,896,540	11,016,406
Expired MCIT	**–**	469,465	674,502
Effect of capital allowance utilized	**–**	25,246	(17,689,124)
Reversal for allowance for doubtful accounts	**–**	–	674,258
Interest income subjected to final tax	**(157,409)**	(61,093)	(62,104)
Nontaxable income	**(383,850)**	–	(35,251,895)
Provision for income tax	**₱26,152,416**	₱144,506,949	₱19,467,099

22. Retirement and Other Long-term Employee Benefits

The Group, except for Yondu, does not have an established retirement plan and only conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) which is of the defined benefit type and provides a retirement benefit equal to 22.5 days' pay for every year of credited service. The regulatory benefit is paid in a lump sum upon retirement.

Yondu has a noncontributory, defined benefit pension plan (the Plan) covering all of its regular full-time employees. The benefits are based on years of service and compensation on the last year of employment.

The funds of the Plan are administered by a trustee bank, BPI Asset Management and Trust Group, under the supervision of the Board of Trustee (BOT) of the Plan. The BOT is responsible for the investment strategy of the Plan.

The principal actuarial assumptions used to determine the cost of pension benefits with respect to the discount rate and salary increase rate were based on historical and projected rates. Annual cost is determined using the projected unit credit actuarial valuation method.

The components of net pension expense (gain on curtailment) in the consolidated statements of comprehensive income are as follows:

	2019	2018	2017
Current service cost	**₱4,090,412**	₱5,488,022	₱10,959,802
Net interest cost on benefit obligation	**1,100,797**	1,510,424	1,201,518
Past service cost - curtailment	**(5,935,378)**	(1,408,264)	(3,307,689)
	(₱744,169)	₱5,590,182	₱8,853,631

The Group undertook retrenchment in 2019 and restructuring in 2018 which caused a significant reduction in the headcount. Specifically, the decline in the number of employees covered by the Group's plan included 79 and 53 officers as at December 31, 2019 and 2018, respectively. The Group recognized pension expense amounting to ₱2.87 million, ₱5.49 million and ₱11.78 million included in "Salaries, wages and employee benefits" under "General and administrative expenses" in the consolidated statements of comprehensive income in 2019, 2018 and 2017, respectively. "Gain on curtailment" amounting to ₱3.61 million, nil, and ₱2.21 million are recognized under "Other charges (income) - net" in the consolidated statements of comprehensive income in 2019, 2018, and 2017, respectively.

The accrued pension of the Group is as follows:

	2019	2018
Present value of benefit obligation	**₱24,823,772**	₱36,699,615
Fair value of plan assets	**–**	(14,588,805)
Net pension liability position	**₱24,823,772**	₱22,110,810

As of December 31, 2019 and 2018, pension asset amounted to nil and ₱1.41 million, respectively, and pension liabilities amounted to ₱24.82 million and ₱23.52 million, respectively.

The following table presents the changes in the present value of defined benefit obligation and fair value of plan assets.

Present value of defined benefit obligation

	2019	2018
Balance at beginning of year	**₱36,699,615**	₱45,535,913
Current service cost	**4,090,412**	5,488,022
Interest cost on benefit obligation	**2,066,242**	2,579,138
Past service cost - curtailment	**(5,935,378)**	(1,408,264)
Net actuarial losses (gains)	**4,617,208**	(15,495,194)
Derecognition of defined benefit obligation	**(165,855)**	–
Sale of a subsidiary (Note 24)	**(16,548,472)**	–
	₱24,823,772	₱36,699,615

Fair value of plan assets

	2019	2018
Balance at beginning of year	**₱14,588,805**	₱14,544,029
Interest income	**965,446**	1,068,714
Actual return excluding amount included in net interest cost	**(110,591)**	(1,023,938)
Sale of subsidiary (Note 24)	**(15,443,660)**	
Balance at end of year	**₱–**	₱14,588,805
Actual return on plan assets	**₱854,855**	₱44,776

The fair value of plan assets by each class as of December 31, 2019 and 2018 is as follows:

	2019	2018
Investment in mutual funds	**₱–**	₱11,431,807
Investment in unit investment trust fund	**–**	2,672,164
Equities	**–**	483,742
Cash	**–**	1,092
	₱–	₱14,588,805

The Group does not currently employ any asset-liability matching.

Remeasurement gain (loss) on defined benefit plan under consolidated statements of comprehensive income follow:

	2019	2018	2017
Actuarial gain (loss) on defined benefit obligation	**(₱4,617,208)**	₱15,495,194	₱5,037,276
Actual return excluding amount included in net interest cost	**(110,591)**	(1,023,938)	(655,093)
Tax effect relating to actuarial gain (loss)	**(341,502)**	(5,345,695)	(1,314,655)
	(₱5,069,301)	₱9,125,561	₱3,067,528

Actuarial loss on defined benefit pension plan recorded under "Remeasurement gain (loss) on defined benefit plan" in the consolidated statements of changes in equity follow:

	2019	2018	2017
Balance at beginning of year	**(₱6,529,546)**	₱2,596,015	₱5,663,543
Derecognition of defined benefit plan	**(813,261)**	–	–
Actuarial loss (gain) on defined benefit obligation	**4,617,208**	(15,495,194)	(5,037,276)
Actual return excluding amount included in net interest cost	**110,591**	1,023,938	655,093
Tax effect relating to actuarial gain	**341,502**	5,345,695	1,314,655
Sale of subsidiary	**3,615,433**	–	–
	₱1,341,927	(₱6,529,546)	₱2,596,015
Attributable to:			
Equity holders of Xurpas Inc.	**₱3,376,409**	(₱3,441,396)	₱3,478,395
Noncontrolling interests	**(2,034,482)**	(3,088,150)	(882,380)
	₱1,341,927	(₱6,529,546)	₱2,596,015

The assumptions used to determine pension benefits of the Group are as follows:

	2019	2018	2017
Discount rate	**5.50 – 5.54%**	7.42 - 7.80%	5.77 - 6.80%
Salary projection rate	**3.00 – 5.00%**	3.00 - 8.00%	5.00 - 7.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption of the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

		Effect on DBO	
		2019	2018
Discount rate	(+) 1.0%	**(₱3,251,928)**	(₱4,702,690)
	(−) 1.0%	**3,852,583**	5,617,652
Salary increase rate	(+) 1.0%	**3,871,370**	6,245,288
	(−) 1.0%	**(3,285,101)**	(5,262,820)

The weighted average duration of defined benefit obligation at the end of the reporting period is 7.80 to 14.90 years and 13.00 to 30.20 years in 2019 and 2018, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2019 and 2018:

	2019	2018
Within 1 year	**₱1,968,771**	₱1,358,992
More than 1 year to 5 years	**–**	923,509
More than 5 years	**89,521,144**	537,322,827
	₱91,489,915	₱539,605,328

Other Long-Term Employee Benefits

In 2017, the Group recognized other long-term benefits expense amounting to ₱35.67 million for an employee of a subsidiary. This is included in "Salaries, wages and employee benefits" under "General and administrative expenses" in the consolidated statements of comprehensive income. As of December 31, 2019 and 2018, outstanding payable amounting to nil and ₱18.33 million, respectively, is recognized as "Others" under "Accounts and other payables" in the consolidated statements of financial position.

23. Business Combinations and Acquisition of Noncontrolling Interests

Business Combinations

Art of Click Pte. Ltd.

On October 6, 2016, the Parent Company executed a Share Purchase Agreement for the acquisition of 100% shares of Art of Click Pte. Ltd. for an aggregate consideration of ₱1.40 billion in cash and in Parent Company's shares. AOC is a Singaporean start-up firm established in 2011 that specializes on mobile marketing solutions for advertisers, publishers, app developers, and other operators. Its key markets include Japan, Korea, Hong Kong, Taiwan, Southeast Asia, North America and Europe.

The Group considers the acquisition as an opportunity to grow its mobile consumer services by increasing its content offering.

The cash consideration consists of (1) an Upfront Payment to the Sellers amounting to US$2,797,106 (₱135,379,930) and (2) cancellation of employee stockholder options through Parent Company's subscription to one ordinary share in the capital of AOC for US$2,202,894 (₱106,620,070). This was used to pay the AOC's Employee Stock Ownership Plan ("ESOP") shareholders.

The Xurpas shares to be issued to the Sellers consist of (1) an Upfront Payment amounting to US$19,451,739 payable in Xurpas shares to the Sellers on the acquisition date, (2) Installment Payment payable to the Sellers in Xurpas shares one year after the closing date and every year thereafter until three years after the closing date, and (3) a Deferred Purchase Consideration which shall be subject to a net income after tax floor per year that AOC has to meet as a condition precedent to the entitlement of the Sellers to the Deferred Purchase Consideration and payable in three (3) tranches. The aggregate amount of Deferred Payment Consideration for a three-year deferred payment period shall in no case be greater than US$13,962,725. In the finalization of the purchase price, the parties have clarified that the Deferred Purchase Consideration shall be fixed at US$13,962,725 and shall not be subject to the performance metrics of AOC, and such is intentionally part of the original consideration. Accordingly, the Deferred Purchase Consideration was considered as part of the acquisition cost in the final purchase price.

The number of Xurpas shares to be issued at each tranche shall be determined using the average market value of Xurpas common shares fifteen (15) days before and fifteen (15) days after the closing date or each commitment date, as applicable, agreed to by the parties.

The Installment Payment payable and Deferred Purchase Consideration in the next three years amounting to ₱760.69 million was initially recognized under “Payable to former shareholders of a subsidiary” in the consolidated statements of financial position. These were measured at its fair value as at acquisition date using an assumed discount rate of 11.55%. In 2016, interest expense and foreign exchange loss amounting to ₱21.96 million and ₱22.78 million, respectively, were recognized in “Other income (charges)” in the consolidated statements of comprehensive income and is reflected in the net income attributable to the equity holders of the Parent Company.

Included in the Share Purchase Agreement is a call option granting the Sellers an option exercisable within fifty-one (51) months following the Closing Date and only upon the occurrence of a Call Option event to purchase from the Parent Company their respective proportionate share in the Sale Shares. This was subsequently waived.

In June 2017, the Parent Company entered into an agreement to reacquire the 53,298,242 common shares Upfront Payment issued at acquisition date to Emmanuel Michel Jean Allix (“Allix”), a former shareholder of AOC, for a consideration of US$532,983 or ₱26.65 million (see Note 24). On the same date, amendments were made to the share purchase agreement with Allix which (a) resulted in the payment of US$7.24 million or ₱358.50 million, (b) changed the manner of payment of the Installment Payment payable and Deferred Purchase Consideration from being partly in cash and Xurpas shares to solely in cash, and (c) changed the term of the Installment Payment payable from being payable in three years after the closing date to being payable within the year. The additional payment and the buyback of the common shares are linked transactions and in substance is accounted for as an equity transaction for accounting purposes. Based on the agreement, only the ₱26.65 million is presented as treasury shares while the remaining amount of ₱358.50 million is presented under equity reserve in the consolidated statements of financial position. The change from being payable in three years to being payable within the year resulted in the acceleration of the accretion of unamortized interest expense amounting to ₱26.00 million (see Note 18).

In October 2017, the Parent Company entered into an agreement to amend the share purchase agreement with Wavemaker Labs Pte. Ltd. (“Wavemaker”), a former shareholder of AOC, which provides for (a) the adjusted purchase price, (b) the change in manner of payment for the Installment Payment and Deferred Consideration pertaining to Wavemaker from being payable in Xurpas shares to cash, and (c) changed the term of the Installment Payment payable from being payable in three years after the closing date to being payable within the year. To implement these amendments, there will be a placement and subscription transaction involving 67,285,706 Xurpas listed shares of existing shareholders by way of a block sale through the facilities of the PSE in 2018. The amendments resulted in an additional payable to Wavemaker amounting to US$3.01 million or ₱153.96 million which was recognized as a loss under "Other income (charges)" in the consolidated statements of comprehensive income (see Note 18). The change in the timing of the payment resulted in an acceleration of the accretion of unamortized interest expense amounting to ₱4.92 million (see Note 18). The amendments were ratified by the BOD on February 22, 2018.

The 16,641,244 common shares initially issued to Wavemaker representing the Upfront Payment shall be placed by Wavemaker in an escrow agent who is authorized to sell these shares after these are listed. The allocation of the proceeds from the sale of these shares will be determined in the future subject to certain conditions. As of April 30, 2019, the conditions have not been met.

In October 2017, Allix and Wavemaker executed a waiver of the second and third tranches of the Deferred Purchase Consideration. Since the waiver is not considered as a measurement period adjustment as allowed under PFRS 3 to adjust the recorded acquisition cost of the Parent Company's investment, the extinguishment of the liability amounting to US$7.11 million or ₱364.01 million is recognized as a gain under "Other income (charges)" in the consolidated statements of comprehensive income (see Note 18). The Sellers also waived their call option on the shares.

In 2017, interest expense and foreign exchange losses amounting to ₱61.63 million and ₱26.59 million, respectively, were recognized in "Other income (charges)" in the consolidated statements of comprehensive income and is reflected in the net income attributable to the equity holders of the Parent Company. As of December 31, 2017, the remaining payable to former shareholders of a subsidiary amounted to ₱244.43 million.

The following are the fair values of the identifiable assets and liabilities assumed after the finalization of the purchase price allocation in 2017:

Assets	
Cash	₱205,580,070
Receivables	125,285,313
Property and equipment	634,945
Intangible asset	61,508,895
Other assets	2,197,610
	395,206,833
Liabilities	
Accounts and other payables	270,986,228
Income tax payable	20,099,967
Deferred tax liability	18,452,669
	309,538,864
Total net assets acquired	85,667,969
Goodwill	1,856,808,730
Acquisition cost	₱1,942,476,699

In October 2017, the valuation was completed and the acquisition date fair value of the total net assets acquired was determined to be ₱85.67 million. The 2016 comparative information was restated to reflect the adjustments to the provisional amounts. As a result, an intangible asset for AOC's developed software amounting to ₱61.51 million was recognized. The Deferred Purchase Consideration amounting ₱544.29 million was included as acquisition cost. Total goodwill arising from the acquisition amounted to ₱1,856.81 million. The 2016 comparative income statements were also restated to reflect the increase in amortization expense, additional accretion and interest and foreign exchange adjustments, with a net effect of ₱40.06 million decrease in the 2016 consolidated net income and net income attributable to equity holders of the Parent Company.

The fair value of the receivables approximate their carrying amounts. None of the receivables have been impaired and it is expected that the full contractual amounts can be collected. The deferred tax liability represents the tax effect of the fair value adjustments on the intangible asset.

The fair value of the intangible asset was based on net present value of future cash flows using the "Relief from Royalty" method.

The consideration for the acquisition amounting to ₱1.94 billion partly involves cash and Xurpas shares payable to the Sellers.

From the date of acquisition on October 6, 2016, the Group's share in the revenue and net income of AOC amounted to ₱477.95 million and ₱120.34 million, respectively. If the combination had taken place at the beginning of 2016, the Group's total revenue and total net income would have been ₱2,120.93 million and ₱334.01 million, respectively.

Cash outflow related to the acquisition follows:

Cash acquired from AOC	₱205,580,070
Cash paid	242,000,000
Net cash outflow	₱36,419,930

Yondu, Inc. ("Yondu")
On September 16, 2015, the Parent Company acquired 22,950 shares of common stock in Yondu, a content developer and provider of mobile value-added services and information technology services for a total consideration of ₱900.00 million. The 5,000 shares out of the 22,950 shares were from unissued shares of Yondu while 17,950 shares were purchased from GTI. Purchase price of unissued shares and shares previously held by GTI amounted to ₱230.00 million and ₱670.00 million, respectively. The purchase resulted in a 51% ownership by the Parent Company in Yondu.

Included in the Shareholders' Agreement are a call and put option granting the Parent Company the right to require GTI to sell and granting GTI the right to require the Parent Company to purchase all, but not part only, of the 49% shareholding of GTI in Yondu at ₱39,215.69 per company share, respectively. The options have an exercise date starting September 16, 2016 and will expire after two years therefrom. The put option and call option shall be exercised by a share swap of Xurpas shares for shares held by GTI or a combination of share swap and cash, at the mutual agreement of both parties.

A financial liability amounting to ₱848.50 million was initially recognized in the consolidated statements of financial position for the redemption obligation related to the written put option over the shares held by GTI. The liability was initially recognized at the present value of the redemption price at acquisition date. For the years ended December 31, 2018, 2017 and 2016, interest expense amounting to nil, nil and ₱11.52 million, respectively, was recognized in the consolidated statements of comprehensive income in "Other income (charges)" and is reflected in the net income attributable to the equity holders of the Parent Company.

In September 2018, the call and put options remained unexercised and were terminated in line with their expiration resulting to a gain amounting to ₱16.21 million recognized under "Other charges (income)". As at December 31, 2018 and 2017, the carrying value of the financial liability amounted to nil and ₱864.71 million.

On September 11, 2019, the BOD of the Parent Company approved the sale of the 51% ownership shares of Yondu Inc to GTI at a purchase price of ₱501.25 million (see Note 24).

Acquisition of Noncontrolling Interests

Xeleb Technologies Inc.
On September 11, 2019, Deeds of Absolute Sale were executed for the acquisition by the Parent Company of the remaining 33.00% interest in Xeleb Technologies for ₱4.00 million. This brought Parent Company's interest in Xeleb Technologies to 100%. The acquisition resulted in the decrease in equity reserve amounting to ₱36.09 million.

Increase in Noncontrolling Interests

Storm Technologies, Inc.
In 2019, Storm issued an aggregate of 3,985 shares to individual stockholders for a total consideration of ₱7.08 million.

24. Deconsolidated Subsidiary

On September 11, 2019, the Parent Company and GTI entered into a Deed of Absolute Sale for the sale of 22,950 shares equivalent to 51% interest in Yondu for a total amount of ₱501.25 million. As a result, the Group consolidated Yondu's statement of comprehensive income up to the date of sale.

Total loss on disposal of Yondu recognized on the consolidated profit or loss amounted to ₱478.95 million computed as follows:

Assets	
Cash	₱128,222,993
Receivables	523,247,314
Other current assets	21,053,392
Contract asset	15,215,727
Property and equipment (Note 10)	34,041,056
Right-of-use assets (Note 19)	54,708,846
Intangible assets (Note 11)	1,670,874,726
Deferred tax assets	17,393,201
Other noncurrent assets	17,303,818
	2,482,061,073
Liabilities	
Accounts and other payables	202,556,042
Pension liability - net (Note 22)	1,104,812
Income tax payable	11,216,822
Contract liability	19,102,598
Lease liabilities (Note 19)	56,849,444
Dividends payable	50,293,088
Deferred tax liability	339,145,001
	680,267,807
Net assets	1,801,793,266
Noncontrolling interests in Yondu	(821,591,499)
Net assets attributable to Xurpas	980,201,767
Proceeds from sale	(501,251,673)
Loss on sale	₱478,950,094

Remeasurement gain on defined benefit plan of Yondu attributable to the equity holders of Xurpas Inc. amounting to ₱3.60 million recognized in OCI was closed to Deficit upon disposal of Yondu.

Cash inflow related to the disposal follows:

Proceeds from sale	₱501,251,674
Cash balance of Yondu	128,222,993
Net cash inflow	₱373,028,681

Yondu operates both under mobile consumer services and enterprise services segments of the Group.

	Period Ended September 11, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Revenues	₱793,778,134	₱862,816,632	₱885,317,137
Cost and expenses	694,720,109	772,235,401	731,420,286
Income before income tax	99,058,025	90,581,231	153,896,851
Provision for income tax	22,342,650	26,284,044	46,792,429
Net income from a deconsolidated subsidiary	₱76,715,375	₱64,297,187	₱107,104,422
Earnings per share			
Basic, for net income attributable to equity holders of the Parent Company from a deconsolidated subsidiary	₱0.04	₱0.03	₱0.06

The net cash flows from the activities of Yondu are as follows:

	Period Ended September 11, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Net cash provided by operating activities	₱91,877,092	₱82,582,705	₱81,972,635
Net cash used in investing activities	(11,437,294)	(6,957,923)	(9,277,392)
Net cash used in financing activities	(58,482,998)	(32,624,962)	(112,609,730)
Effect of exchange rate changes	141,573	187,680	71,621

25. Equity

The details of the Parent Company's capital stock follow:

	2019	2018
Authorized shares	**5,000,000,000**	5,000,000,000
Par value per share	**₱0.10**	₱0.10
Issued shares	**1,934,925,852**	1,934,925,852
Treasury shares	**63,095,642**	63,985,642
Value of shares issued	**₱193,492,585**	₱193,492,585
Value of treasury shares	**(₱107,418,911)**	(₱115,464,275)

The Parent Company is a corporation having a renewable term of 50 years. As of December 31, 2019, the Parent Company's remaining corporate life is 20 years.

In accordance with Revised Securities Regulation Code Rule 68, Annex 68-K, below is the summary of the Parent Company's track record of registration of securities as of December 31:

	Number of shares registered	Issue/offer price	Date of approval	**2019** Number of holders of securities as of December 31	2018 Number of holders of securities as of December 31
Common shares	344,000,000	₱3.97 issue price	November 13, 2014	26	26

The balance of additional paid-in capital (APIC) as of December 31, 2019 and 2018 represents the excess of the subscription price over paid-up capital.

On March 2, 2018, the Parent Company issued 67,285,706 common shares by way of block sale to implement the amendments in a share purchase agreement (see Note 23). The shares were issued at ₱3.80 per share.

In 2019, APIC reduced as a result of reissuance of treasury shares by the amount of ₱6.98 million.

Retained Earnings

Appropriations

On December 29, 2015, the Parent Company's BOD approved the appropriation of unrestricted retained earnings for cash dividend declaration amounting to ₱65.82 million. On November 10, 2017, such was released from appropriation.

On November 9, 2016, the BOD of the Parent Company approved the appropriation of unrestricted retained earnings for the buyback of its common shares up to the extent of the total allotment amounting to ₱170.00 million subject to the prevailing market price at the time of the share buyback.

On March 27, 2017, the BOD of the Parent Company approved the termination of the buyback program adopted in 2016. A total of ₱88.82 million has been used under the said program. Accordingly, the balance of ₱81.18 million previously allocated for the buyback program was released from such appropriation.

On July 18, 2017, the BOD of the Parent Company approved the appropriation of unrestricted retained earnings for the buyback of its common shares amounting to ₱26.65 million.

Appropriated retained earnings amounted to ₱115.46 million as of December 31, 2019 and 2018.

Dividends declaration

On May 8, 2017, the Parent Company's BOD approved the declaration of cash dividends in the amount of ₱92.85 million or ₱0.05 per share in favor of the Parent Company's common stockholders of record as of May 23, 2017, payable on or before June 15, 2017.

The Parent Company has no outstanding dividends payable as of December 31, 2019 and 2018.

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2019 and 2018 amounted to nil. Deficit includes accumulated equity in the net losses of subsidiaries and associates amounting to ₱567.88 million and ₱309.63 million as of December 31, 2019 and 2018, respectively.

The dividend declaration of Yondu resulted in reduction in NCI amounting to ₱39.91 million and ₱59.90 million 2018 and 2017, respectively.

Equity Reserve
In 2015, a reserve amounting to ₱848.50 million was set up in relation to a recognized financial liability for the written put option over the ownership interest of GTI in Yondu. In 2018, this was subsequently reversed as a result of the expiration of the option.

In 2016, the Parent Company purchased additional shares from noncontrolling interests of Xeleb, Xeleb Technologies and Storm. The transactions were accounted as an equity transaction since there was no change in control. The movements within equity are accounted for as follows:

	Consideration paid	Carrying value of noncontrolling interests	Difference recognized within Equity
Xeleb Technologies Inc.	₱45,000,000	₱3,506,647	(₱41,493,353)
Storm Technologies Inc.	10,002,330	2,382,396	(7,619,934)
Xeleb Inc.	1,650,000	7,038,398	5,388,398
	₱56,652,330	₱12,927,441	(₱43,724,889)

In 2017, a reserve amounting to ₱358.50 million was recognized for the payment resulting from amendments in the Share Purchase Agreement with Allix and the acquisition of the Parent Company's own shares (see Note 23).

In 2019, the Parent Company purchased the remaining 33% stake from noncontrolling interests of Xeleb Technologies. The transaction was accounted as an equity transaction since there was no change in control resulting in additional equity reserve amounting to ₱36.09 million.

In 2019, equity reserve amounting to ₱2.71 million was recognized due to the increase in noncontrolling interests of Storm Technologies from 43.40% to 48.69%.

Treasury Stock
In January and February 2017, the Parent Company acquired 2,154,500 shares for ₱17.30 million.

On March 27, 2017, the BOD of the Parent Company approved the termination of the buyback program adopted in 2016. Treasury stocks acquired under this program totaled to 10,687,400 shares amounting to ₱88.82 million.

On July 18, 2017, the Parent Company reacquired 53,298,242 common shares from Allix for a total amount US$532,983 or ₱26.65 million (see Note 23).

On April 8, 2019, the Parent Company reissued 415,000 treasury shares with a cost of ₱3.81 million for a price of ₱1.23 per share.

On July 14, 2019, the Parent Company reissued 475,000 treasury shares with a cost of ₱4.23 million for a price of ₱1.16 per share.

As of December 31, 2019 and 2018, the Parent Company has 63,095,642 and 63,985,642 treasury shares amounting to ₱107.42 million and ₱115.46 million, respectively.

Employee Stock Option Plan
The Parent Company's BOD, on January 20, 2016, and the stockholders, on May 11, 2016, approved the Employee Stock Option Plan (the Plan) of the Parent Company. Full time and regular employees of the Parent Company and those deemed qualified by the Compensation and Remuneration Committee from the names recommended by the Executive Committee are eligible to participate in the Plan. As at December 31, 2019, the Plan has been filed with and is pending approval of the SEC and PSE.

Capital Management
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The Group's sources of capital follow:

	2019	2018
Capital stock	**₱193,492,585**	₱193,492,585
Additional paid-in capital	**3,585,092,298**	3,592,076,662
Deficit	**(3,184,802,325)**	(556,374,537)
	₱593,782,558	₱3,229,194,710

The Group is not subject to externally-imposed capital requirements. The Group regards its equity as its primary source of capital. No changes were made in the capital management policies during the years ended December 31, 2019 and 2018.

26. Subsidiary with Material Noncontrolling Interests

Noncontrolling interests pertain to the following percentage interests in subsidiaries that the Parent Company does not own. The summarized financial information is provided below for the subsidiary with material noncontrolling interest. This information is based on the amounts before intercompany eliminations.

The Parent Company considers a subsidiary with material noncontrolling interests if its net assets exceed 5.00% of its total consolidated net assets of the Group as of reporting period and considers the relevance of the nature of activities of the entity compared to other operations of the Group. There are no significant restrictions on the Parent Company's ability to use assets and settle liabilities of the Group.

As of December 31, 2019, the Group does not have a subsidiary with material noncontrolling interest.

As of December 31, 2018, financial information of identified material noncontrolling interest is as follows:

Yondu, Inc.

Proportion of equity interests held by noncontrolling interests	49.00%
Accumulated balances of noncontrolling interests	₱784,232,345
Profit allocated to noncontrolling interests	31,505,621
Other comprehensive income allocated to noncontrolling interests	1,643,456
Total comprehensive income allocated to noncontrolling interests	33,149,077
Statements of financial position	
Current assets	₱548,384,746
Noncurrent assets	1,743,348,029
Current liabilities	216,478,738
Noncurrent liabilities	341,866,029
Total equity	1,733,388,008
Attributable to:	
Equity holders of Xurpas Inc.	949,155,663
Noncontrolling interests	784,232,345
Statements of comprehensive income	
Revenue	₱862,816,632
Cost and expenses	772,235,401
Income before income tax	90,581,231
Provision for income tax	26,284,045
Income from operations	64,297,186
Other comprehensive income	3,353,992
Total comprehensive income	67,651,178
Attributable to:	
Equity holders of Xurpas Inc.	34,502,101
Noncontrolling interests	33,149,077
Statements of cash flows	
Net cash provided by operating activities	₱82,582,705
Net cash used in investing activities	(6,957,923)
Net cash used in financing activities	(32,624,962)
Effect of exchange rate changes	187,680

27. **Earnings Per Share**

The Group's earnings (loss) per share for the years ended December 31, 2019, 2018 and 2017 were computed as follow:

	2018	2018	2017
Net income (loss) attributable to the equity holders of the Parent Company	**(₱2,630,944,855)**	(₱765,794,458)	₱35,765,776
Weighted average number of outstanding shares	**1,871,488,960**	1,859,695,202	1,840,345,403
Basic earnings (loss) per share	**(₱1.41)**	(₱0.41)	₱0.02
Diluted earnings (loss) per share	**(₱1.41)**	(₱0.41)	₱0.02

Earnings (loss) per share is calculated using the consolidated net income (loss) attributable to the equity holders of the Parent Company divided by weighted average number of shares.

28. **Financial Instruments**

Fair Value Information

The methods and assumptions used by the Group in estimating fair value of the financial instruments are as follows:

- Cash, accounts and other receivables (except for advances to employees which are subject to liquidation), refundable deposits under other current assets, cash bond under other noncurrent assets, accounts and other payables (excluding "Taxes payable", "Deferred output VAT", and provision relating to PSA and statutory payables included as "Others"), loans payable, liability on written put option, payable to former shareholders of a subsidiary, dividends payable and finance lease liabilities under other current liabilities - Carrying amounts approximate fair values due to the relatively short-term maturities of these instruments, except for cash bond under other noncurrent assets. The difference between carrying amount and fair value is immaterial.

- Financial assets at FVOCI (quoted equity investments) - Fair value is based on quoted prices published in the market.

- Financial assets at FVOCI (unquoted equity investments) - Fair values are based on the latest selling price available.

- Financial assets at FVPL (unquoted debt investments) - Fair values are based on the comparable prices adjusted for specific market factors such as nature, industry, location and market recovery rates.

- Nontrade payable - Fair values are determined using prices in such transaction which still approximate the fair values at yearend.

- Advances from stockholders - Fair value is estimated using the discounted cash flow methodology using the applicable risk-free rates for similar types of loans adjusted for credit spread. The discount rate used is 5.27% in 2019.

The fair values and carrying values of financial assets at FVOCI and advances from stockholders are as follows:

	2019		2018	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial asset				
Financial assets at fair value through other comprehensive income	**₱400,000**	**₱440,000**	₱475,000	₱475,000
Financial liability				
Advances from stockholders*	**157,940,206**	**151,858,113**	100,216,884	100,216,884

**Included under 'Accounts and other payables'*

Fair Value Hierarchy

The Group uses the following three-level hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Cash, accounts and other receivables (except for advances to employees which are subject to liquidation), refundable deposits under other current assets, cash bond under other noncurrent assets, accounts and other payables (excluding "Deferred output VAT", "Taxes payable" and provision relating to PSA and statutory payables included as "Others"), loans payable, liability on written put option, payable to former shareholders of a subsidiary, dividends payable and finance lease liabilities under other current liabilities were classified under Level 3. The fair value of these financial instruments is determined by discounting future cash flows using the applicable rates of similar types of instruments plus certain spread.

Quoted financial assets at FVOCI amounting to ₱0.44 million and ₱0.48 million of December 31, 2019 and 2018, respectively, were classified under Level 2 (see Note 7).

Unquoted financial assets at FVOCI amounting to nil as of December 31, 2019 and 2018 were classified under Level 3 (see Note 7).

As at December 31, 2019 and 2018, there have been no reclassifications from Level 1 to Level 2 or 3 categories.

Financial Risk Management and Objectives and Policies

The Group's financial instruments comprise cash, financial assets at FVPL, accounts and other receivables, financial assets at FVOCI, refundable deposits under other current assets, cash bond under other noncurrent assets, accounts and other payables (excluding taxes payable, deferred output VAT, and statutory payables), loans payable, liability on written put option, payable to former shareholders of a subsidiary, dividends payable and finance lease liabilities under other current liabilities, which arise directly from operations. The main purpose of these financial instruments is to finance the Group's operations and to earn additional income on excess funds.

Exposure to credit risk, liquidity risk and foreign currency risk arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

There were no changes in the Group's risk management objectives and policies in 2019 and 2018.

The Group's risk management policies are summarized below:

Credit Risk
Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation.

The Group's credit risk is primarily attributable to cash in bank, accounts and other receivables and financial assets at FVOCI. Credit risk management involves monitoring its exposure to credit risk on a continuous basis.

The Group entered into an agreement with GTI, wherein the Group will provide mobile content services and mobile application development services to GTI in accordance with the service order and description specified in the service level agreement among the parties involved. The mobile content services include creation and development of mobile electronic content for delivery to GTI and distribution to GTI's mobile phone subscribers. Mobile application development, on the other hand, includes development and maintenance of its own platforms which host and enable mobile subscribers to access or use GTI's mobile content products.

In 2018, the Group has concentration of credit risk with receivable from GTI, its largest customer, representing 36% of its total trade receivables as at December 31, 2018. There is no concentration of credit risk in 2019.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rate is based on days past due of all customers as they have similar loss patterns. The expected credit loss rate ranges from 0.40% to 68.12% that resulted in the ECL of ₱263.09 million and ₱265.02 million as of December 31, 2019 and 2018, respectively.

The Group's credit risk exposure on its trade receivables using provision matrix are as follows:

December 31, 2019

	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Lifetime ECL Simplified Approach**	**Total**
Gross carrying amount	**₱–**	**₱–**	**₱12,081,225**	**₱261,306,320**	**₱273,387,545**
Loss allowance	**–**	**–**	**(12,081,225)**	**(251,004,297)**	**(263,085,522)**
Carrying amount	**₱–**	**₱**	**₱–**	**₱10,302,023**	**₱10,302,023**

December 31, 2018

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱–	₱–	₱12,606,435	₱758,789,089	₱771,395,524
Loss allowance	–	–	(12,606,435)	(252,417,937)	(265,024,372)
Carrying amount	₱–	₱	₱–	₱506,371,152	₱506,371,152

The credit quality of the financial assets was determined as follows:

Cash in banks, quoted financial assets at FVOCI, refundable deposits under other current assets and cash bond under other noncurrent assets - based on the nature of the counterparty and the Group's rating procedure. These are held by counterparty banks with minimal risk of bankruptcy and are therefore classified as high grade.

Accounts and other receivables (except for advances to employees which are subject to liquidation), - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to three defaults in payment; and low grade pertains to receivables with more than three defaults in payment.

Unquoted financial assets at FVOCI are unrated.

Liquidity Risk
Liquidity risk is the risk that the Group will be unable to meet its obligations as they fall due. The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirement, finance capital expenditures and service maturing debts. To cover its short-term funding requirements, the Group intends to use internally generated funds and available short-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD. The Group can also obtain additional advances from its stockholders, refinance its short-term loans, renew its credit lines and negotiate for longer payment terms for its payables to manage liquidity.

The table summarizes the maturity profile of the Group's financial assets and liabilities and contract assets as at December 31, 2019 and 2018 based on contractual undiscounted payments:

December 31, 2019

	<1 year	>1 to <5 years	>5 years	Total
Financial Assets				
Cash and cash equivalents	₱153,929,046	₱–	₱–	₱153,929,046
Accounts and other receivables				
Trade receivables – net	10,302,023	–	–	10,302,023
Receivable from related parties	10,377,902	–	–	10,377,902
Others	14,113,381	–	–	14,113,381
Financial asset at FVOCI	440,000	–	–	440,000
Other current assets				
Cash held in trust	10,000,000	–	–	10,000,000
Restricted cash equivalent	5,060,129	–	–	5,060,129
Rental deposit	689,200	–	–	689,200
Refundable deposits	1,230,667	–	–	1,230,667
Long-term interest	–	22,084,586	–	22,084,586
Total undiscounted financial assets	206,142,348	22,084,586	–	228,226,934
Contract assets	8,290,141	–	–	8,290,141
Total undiscounted financial assets and contract assets	214,432,489	22,084,586	–	236,517,075
Financial Liabilities				
Trade and other payables				
Trade payables	115,714,403	–	–	115,714,403
Payable to related parties	101,028,311	60,945,899	–	161,974,210
Nontrade payable	54,481,084	–	–	54,481,084
Accrued expenses	26,006,041	–	–	26,006,041
Loans payable	52,130,272	–	–	52,130,272
Lease liabilities	2,683,510	1,049,745	–	3,733,255
Total undiscounted financial liabilities	352,043,621	61,995,644	–	414,039,265
Liquidity gap	(₱137,611,132)	(₱39,911,058)	₱–	(₱177,522,190)

December 31, 2018

	<1 year	>1 to <5 years	>5 years	Total
Financial Assets				
Cash	₱177,396,187	₱–	₱–	₱177,396,187
Accounts and other receivables				
Trade receivables - net	506,371,152	–	–	506,371,152
Receivable from related parties	5,808,461	–	–	5,808,461
Others	13,693,032	–	–	13,693,032
Financial asset at FVOCI	475,000	–	–	475,000
Other current assets				
Refundable deposits	11,437,282	–	–	11,437,282
Other noncurrent assets				
Cash bond	–	1,065,485	–	1,065,485
Total undiscounted financial assets	715,181,114	1,065,485	–	716,246,599
Contract assets	9,748,084	–	–	9,748,084
Total undiscounted financial assets and contract assets	724,929,198	1,065,485	–	725,994,683
Financial Liabilities				
Trade and other payables				
Trade payables	179,196,897	–	–	179,196,897
Payable to related parties	104,026,002	–	–	104,026,002
Nontrade payable	55,364,501	–	–	55,364,501
Accrued expenses	42,658,546	–	–	42,658,546
Loans payable	358,741,481	–	–	358,741,481
Finance lease liabilities	589,704	25,388	–	615,092
Total undiscounted financial liabilities	740,577,131	25,388	–	740,602,519
Liquidity gap	(₱15,647,933)	₱1,040,097	₱–	(₱14,607,836)

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The terms and maturity profile of the interest-bearing financial assets and liabilities, together with the corresponding nominal amounts and carrying values are shown in the following table:

December 31, 2019

	Interest Terms (p.a.)	Rate Fixing Period	Nominal Amount	<1 year	1 to 6 years	>6 years	Carrying Value
Cash and cash equivalents (excluding cash on hand	Fixed at the date of investment	Various	**₱153,824,521**	**₱153,824,521**	**₱–**	**₱–**	**₱153,824,521**
Loans payable	Variable at 4.00% to 5.8125%	Monthly	**52,130,272**	**52,130,272**	**–**	**–**	**52,130,272**
Lease liabilities	Variable at 0.9% to 1.4%	Monthly	**3,809,525**	**2775,923**	**1,033,602**	**–**	**3,809,525**
Payable to shareholders	Fixed at 5%	n/a	**147,940,211**	**93,906,878**	**54,033,333**	**–**	**147,940,211**
			₱357,704,529	**₱302,637,594**	**₱55,066,935**	**₱–**	**₱357,704,529**

December 31, 2018

	Interest Terms (p.a.)	Rate Fixing Period	Nominal Amount	<1 year	1 to 6 years	>6 years	Carrying Value
Cash in banks	Fixed at the date of investment	Various	₱177,615,174	₱177,615,174	₱–	₱–	₱177,615,174
Loans payable	Variable at 4.00% to 5.8125%	Monthly	358,741,480	358,741,480	–	–	358,741,480
Finance lease liability	Variable at 0.9% to 1.4%	Monthly	615,092	589,704	25,388	–	615,092
Payable to shareholders	Fixed at 5%	n/a	100,216,884	100,216,884	–	–	100,216,884
			₱637,188,630	₱637,163,242	₱25,388	₱–	₱637,188,630

Foreign Currency Risk
The Group's exposure to foreign exchange rate is minimal as concentration of business is denominated in Philippine peso.

The following table shows the outstanding foreign currency-denominated monetary assets and their respective Philippine peso equivalent as of December 31, 2019 and 2018.

	2019		2018	
	Original currency	**Peso equivalent**	Original currency	Peso equivalent
Cash in bank				
US Dollar (USD)	**65,567**	**₱3,326,887**	97,672	₱5,149,284
Singapore Dollar (SGD)	**14,616**	**547,953**	1,476,604	56,804,937
Indonesian Rupiah (IDR)	**37,089,249**	**148,357**	–	–
Trade receivables				
US Dollar (USD)	**4,956,546**	**251,495,144**	1,108,773	58,454,513
Indonesian Rupiah (IDR)	**45,408,750**	**181,635**		
Thai Baht (THB)	**169,333**	**284,479**		
Singapore Dollar (SGD)	–	–	8,015,590	308,359,732
Saudi Arabia Rial (SAR)	–	–	2,798	39,312
Euro (EUR)	–	–	32,654	1,969,363
U.A.E. Dirham (AED)	–	–	25,320	363,595
Hong Kong Dollar (HKD)	–	–	3,188	21,455
Taiwan Dollar (TWD)	–	–	351	600
Total foreign currency denominated assets		**255,984,455**		431,162,791
Trade Payables				
US Dollar (USD)	**1,808,652**	**91,770,992**	6,090,123	321,071,285
Singapore Dollar (SGD)	**5,243**	**196,568**	2,941,641	113,164,936
Total foreign currency denominated liabilities		**91,967,560**		434,236,221
Net foreign currency denominated financial instruments		**₱164,016,895**		(₱3,073,430)

In translating the foreign currency-denominated monetary assets into Peso amounts, the exchange rates used were as follows:

	2019	2018
USD to ₱	**₱50.74**	₱52.72
SGD to ₱	**37.49**	38.47
THB to ₱	**1.68**	1.70
IDR to ₱	**0.004**	0.004
SAR to ₱	**13.52**	14.05
EUR to ₱	**56.35**	60.31
AED to ₱	**13.82**	14.36
HKD to ₱	**6.52**	6.73
TWD to ₱	**1.69**	1.71

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-foreign currency exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	2019		2018	
	+₱1	**-₱1**	+₱1	-₱1
USD	**₱3,214,287**	**(₱3,212,635)**	(₱4,884,502)	₱4,882,854
SGD	**9,381**	**(9,365)**	6,550,510	(6,550,596)
IDR	**45,409**	**(45,409)**	–	–
THB	**169,333**	**(169,333)**	–	–
SAR	–	–	2,798	(2,798)
EUR	–	–	32,654	(32,654)
AED	–	–	25,320	(25,320)
HKD	–	–	3,188	(3,188)
TWD	–	–	351	(174)

There is no other impact on the Group's equity other than those already affecting the net income.

Equity Price Risk
Equity price risk is the risk that the financial assets whose values will fluctuate as a result of changes in market prices. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in market. As of December 31, 2019 and 2018, the Group has minimal exposure in equity price risk since the Group's quoted equity investment amounted to nil. Moreover, the Group's equity investment are generally perceived as not highly susceptible to the equity price risk since the shares are issued by stable company and are not subjected to other than temporary decline. There is no impact on the Group's equity other than those already affecting net income.

29. **Segment Reporting**

The industry segments where the Group operates follow:

- Mobile consumer services - includes airtime management, content development and management and marketing and advertising solutions
- Enterprise services - includes platform development and customization, system integration, mobile platform consultancy services, management of off-the-shelf application and social media related services. This also includes IT staff augmentation, other various enterprise solutions-based services to telecommunication companies and other companies for network and applications development
- Other services - includes consultancy services in the field of human resource management, trading in general, sourcing for and supplying of goods to import and export goods

The following tables regarding business segment revenue and profit information for the years ended December 31, 2019, 2018 and 2017:

2019

	Mobile consumer services	**Enterprise services**	**Other services**	**Intersegment adjustments**	**Consolidated**
INCOME					
Service income	**₱68,328,261**	**₱861,815,858**	**₱5,167,085**	**(₱55,498,718)**	**₱879,812,486**
Sale of goods	–	–	**92,146,792**	–	**92,146,792**
	68,328,261	**861,815,858**	**97,313,877**	**(55,498,718)**	**971,959,278**
COST AND EXPENSES	**(2,638,038,464)**	**(782,298,521)**	**(162,033,368)**	**552,472,380**	**(3,029,897,973)**
Equity in net losses of associates	–	–	–	**(33,286,655)**	**(33,286,655)**
Other income (charges) - net	**(225,469,560)**	**(301,506)**	**(8,320,836)**	**(283,891,512)**	**(517,983,414)**
	(2,795,179,763)	**79,215,831**	**(73,040,327)**	**179,795,495**	**(2,609,208,764)**
Provision for income tax	**4,251,154**	**21,750,856**	**6,782,696**	**(6,632,290)**	**26,152,416**
Net income (loss)	**(₱2,799,430,917)**	**₱57,464,975**	**(₱79,823,023)**	**₱186,427,785**	**(₱2,635,361,180)**
Net loss attributable to:					
Equity holders of Xurpas Inc.					**(₱2,630,944,855)**
Noncontrolling interests					**(4,416,325)**
					(₱2,635,361,180)

2018

	Mobile consumer services	Enterprise services	Other services	Intersegment adjustments	Consolidated
INCOME					
Service income	₱314,237,156	₱909,854,454	₱7,142,270	(₱77,891,392)	₱1,153,342,488
Sale of goods	–	–	88,845,797	–	88,845,797
	314,237,156	909,854,454	95,988,067	(77,891,392)	1,242,188,285
COST AND EXPENSES	(1,126,781,765)	(940,466,356)	(167,130,298)	400,732,206	(1,833,646,213)
Equity in net losses of associates	–	–	–	(52,988,467)	(52,988,467)
Other income (charges) - net	16,585,190	(3,266,699)	(8,374,556)	(27,631,840)	(22,687,905)
	(795,959,419)	(33,878,601)	(79,516,787)	242,220,507	(667,134,300)
Provision for income tax	5,321,396	20,774,335	25,135,981	93,275,237	144,506,949
Net income (loss)	(₱801,280,815)	(₱54,652,936)	(₱104,652,768)	₱148,945,270	(₱811,641,249)
Net loss attributable to:					
Equity holders of Xurpas Inc.					(₱765,794,458)
Noncontrolling interests					(45,846,791)
					(₱811,641,249)

2017

	Mobile consumer services	Enterprise services	Other services	Intersegment adjustments	Consolidated
INCOME					
Service income	₱1,599,595,564	₱721,362,136	₱5,674,500	(₱317,081,184)	₱2,009,551,016
Sale of goods	–	–	94,018,662	–	94,018,662
	1,599,595,564	721,362,136	99,693,162	(317,081,184)	2,103,569,678
COST AND EXPENSES	(1,424,342,213)	(721,942,502)	(169,432,118)	288,679,607	(2,027,037,226)
Equity in net losses of associates	–	–	–	(36,721,355)	(36,721,355)
Other income (charges) - net	(207,175,098)	(5,088,295)	1,306,424	128,728,618	(82,228,351)
	382,428,449	4,507,929	(71,045,380)	(193,851,550)	122,039,448
Provision for (benefit from) income tax	64,630,265	27,491,072	(7,224,690)	(65,429,549)	19,467,098
Net income (loss)	₱317,798,184	(₱22,983,143)	(₱63,820,690)	(₱128,422,001)	₱102,572,350
Net income attributable to:					
Equity holders of Xurpas Inc.					₱36,349,951
Noncontrolling interests					66,222,399
					₱102,572,350

The following tables present business segment assets and liabilities as at December 31, 2019, 2018 and 2017:

2019

	Mobile consumer services	**Enterprise services**	**Other services**	**Intersegment adjustments**	**Consolidated**
Other information					
Segment assets	**₱845,921,672**	**₱1,008,614,774**	**₱68,342,525**	**(₱1,208,936,126)**	**₱713,942,845**
Deferred tax assets	**–**	**17,393,201**	**–**	**(17,393,201)**	**–**
Total assets	**845,921,672**	**1,026,007,975**	**68,342,525**	**(1,226,329,327)**	**713,942,845**
Segment liabilities	**616,475,165**	**697,641,903**	**256,635,229**	**(889,654,522)**	**681,097,775**
Deferred tax liabilities	**–**	**–**	**–**	**6,951,740**	**6,951,740**
Segment liabilities	**₱616,475,165**	**₱697,641,903**	**₱256,635,229**	**(₱882,702,782)**	**₱688,049,515**

2018

	Mobile consumer services	Enterprise services	Other services	Intersegment adjustments	Consolidated
Other information					
Segment assets	₱4,327,932,152	₱625,205,086	₱96,494,474	(₱97,253,309)	₱4,952,378,403
Deferred tax assets	1,825,761	28,494,512	6,592,302	(22,725,883)	14,186,692
Total assets	4,329,757,913	653,699,598	103,086,776	(119,979,192)	4,966,565,095
Segment liabilities	1,214,435,143	452,518,107	218,843,982	(738,545,398)	1,147,251,834
Deferred tax liabilities	–	1,004,640		351,724,388	352,729,028
Segment liabilities	₱1,214,435,143	₱453,522,747	₱218,843,982	(₱386,821,010)	₱1,499,980,862

2017

	Mobile consumer services	Enterprise services	Other services	Intersegment adjustments	Consolidated
Other information					
Segment assets	₱5,338,888,976	₱451,357,473	₱70,325,713	(₱165,918,968)	₱5,694,653,194
Deferred tax assets	50,768,130	15,617,556	29,959,092	19,182,307	115,527,085
Total assets	5,389,657,106	466,975,029	100,284,805	(146,736,661)	5,810,180,279
Segment liabilities	1,562,816,025	263,449,084	123,857,976	148,698,843	2,098,821,928
Deferred tax liabilities	–	–	–	355,859,101	355,859,101
Total liabilities	₱1,562,816,025	₱263,449,084	₱123,857,976	₱504,557,944	₱2,454,681,029

30. Notes to Consolidated Statement of Cash Flows

Disclosed below is the rollforward of liabilities under financing activities:

	January 1, 2019	Cash flows	Non-cash changes	Foreign exchange movement	December 31, 2019
Loans payable	**₱358,741,481**	**(₱306,611,209)**	**₱–**	**₱–**	**₱52,130,272**
Dividends payable	**63,163,332**	**(10,983,978)**	**(52,179,354)**	**–**	**–**
Lease liabilities	**76,495,086**	**(21,833,336)**	**(50,852,225)**	**–**	**3,809,525**
Advances from stockholders	**–**	**54,033,333**	**–**	**–**	**54,033,333**
Total liabilities from financing activities	**₱498,399,899**	**(₱285,395,190)**	**(₱103,031,579)**	**₱–**	**₱109,973,130**

	January 1, 2018	Cash flows	Non-cash changes	Foreign exchange movement	December 31, 2018
Loans payable	₱377,419,000	(₱18,677,519)	₱–	₱–	₱358,741,481
Dividends payable	38,152,639	(13,819,758)	38,830,452	–	63,163,333
Finance lease liabilities	1,794,643	–	(1,179,551)	–	615,092
Total liabilities from financing activities	₱417,366,282	(₱32,497,277)	₱37,650,901	₱–	₱422,519,906

The noncash investing and financing activities of the Group are as follows:

- Unrealized gain on financial assets at FVOCI amounted to ₱35,000 in 2019.
- Unrealized loss on financial assets at FVOCI amounted to ₱95,000 in 2018.
- Unrealized gain on available-for-sale financial assets amounted to nil and ₱60,000 in 2017.
- Cumulative translation adjustments recognized under "Investment in associates" amounted to ₱4.38 million, ₱8.66 million and ₱2.53 million for 2019, 2018 and 2017, respectively.
- As of December 31, 2019, 2018 and 2017, outstanding dividends payable pertaining to dividends declared to noncontrolling interests amounted to nil, ₱63.16 million and ₱38.15 million, respectively, under "Other current liabilities".
- As of December 31, 2019, 2018 and 2017, additions to property and equipment has outstanding payable amounting to ₱0.88 million, ₱0.76 million and ₱1.11 million, respectively.
- As of December 31, 2019, 2018 and 2017, additions to intangible asset has outstanding payable amounting to ₱0.74 million, ₱203.14 million and ₱10.57 million, respectively.
- In 2018, Storm issued 3,601 common shares to various individuals resulting in the Parent Company's dilution of ownership from 56.60% to 53.96% in Storm. The transfer of the Parent Company's share in the accumulated net losses of Storm to the noncontrolling interest amounted to ₱3.19 million.
- In 2019, Storm issued 3,985 common shares to various individuals resulting in the Parent Company's ownership from 53.96% to 51.31% in Storm. Net increase in NCI amounted to ₱4.38 million.
- In 2019, the Parent Company issued 415,000 and 475,000 shares taken from its treasury shares for a price of ₱1.23 and ₱1.16 per share, respectively.

31. Provisions, Contingencies and Commitments

The Group is currently involved in assessments for national taxes and the outcome of these assessments is not presently determinable.

In the opinion of management and its legal counsel, the eventual liability under these assessments, if any, will not have a material effect on the Group's financial position and results of operations. The information usually required under PAS 37 is not disclosed on the ground that it may prejudice the outcome of the assessments.

The Group, through ODX, entered into Token Pre-Sale Agreements ("PSA") with various investors for the sale of ODX tokens. Investment received from the PSA amounted to USD2.85 million and USD3.54 million (equivalent to ₱142.26 million and ₱184.53 million) as of December 31, 2019 and 2018, respectively (see Note 12).

The Group, through ODX, also entered into advisory agreements with various advisors for which the services to be received are to be paid through internally generated tokens and for which the obligation cannot be measured with sufficient reliability.

32. Events After Reporting Date

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine until May 31, 2020, general community quarantine until July 30, 2020, and modified enhanced community quarantine until August 18, 2020, unless earlier lifted or extended throughout the island of Luzon. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Group continues to abide by and comply with all rules and regulations issued by the government in relation to the COVID-19 pandemic. In the interim, in line with applicable rules and regulations, the said risks are mitigated by business continuity strategies set in place by the Group.

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. The Company will continue to monitor the situation and assess its impact on its 2020 financial results and periods thereafter.

On March 30, 2020, the BOD approved to suspend the business operations of AOC in light of the AOC's continuing business challenges.

On the same date, the BOD approved the sale of 80% ownership in CTX to Mr. Fernando Jude Garcia, a founder of the Parent Company, for a total amount of ₱4.00 million.

On May 7, 2020, the Parent Company conducted its Special Stockholders' Meeting on the approval of the issuance of up to 1,706,072,261 new common shares from the unissued authorized capital stock of the Parent Company. Pending subscription agreement and such other definitive agreements and considering that less than 67% of the outstanding shares of Parent Company was present or represented in the meeting, there was no stockholders' approval on the purchase of 100% interest in Wavemaker US Fund Management Holdings, LLC.

On July 23, 2020, the board of directors approved the issuance of 966,667 Xurpas shares to certain Xurpas employees. Transfer price will be set at current trading price. The shares will be taken from Xurpas Inc.'s treasury shares.

In December 2019, the Group started negotiations for the extension of the loans payable amounting to ₱16.00 million. These were finalized in February 2020.

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and Board of Directors
Xurpas Inc.
7th Floor Cambridge Centre
108 Tordesillas St.
Salcedo Village, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Xurpas Inc. and its subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated August 14, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules A to I listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for the purpose of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
SEC Accreditation No. 1561-AR-1 (Group A),
January 31, 2019 valid until January 30, 2022
Tax Identification No. 925-713-249
BIR Accreditation No. 08-001998-119-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8125272, January 7, 2020, Makati City

August 14, 2020

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October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and Board of Directors
Xurpas Inc.
7th Floor Cambridge Centre
108 Tordesillas St.
Salcedo Village, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Xurpas Inc. and its subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated August 14, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at and for the years ended December 31, 2019 and 2018 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
SEC Accreditation No. 1561-AR-1 (Group A),
January 31, 2019 valid until January 30, 2022
Tax Identification No. 925-713-249
BIR Accreditation No. 08-001998-119-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8125272, January 7, 2020, Makati City

August 14, 2020

XURPAS INC. AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Schedule	Contents
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Long-Term Debt
E	Indebtedness to Related Parties
F	Guarantees of Securities of Other Issuers
G	Capital Stock
H	Reconciliation of Retained Earnings Available for Dividend Declaration
I	Conglomerate Map

SCHEDULE A

XURPAS INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received or accrued
Loans and receivables			
Cash and cash equivalent			
Cash on hand	₱–	₱104,525	₱–
Cash in banks			
Bank of the Philippine Islands			
Current Account	–	21,496,864	192,165
Savings Account	–	7,451,272	12,557
US Dollar Account	–	159,400	159
Robinsons Bank			
Savings Account	–	24,191	–
Security Bank			
Current Account	–	350,435	10,183
Savings Account	–	437,294	139
US Dollar Account	–	28,548	508
Unionbank			
Current Account	–	11,583,526	8,305
Savings Account	–	158,745	519
US Dollar Account	–	–	–
China Bank			
Current Account	–	543,796	1,900
Savings Account	–	–	–
US Dollar Account	–	–	–
Metrobank			
Savings Account	–	182,273	685
Asia United Bank			
Current Account	–	179,231	–
Banco De Oro			
Current Account	–	6,284,892	17,095
Savings Account	–	–	–
US Dollar Account		–	–
CIMB Niaga Bank	–	148,357	–
CIMB Bank			
US Dollar Account	–	2,774,108	33,945
SG Dollar Account	–	243,075	1,553
OCBC Bank			
US Dollar Account	–	339,435	–
SG Dollar Account	–	304,877	–
Paypal	–	61,264	–
Cash equivalent			
Time deposit	–	101,072,938	1,341,172
Accounts and other receivables			
Trade	–	273,387,545	–
Receivable from related parties	–	10,377,902	–
Others	–	14,113,380	–
Other current assets			
Restricted cash equivalent	–	5,060,129	22,338
	–	456,868,002	1,643,223
Financial assets at fair value through other comprehensive income			
Quoted equity investment	–	440,000	–
	–	440,000	–
	₱–	₱457,308,002	₱1,643,223

XURPAS INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Write off	Sale of subsidiary	Current	Noncurrent	Balance at the end of the year
Advances to employees	₱4,764,040	₱134,974	(₱352,204)	(₱8,082)	(₱2,149,203)	₱2,389,525	₱–	₱2,389,525

XURPAS INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

	Amount owed by Xurpas Parent to Xurpas Subsidiaries			
	Receivable balance per Xurpas Parent	Payable balance per Xurpas Subsidiaries	Current	Noncurrent
Storm Technologies Inc.	₱118,172,153	₱118,172,153	₱118,172,153	₱–
Xurpas Enterprise Inc.	87,644,395	87,644,395	87,644,395	–
Art of Click Pte. Ltd.	35,463,306	35,463,306	35,463,306	–
Seer Technologies Inc.	25,708,736	25,708,736	25,708,736	–
ODX Pte. Ltd	3,106,582	3,106,582	3,106,582	–
Subtotal	₱270,095,172	₱270,095,172	₱270,095,172	₱–

	Amount owed by Xurpas Subsidiaries to Xurpas Parent			
	Receivable balance per Xurpas Subsidiaries	Payable balance per Xurpas Parent	Current	Noncurrent
ODX Pte. Ltd.	₱153,451,207	₱153,451,207	₱153,451,207	₱–
Xeleb Technologies Inc. and subsidiary	79,230,649	79,230,649	79,230,649	–
Xurpas Enterprise Inc.	17,546,293	17,546,293	17,546,293	–
Art of Click Pte. Ltd.	15,272,810	15,272,810	15,272,810	–
Subtotal	₱265,500,959	₱265,500,959	₱265,500,959	₱–

	Amount owed to Xurpas Subsidiary to Xurpas Subsidiary		
Receivable to	Payable from	Current	Noncurrent
Seer Technologies Inc.	Xurpas Enterprise Inc.	₱2,757,089	₱–
Xurpas Enterprise Inc.	Storm Technologies Inc.	858,056	–
Xeleb Technologies Inc.	Xurpas Enterprise Inc.	168,000	–
Subtotal		₱3,783,145	₱–
Total eliminated receivables		₱539,379,276	₱–

SCHEDULE D

XURPAS INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT

		Long-term Debt	
Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term" in related balance sheet	Amount shown under caption "long-term debt" in related balance sheet
The Group does not have long-term loans.			

SCHEDULE E

XURPAS INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

Indebtedness to Related Parties (Long-term Loans from Related Companies)		
Name of related party	Balance at beginning of period	Balance at end of period
The Group does not have long-term loans from related companies in its consolidated statements of financial position.		

XURPAS INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS

Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee
Not Applicable				
The Group does not have any guarantees of securities of other issuing entities by the issuer for which the consolidated financial statements is filed.				

XURPAS INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK

Capital Stock						
Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	5,000,000,000	1,871,830,210*	–	–	660,680,616	1,211,149,594

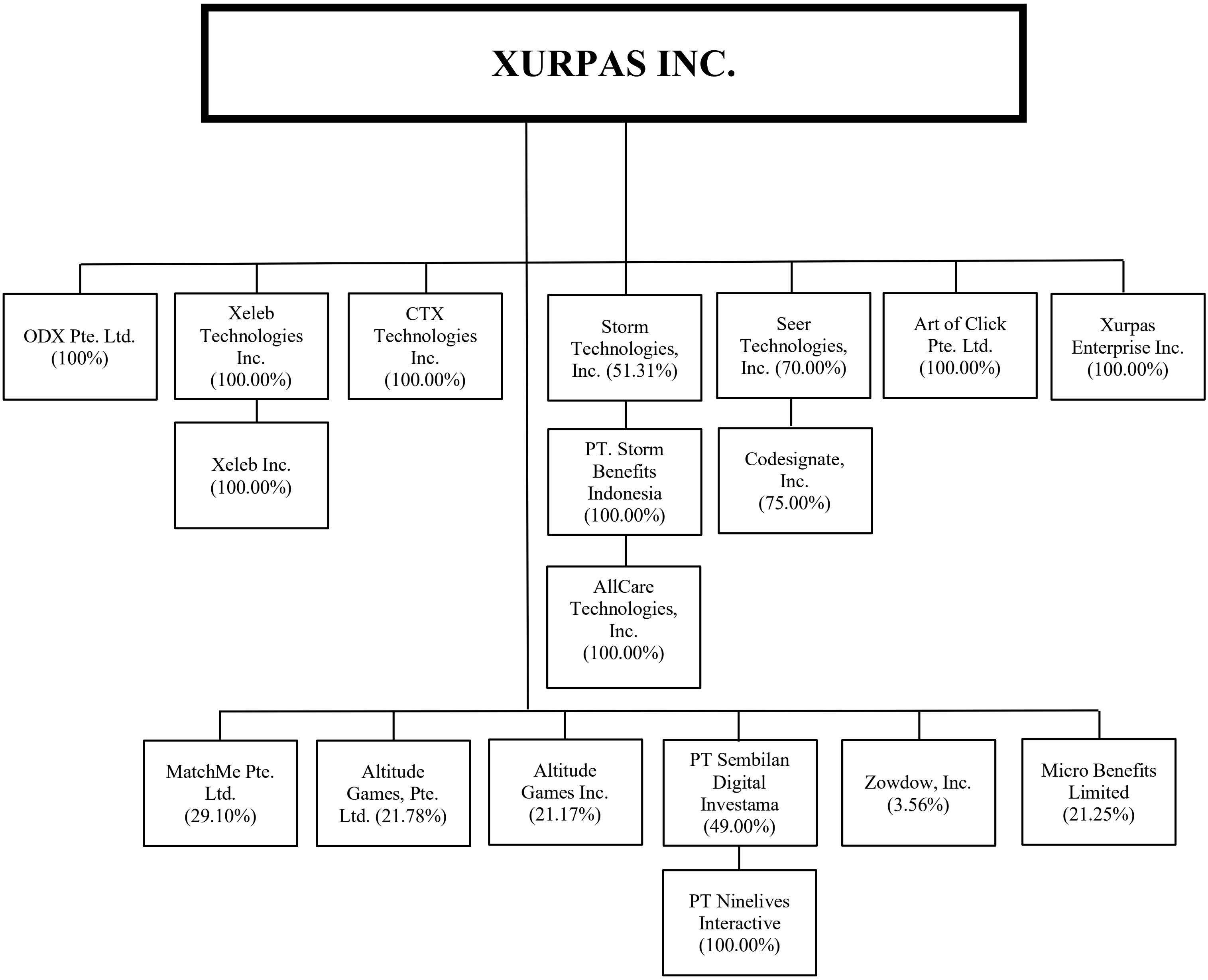
**Net of treasury shares.*

SCHEDULE H

XURPAS INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

Unappropriated Retained Earnings, beginning, as restated	(₱367,843,568)
Less adjustments:	
Adjustment due to adoption of PFRS 16	271,300
Impairment loss	177,547,344
Unappropriated Retained Earnings, as adjusted, beginning	(190,024,924)
Net Income (Loss) based on the face of Audited Financial Statements	(2,677,536,700)
Less: Non-actual/unrealized income net of tax	
Amount of provision for deferred tax during the year	–
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	(3,858,245)
Fair value adjustment (M2M gains)	–
Impairment loss	2,346,993,961
Net Income Actual/Realized	(334,400,984)
Less: Other adjustments	
Dividend declarations during the period	–
Reversal of appropriation for share buy-back transactions	–
Reversal of appropriation for dividend declaration	–
Appropriations during the year	–
	–
Unappropriated retained earnings, end available for dividend distribution	₱–

XURPAS INC. AND SUBSIDIARIES
MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES



Note: Xeleb Technologies Inc. and Xeleb Inc. are in the process of liquidation

XURPAS INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE ON FINANCIAL SOUNDNESS INDICATORS

Ratio	Formula	2019	2018
Current Ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets ₱243,603,134 Divide by: Total Current Liabilities 601,207,068 Current Ratio 0.41	**0.41**	0.69
Acid Test Ratio/Quick Ratio	Quick Assets (*Total Current Assets less Inventories and Other Current Assets*) divided by Total Current Liabilities Total Current Assets ₱243,603,134 Less: Other Current Assets 44,201,116 Quick Assets 199,402,017 Divide by: Total Current Liabilities 601,207,068 Acid Test Ratio 0.33	**0.33**	0.64
Solvency Ratio	Total Assets divided by Total Liabilities Total Assets ₱713,942,845 Divide by: Total Liabilities 688,049,515 Solvency Ratio 1.04	**1.04**	3.31
Debt-to-Equity Ratio	Total Liabilities divided by Total Equity Attributable to Parent Total Liabilities ₱688,049,515 Divide by: Equity Attributable to Parent 124,062,554 Debt-to-Equity Ratio 5.55	**5.55**	0.55
Asset-to-Equity Ratio	Total Assets divided by Equity Attributable to Parent Total Assets ₱713,942,845 Divide by: Equity Attributable to equity holders of Xurpas Inc. 124,062,554 Asset-to-Equity Ratio 5.75	**5.75**	1.83
Interest Rate Coverage Ratio	Earnings before Interest and Taxes (EBIT)/Interest Charges Income (Loss) before Income Tax (₱2,609,208,764) Add: Interest Expense 39,684,855 EBIT (2,569,523,908) Divided by: Interest Expense 39,684,855 Interest Expense Coverage Ratio (64.75)	**(64.75)**	(20.45)
Return on Equity	Net Income attributable to equity holders of Xurpas Inc. divided by Average Total Equity (*Total Equity PY + Total Equity CY divided by 2)*	**(1.86)**	(0.22)

Ratio	**Formula**	**2019**	2018
	Net Income (loss) attributable to equity holders of Xurpas Inc. (₱2,630,944,855) Total Equity attributable to equity holders of Xurpas Inc. (CY) 124,062,554 Total Equity attributable to equity holders of Xurpas Inc. (PY) 2,707,215,457 Average Total Equity 1,415,639,005 Return on Equity (1.86)		
Return on Assets	Net Income attributable to equity holders of Xurpas Inc. divided by Average Total Assets (*Total Assets PY + Total Assets CY divided by 2)* Net Income attributable to equity holders of Xurpas Inc. (₱2,630,944,855) Total Assets (CY) 713,942,845 Total Assets (PY) 4,966,565,095 Average Total Assets 2,840,253,970 Return on Assets (0.93)	**(0.93)**	(0.14)
Net Income Margin	Net Income attributable to equity holders of Xurpas Inc. divided by Revenue Net Income attributable to equity holders of Xurpas Inc. (₱2,630,944,855) Divided by: Revenue 971,959,278 Net Income Margin Ratio (2.71)	**(2.71)**	(0.62)
Gross margin ratio	Gross margin divided by Revenue Revenue ₱971,959,278 Less: Cost and expenses 825,474,067 Gross margin 146,485,211 Divided by: Revenue 971,959,278 Gross Margin Ratio 0.15	**0.15**	0.09
Operating margin ratio	Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) divided by Revenue Income (Loss) before Income Tax (₱2,609,208,764) Add: Interest Expense 39,684,855 Depreciation and Amortization 76,642,043 EBITDA (2,492,881,866) Divided by: Revenue 971,959,278 Operating Margin Ratio (2.56)	**(2.56)**	(0.46)

COVER SHEET

SEC Registration Number

A	2	0	0	1	1	7	7	0	8	

Company Name

XURPAS INC. AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town/Province)

7th Floor, Cambridge Centre 108 TordesillAs St. Salcedo Village, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
info@xurpas.com	889-6467	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
26	2nd Monday of May	March 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Alexander D. Corpuz	mar@xurpas.com	889-6467	N/A

Contact Person's Address

7th Floor Cambridge Centre, 108 Tordesillas St. Salcedo Village, Makati City

***Note**: 1*. In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **March 31, 2020**

2. Commission identification number **A200117708**

3. BIR Tax Identification No **219-934-330**

4. **Xurpas Inc.**
   Exact name of issuer as specified in its charter

   Philippines
5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: [ ] (For SEC Use Only)

   7F Cambridge Centre, 108 Tordesillas St., Salcedo Village, Makati City **1227**
7. Address of issuer's principal office Postal Code

   (632) 889-6467
8. Issuer's telephone number, including area code

   Not Applicable
9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Shares	**1,871,830,210**

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [✓] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
    Philippine Stock Exchange Common Shares 1,797,700,660

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
    Yes [✓] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.
    Yes [✓] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Unaudited Interim Condensed Consolidated Statements of Financial Position
As at March 31, 2020 (with Comparative Audited Consolidated Statements of Financial Position as at December 31, 2019)

Unaudited Interim Condensed Consolidated Statements of Income and Comprehensive Income
For the Three-Month Periods Ended March 31, 2020 and 2019

Unaudited Interim Condensed Consolidated Statements of Changes in Equity
For the Three-Month Periods Ended March 31, 2020 and 2019

Unaudited Interim Condensed Consolidated Statements of Cash Flows
For the Three-Month Periods Ended March 31, 2020 and 2019

Notes to Unaudited Interim Condensed Consolidated Financial Statements

Attachments:

Schedule I: Map Showing the Relationships Between and Among the Companies in the Group, Its Subsidiaries and Associate
Schedule II: Schedule of All Effective Standards and Interpretations under Philippine Financial Reporting Standards
Schedule III: Reconciliation of Retained Earnings Available for Dividend Declaration
Schedule IV: Financial Ratios

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The MD&A is a discussion and analysis of the Company's financial position as at March 31, 2020 and December 31, 2019 and performance for the three-month periods ended March 31, 2020 and 2019. The primary objective of this MD&A is to help the readers understand the dynamics of the Company's business and the key factors underlying the Company's financial results.

The MD&A as of and for the three-month period ended March 31, 2020 and 2019 should be read in conjunction with the unaudited interim condensed consolidated financial statements and the accompanying notes.

PART I--FINANCIAL INFORMATION

Item 1. – FINANCIAL STATEMENTS

XURPAS INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalent (Notes 5 and 25)	**₱128,697,867**	₱153,929,046
Accounts and other receivables (Notes 6 and 25)	**51,863,682**	37,182,831
Contract assets (Note 7)	**9,494,141**	8,290,141
Other current assets (Note 9)	**39,321,604**	44,201,116
Total Current Assets	**229,377,294**	243,603,134
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (Notes 8 and 25)	**440,000**	440,000
Investments in associates (Note 10)	**317,468,202**	319,936,508
Property and equipment (Note 11)	**7,747,935**	8,763,883
Right-of-use asset (Note 19)	**3,811,938**	4,612,485
Intangible assets (Note 12)	**94,992,693**	101,129,808
Other noncurrent assets	**36,973,043**	35,457,027
Total Noncurrent Assets	**461,433,811**	470,339,711
	₱690,811,105	₱713,942,845

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 13 and 25)	**₱442,066,108**	₱478,249,032
Loans payable (Notes 14 and 25)	**51,019,597**	52,130,272
Contract liabilities (Note 7)	**94,042,911**	68,048,657
Current portion of lease liabilities	**2,714,007**	2,775,923
Income tax payable	**3,184**	3,184
Total Current Liabilities	**589,845,807**	601,207,068
Noncurrent Liabilities		
Advances from stockholders - net of current	**50,470,853**	54,033,333
Finance lease - net of current	**427,998**	1,033,602
Deferred tax liabilities – net	**5,964,728**	6,951,740
Pension liabilities	**24,823,772**	24,823,772
Total Noncurrent Liabilities	**81,687,351**	86,842,447
Total Liabilities	**671,533,158**	688,049,515
Equity		
Equity attributable to equity holders of Xurpas Inc.		
Capital stock (Note 23)	**193,492,585**	193,492,585
Additional paid-in capital (Note 23)	**3,585,092,298**	3,585,092,298
Retained earnings (deficit) (Note 23)	**(3,204,848,267)**	(3,184,802,325)
Net unrealized loss on financial assets at FVOCI (Note 8)	**(44,254,956)**	(44,254,956)
Cumulative translation adjustment	**62,048,856**	47,950,210
Retirement benefit reserve	**(2,571,739)**	(2,571,739)
Equity reserve (Notes 22 and 23)	**(363,424,608)**	(363,424,608)
Treasury stock (Note 23)	**(107,418,911)**	(107,418,911)
	118,115,258	124,062,554
	(98,837,311)	(98,169,224)
Total Equity	**19,277,947**	25,893,330
	₱690,811,105	₱713,942,845

See accompanying Notes to Interim Condensed Consolidated Financial Statements

XURPAS INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	March 31	
	2020 (Unaudited)	2019 (Unaudited)
INCOME		
Service income (Note 15)	**₱28,279,605**	₱268,990,807
Sale of goods	**18,723,245**	30,523,291
	47,002,850	299,514,098
COST AND EXPENSES		
Cost of services (Note 16)	**29,629,626**	221,554,900
Cost of goods sold	**16,781,169**	29,187,300
	46,410,795	250,742,200
GENERAL AND ADMINISTRATIVE EXPENSES (Note 17)	**20,730,289**	107,686,633
EQUITY IN NET LOSSES OF ASSOCIATES (Note 10)	**2,670,706**	5,398,034
OTHER CHARGES (INCOME) – NET (Note 18)	**(1,148,676)**	9,440,637
	22,252,319	122,525,304
LOSS BEFORE INCOME TAX	**(21,660,264)**	(73,753,406)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 21)	**(882,416)**	2,822,869
NET LOSS	**(20,777,848)**	(76,576,275)
OTHER COMPREHENSIVE INCOME		
Item that may be reclassified to profit or loss in subsequent periods:		
Cumulative translation adjustment	**14,162,465**	2,327,413
TOTAL COMPREHENSIVE INCOME LOSS	**(₱6,615,383)**	(₱74,248,862)
Net loss attributable to:		
Equity holders of Xurpas Inc.	**(₱20,045,942)**	(₱70,607,577)
Noncontrolling interests	**(731,906)**	(5,968,698)
	(₱20,777,848)	(₱76,576,275)
Total comprehensive loss attributable to:		
Equity holders of Xurpas Inc.	**(₱5,947,296)**	(₱68,280,183)
Noncontrolling interests	**(668,087)**	(5,968,679)
	(₱6,615,383)	(₱74,248,862)
Loss Per Share (Note 24)		
Basic	**(₱0.01)**	(₱0.04)
Diluted	**(₱0.01)**	(₱0.04)

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	March 31	
	2020 (Unaudited)	2019 (Unaudited)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF XURPAS INC.		
CAPITAL STOCK - ₱0.10 par value (Note 23)		
Authorized – 5,000,000,000 shares		
Issued and outstanding		
Balance at beginning and end of period	**₱193,492,585**	₱193,492,585
ADDITIONAL PAID-IN CAPITAL (Note 23)		
Balance at beginning and end of period	**3,585,092,298**	3,592,076,662
RETAINED EARNINGS (DEFICIT) (Note 23)		
Appropriated		
Balance at beginning and end of period	**115,464,275**	115,464,275
Unappropriated		
Balance at beginning of period	**(3,300,266,600)**	(671,838,812)
Net loss	**(20,045,942)**	(70,607,577)
Balance at end of period	**(3,320,312,542)**	(742,446,389)
	(3,204,848,267)	(626,982,114)
NET UNREALIZED LOSS ON FINANCIAL ASSETS AT FVOCI (Note 9)		
Balance at beginning and end of period	**(44,254,956)**	(44,219,956)
CUMULATIVE TRANSLATION ADJUSTMENT		
Balance at beginning of period	**47,950,210**	34,451,988
Movement during the period	**14,098,646**	2,327,394
Balance at end of period	**62,048,856**	36,779,382
RETIREMENT BENEFIT RESERVE		
Balance at beginning and end of period	**(2,571,739)**	5,475,312
EQUITY RESERVE (Notes 22 and 23)		
Balance at beginning and end of period	**(363,424,608)**	(402,222,322)
TREASURY STOCK (Note 23)		
Balance at beginning and end of period	**(107,418,911)**	(115,464,275)
	118,115,258	2,638,935,274
NONCONTROLLING INTERESTS		
Balance at beginning of period	**(98,169,224)**	759,368,776
Increase in NCI	**–**	1,999,082
Cumulative translation adjustment	**63,819**	19
Net loss	**(731,906)**	(5,968,698)
Balance at end of period	**(98,837,311)**	755,399,179
	₱19,277,947	₱3,394,334,453

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	March 31	
	2020 (Unaudited)	2019 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**(₱21,660,264)**	(₱73,753,406)
Adjustments for:		
Depreciation and amortization (Notes 16 and 17)	**8,598,964**	23,016,340
Equity in net losses of associates (Note 10)	**2,670,706**	5,398,034
Interest expense (Note 18)	**2,600,151**	11,004,151
Unrealized foreign currency exchange loss (gain)	**1,753**	(155,096)
Realized foreign exchange gain on sale of cryptocurrencies	**–**	450,710
Loss on sale of cryptocurrencies	**–**	189,520
Interest income (Note 5)	**(524,771)**	(55,380)
Operating loss before changes in working capital	**(8,313,461)**	(33,905,127)
Changes in working capital		
Decrease (increase) in:		
Accounts and other receivables and contract assets – net	**(15,884,851)**	35,486,103
Other current assets	**4,879,512**	(17,366,572)
Increase (decrease) in:		
Accounts and other payables	**(37,200,191)**	42,465,469
Contract liabilities	**25,994,254**	8,976,296
Net cash generated from (used in) operations	**(30,524,737)**	35,656,169
Interest received	**524,771**	55,380
Income taxes paid	**(104,596)**	(5,957,858)
Interest paid	**(1,113,869)**	(9,499,833)
Net cash provided by (used in) operating activities	**(31,218,431)**	20,253,858
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceed from sale of PPE	**–**	387,335
Additions to property and equipment (Note 11)	**(495,536)**	(2,991,810)
Decrease (increase) in noncurrent assets	**(1,516,016)**	(4,304,479)
Net cash used in investing activities	**(2,011,552)**	(6,908,954)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from stockholders	**–**	100,000,000
Increase in NCI	**–**	1,999,082
Dividends paid (Note 27)	**–**	(9,605,958)
Payment of principal portion of lease liability	**(699,016)**	–
Payment of loans payable	**(1,110,675)**	(24,929,705)
Net cash provided by (used in) financing activities	**(1,809,691)**	67,463,419
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH	**9,808,494**	3,860,016
NET INCREASE(DECREASE) IN CASH	**(925,231,179)**	84,668,339
CASH AT BEGINNING OF PERIOD	**153,929,046**	177,396,187
CASH AT END OF PERIOD (Note 5)	**128,697,867**	₱262,064,526

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

Xurpas Inc. (the Parent Company or Xurpas) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on November 26, 2001. The principal activities of the Parent Company and its subsidiaries (collectively referred to as the Group) are to develop, produce, sell, buy or otherwise deal in products, goods or services in connection with the transmission, receiving, or exchange of voice, data, video or any form or kind of communication whatsoever.

The Parent Company's registered office address and principal place of business is at 7th Floor, Cambridge Centre, 108 Tordesillas St. Salcedo Village, Makati City.

On December 2, 2014, the Parent Company's shares of stock were listed in the Philippine Stock Exchange (PSE).

The accompanying interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on August 14, 2020.

2. **Summary of Significant Accounting Policies**

Basis of Preparation
The interim condensed consolidated financial statements of the Group as at March 31, 2020 and for the three-month periods ended March 31, 2020 and 2019, have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*.

Accordingly, the interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements as at and for the year ended December 31, 2019.

The interim condensed consolidated financial statements are presented in Philippine Peso (₱), the Group's presentation currency. All amounts were rounded-off to the nearest Peso, except when otherwise indicated. The interim condensed consolidated financial statements have been prepared under the historical cost basis, except for except for financial assets at fair value through other comprehensive income (FVOCI), available-for-sale (AFS) financial assets which have been measured at fair value and financial liabilities at fair value through profit or loss (FVPL).

Statement of Compliance
The accompanying interim condensed consolidated financial statements of the Group as at March 31, 2020 and December 31, 2019 and for the three-month periods ended March 31, 2020 and 2019 have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The accompanying consolidated financial statements include the accounts of Xurpas Inc. and its subsidiaries as at March 31, 2020 and December 31, 2019.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect that return through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other voter holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls and investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group obtains control until the date the Group ceases to control the subsidiary.

Noncontrolling interests ("NCI") represent the portion of profit or loss and net assets in a subsidiary not wholly owned and are presented separately in the consolidated statement of comprehensive income and consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from the Parent Company's equity.

Total comprehensive income within a subsidiary is attributed to the noncontrolling interest even if that results in a deficit balance.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any noncontrolling interest and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

As at March 31, 2020 and December 31, 2019, the consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

	Percentage Ownership		
	March 31, 2020	December 31, 2019	**Principal Activities**
Xeleb Technologies Inc. (formerly Fluxion, Inc.) (Xeleb Tech)	100.00%	67.00%	Enterprise services and mobile consumer services
Xeleb Inc. (Xeleb)	100.00	67.00	Mobile consumer services
Seer Technologies, Inc. (Seer)	70.00	70.00	Enterprise services
Codesignate Inc. (Codesignate)*	52.50	52.50	Enterprise services
Storm Technologies, Inc. (formerly Storm Flex Systems, Inc.) (Storm)	51.31	51.31	Human resource management
Pt. Storm Benefits Indonesia (Storm Indonesia)**	51.31	51.31	Human resource management
Allcare Technologies, Inc.**	51.31	51.31	Human resource management
Xurpas Enterprise Inc. (Xurpas Enterprise)	100.00	100.00	Enterprise services
Art of Click Pte. Ltd. (AOC)	100.00	100.00	Mobile consumer services
ODX Pte. Ltd. (ODX)	100.00	100.00	Enterprise services
CTX Technologies Inc.	−	100.00	

**Codesignate is a 75%-owned subsidiary of Seer. The Group's effective ownership over Codesignate is 52.50%. The Group has determined that it has control over the entity and consolidates the entity on this basis.*

*** Storm Indonesia and Allcare are 100%-owned of Storm Technologies, Inc.*

All subsidiaries are domiciled in the Philippines except for Storm Indonesia, which is domiciled in Indonesia, and AOC and ODX, which are domiciled in Singapore.

Xeleb Technologies, Inc.
Xeleb Technologies, Inc. was organized to primarily engage in the business of mobile content development.

In 2019, Deeds of Absolute Sale were executed for the acquisition by the Parent Company of the remaining 33% stake in Xeleb Technologies from its minority stakeholders for a total consideration of ₱4.00 million. This brought Parent Company's interest in Xeleb Technologies to 100%.

On September 11, 2019, the board of directors of the Parent Company approved the dissolution of Xeleb Technologies.

Xurpas Enterprise Inc.
On March 23, 2016, the Parent Company incorporated Xurpas Enterprise. Xurpas Enterprise shall primarily engage in the business of software development including designing, upgrading and marketing all kinds of information technology systems or parts thereof and other related services.

Xeleb Inc.
On July 14, 2015, the Parent Company incorporated Xeleb Inc., a mobile games company domiciled in the Philippines. Xeleb was organized primarily to design, develop, test, build, market, distribute, maintain, support, customize, sell and/or sell applications, games, software, digital solutions, whether internet, mobile or other handheld applications, portals, hardware and other related projects and services, except internet provider services, both for proprietary and custom development purposes.

On September 11, 2019, the board of directors of the Parent Company approved the dissolution of Xeleb.

Storm Technologies, Inc.
The Parent Company's ownership is 56.60% of the outstanding capital stock of Storm as of December 31, 2017. In 2018, Storm issued 3,601 common shares to various individuals for a total of ₱11.97 million. This brought down the Parent Company's ownership from 56.60% to 53.96% of the outstanding capital stock of Storm, which resulted in a transfer of the Parent Company's share in the accumulated net losses of Storm to the noncontrolling

interest amounting to ₱3.19 million. Net increase in NCI amounted to ₱8.78 million. No change in control resulted from the said transaction.

In 2019, Storm issued 3,985 common shares to various individuals for a total consideration of ₱4.38 million. This brought down the Parent Company's ownership from 53.96% to 51.31% of the outstanding capital stock of Storm. Net increase in NCI amounted to ₱4.38 million. No change in control resulted from the said transaction.

Storm's primary purpose is to create, develop and maintain an online platform that allows companies to exchange their current human resources benefits given to employees and transform them into a wide range of products and services, provide client management services, data management and information processing services, software network management services, software development services, consultancy, project and program management, marketing solutions, information technology services and business process outsourcing services to various companies.

Art of Click Pte. Ltd.
On October 6, 2016, the Parent Company signed a Share Purchase Agreement with Emmanuel Michael Jean Allix and Wavemaker Labs Pte. Ltd. (the "Sellers") for the acquisition of 100% stake in Art of Click for an aggregate consideration of ₱1.94 billion in cash and in Parent Company's shares (see Note 22).

AOC is engaged in the business of mobile media agency that offers a marketing platform for advertisers.

ODX Pte. Ltd.
On April 27, 2018, the Parent Company incorporated a wholly-owned subsidiary in Singapore, ODX, with the following principal activities: 1) other information technology and computer service activities (e.g., disaster recovery services) and 2) development of software for interactive digital media (except games).

CTX Technologies Inc. ("CTX")
On October 16, 2018, the Parent Company incorporated a wholly-owned subsidiary, CTX, an entity engaged as a remittance and transfer company, to operate as a virtual currency exchange.

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year except for the new PFRS, amended PFRS and improvements to PFRS which were adopted beginning January 1, 2020. Adoption of these new standards and amendments did not have any significant impact on the consolidated financial position or performance unless otherwise indicated.

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

- Amendments to PAS 1, *Presentation of Financial Statements,* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

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

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

<u>Standards and Interpretation Issued but not yet Effective</u>
Pronouncements issued but not yet effective are listed below. The Group does not expect that the future adoption of the said pronouncements to have a significant impact on the consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Deferred Effectivity

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

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

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Current and Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current / noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair value measurement
Fair value is the estimated 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:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

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

The Group 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 consolidated financial statements are categorized within the fair value hierarchy (see Note 25).

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Instruments - initial recognition and subsequent measurement
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

a. Financial assets
Initial recognition of financial instrument
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and

FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables are measured at the transaction price determined under PFRS 15. Refer to the accounting policies on revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost
The Group measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective 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.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes "Cash" and "Accounts and other receivables" (except for "Advances to employees" which are subject to liquidation), "Refundable deposits" under other current assets, and "Cash bond" under other noncurrent assets.

Financial assets at FVOCI (debt instruments)
The Group measures debt instruments at FVOCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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 debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group has not designated any financial assets under this category.

Financial assets at FVOCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its quoted and unquoted equity investments under this category.

Financial assets at FVPL
Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of comprehensive income.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as other income in profit or loss when the right of payment has been established.

The Group has designated its unquoted debt investments under this category.

<u>Derecognition</u>
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the statement of financial position) when:

- The rights to receive cash flows from the asset have expired
  Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

<u>Impairment of Financial Assets and Contract Assets</u>
The Group recognizes an allowance for ECLs for all debt instruments not held at FVPL and contract assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix for trade receivables and contract assets that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets such as receivable from related parties, other receivables, refundable deposits under other current assets, cash bond under other noncurrent assets and financial assets at FVOCI (debt instruments), ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, where there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables and contract assets in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 60 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

b. Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include "Accounts and other payables" (except "Deferred output VAT", "Taxes payable" and provision relating to PSA and statutory payables included as "Others"), "Loans payable" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVPL
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial liabilities are only designated as at FVPL when one of the following criteria are met. Such designation is determined on an instrument-by- instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the liabilities or recognizing gains or losses on them on a different basis; or
- The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited

Financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Group's own credit risk. Such changes in fair value are recorded in equity reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument.

Financial liabilities arising from amounts received under the Share and Token Allocation Agreement classified as "Nontrade payables" under "Accounts and other payables" were designated at FVTPL as it contains embedded derivatives.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to short-term debts.

Other Financial Liabilities
Issued financial instruments or their components, which are not designated at FVPL, are classified as accounts payable and accrued expenses where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to 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. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR 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. Any effect of restatement of foreign currency-denominated liabilities is recognized in profit or loss.

This accounting policy applies to the Group's "Accounts and other payables" (except "Deferred output VAT", "Taxes payable" and provision relating to PSA and statutory payables included as "Others") and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

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

Investments in Associates
The Group's investments in its associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

An investment is accounted for using the equity method from the day it becomes an associate. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the associate.

Under the equity method, the investment in an associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the associate, less any impairment in values. The consolidated statement of comprehensive income reflects the share of the results of the operations of the associate company. The Group's share of post-acquisition movements in the associate's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the associate company are eliminated to the extent of the interest in the associate company and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investment in associate company is reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the associate company. When the associate company subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances. When necessary, adjustments are made to bring the reporting dates and accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Inventories
Inventories are stated at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Property and Equipment
Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price and other directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. It excludes the cost of day-to-day servicing.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the property and equipment which are as follows:

	Years
Transportation equipment	3 to 5
Office equipment	2 to 4
Information Technology (IT) equipment	2 to 4
Furniture and fixtures	3 to 5
Leased asset	3 to 5
Leasehold improvements	Useful life or lease term, whichever is shorter

The estimated residual values, useful life and depreciation and amortization method are reviewed at least annually to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

If there is an indication that there has been a significant change in depreciation and amortization rate or the useful lives, the depreciation of that property and equipment is revised prospectively to reflect the new expectations.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged against current operations.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Cryptocurrencies which are not held in the ordinary course of business are recognized as intangible assets as these are identifiable non-monetary asset without physical substance.

Following initial recognition, intangible assets (other than cryptocurrencies) are carried at cost less any accumulated amortization and accumulated impairment losses. Cryptocurrencies are subsequently carried at revalued amount, being its fair value at the date of the revaluation less any accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The estimated useful lives of intangible assets follow:

	Years
Customer relationships	Indefinite
Cryptocurrencies	Indefinite
Leasehold rights	7
Developed software	5 – 8

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

If an intangible asset's carrying amount is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

If the cryptocurrencies' carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance in the revaluation surplus in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

Research and Development Costs
Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of goods sold.

<u>Business Combinations and Goodwill</u>
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any noncontrolling interests in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms' economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognized either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests) and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

When goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measure based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Noncontrolling interests

In a business combination, as of the acquisition date, the Group recognizes, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. There is a choice of two measurement methods for those components of noncontrolling interests that are both present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of a liquidation. They can be measured at:

a. acquisition-date fair value (consistent with the measurement principle for other components of the business combination); or
b. at their proportionate share of the value of net identifiable assets acquired.

Written put option over NCI

Any put options granted to noncontrolling interests give rise to a financial liability measured at fair value, which will be the present value of the redemption amount. The Group's accounting policy on financial instruments applies for the subsequent measurement of the financial liability.

The Group assesses whether the terms and conditions of the option give the acquirer present access to the ownership interest in the share subject to the put option. Factors that indicate that the NCI put provides a present ownership interest include:

a. pricing - to the extent that the price is fixed or determinable, rather than being at fair value;
b. voting rights and decision-making – to the extent that the voting rights or decision-making connected to the shares concerned are restricted;
c. dividend rights – to the extent that the dividend rights attached to the shares concerned are restricted; and
d. issue of call options – a combination of put and call options, with the same period of exercise and same/similar pricing indicates that the arrangement is in the nature of a forward contract.

If it is concluded that the acquirer has a present ownership interest in the shares concerned, the put option is accounted for as an acquisition of the underlying shares, and no noncontrolling interest is recognized.

When the terms of the transaction do not provide a present ownership interest, the noncontrolling interests continues to be recognized within equity until the NCI put is exercised. The carrying amount of noncontrolling interest changes due to allocations of profit or loss, changes in other comprehensive income and dividends declared for the reporting period. The financial liability for the put option is recognized through a debit made to another component of equity attributable to the parent.

If the put option is exercised, the entity accounts for an increase in its ownership interest. At the same time, the entity derecognizes the financial liability and recognizes an offsetting credit in the same component of equity reduced on initial recognition.

If the put option expires unexercised, the financial liability is reclassified to the same component of equity that was reduced on initial recognition.

Combinations of Entities under Common Control
Business combinations of entities under common control are accounted for using the pooling of interests method. The pooling of interest method is generally considered to involve the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity under the "Equity reserve" account.

The financial information in the consolidated financial statements are not restated for periods prior to the combination of the entities under common control.

Impairment of Nonfinancial Assets
The Group assesses at each financial reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Investments in associates
The Group also determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount and the carrying value of the associate company and recognizes the difference in profit or loss.

In assessing impairment indicators, the Group considers, as a minimum, the following indicators: (a) dividends exceeding the total comprehensive income of the associate in the period the dividend is declared; or (b) the carrying amount of the investment in the separate financial statements exceeding the carrying amount of the associate's net assets, including goodwill.

Intangible assets with indefinite useful life
Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level and when circumstances indicate that the carrying value may be impaired.

Impairment of goodwill
For assessing impairment of goodwill, a test of impairment is performed annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGUs is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

<u>Equity</u>
Capital stock and additional paid-in capital
Capital stock is measured at par value for all shares issued. When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital". When the shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. The costs of an equity transaction that is abandoned are recognized as an expense.

Treasury shares
Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Retained earnings (deficit)
Retained earnings represent the cumulative balance of net income or loss, dividend distributions, prior period adjustments, effects of the changes in accounting policy and other capital adjustments.

Unappropriated retained earnings
Unappropriated retained earnings represent the portion of retained earnings that is free and can be declared as dividends to stockholders.

Appropriated retained earnings
Appropriated retained earnings represent the portion of retained earnings which has been restricted and therefore is not available for dividend declaration.

Equity reserve
Equity reserve represents:
(a) a portion of equity against which the recognized liability for a written put option was charged;
(b) gains or losses resulting from increase or decrease in ownership without loss of control; and
(c) difference between the consideration transferred and the net assets acquired in common control business combination.

<u>Revenue Recognition</u>
Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognized when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

Service income
Service income consists of revenue from Value Added Services (VAS) and Business Process Outsourcing (BPO). BPO is further subdivided into IT Staffing, Custom Development and Managed Services, and Products.

VAS are mobile and content application services provided to mobile subscribers. Revenue is recognized at a point in time, that is when services are delivered to the customers during the period.
IT staffing is a business segment where the Group deploys resources to clients to fulfill their IT requirements. Revenue is recognized at a point in time, that is when services are rendered to the customers during the period.

Custom Development and Managed Services are services offered to customers that are produced in the Company's premises. Revenue is recognized over time and at a point in time. In measuring the progress of its performance obligation over time for Custom Development, the Group uses the output method which measures progress based on the completion of proportion of work done and requires technical determination by the IT specialists.

Products are readily available solutions that will cater to customers' requirements. Revenue is recognized at a point in time, that is when goods are delivered to the customers during the period.

Sale of goods
Revenue from the sale of goods in the ordinary course of activities is measured at the fair value of the consideration received or receivable, net of discounts and applicable taxes. Revenue is recognized at a point in time, which is normally upon delivery.

For the year ended December 31, 2019, the Group has no variable consideration but the timing of revenue recognition resulted in contract assets and liabilities.

<u>Contract Balances</u>
Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional (e.g., warranty fees).

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer (e.g., upfront fees, implementation fees, subscription fees, etc.). If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Interest income
Interest income is recognized as it accrues using the effective interest method.

Other income
Other income is recognized as they accrue.

<u>Cost and Expenses</u>
"Cost of services", "Cost of goods sold", and "General and administrative expenses" are expenditures recognized in the consolidated statement of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measure reliably. The following specific recognition criteria must also be met before costs and expenses are recognized:

Cost of services
Cost that includes all expenses associated with the specific sale of services. Cost of services include salaries,

wages and employee benefits, utilities and communication, supplies and other expenses related to services. Such costs are recognized when the related sales have been recognized.

Cost of goods sold
Cost of goods sold consists of inventory costs related to goods which the Group has sold. Inventory costs include all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

General and administrative expenses
General and administrative expenses constitute expenses of administering the business and are recognized in profit or loss as incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee
Except for short-term leases and leases of low-value assets, the Group applies a single recognition and measurement approach for all leases. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of cost to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Office space	1.5 to 3 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in Impairment of nonfinancial assets section.

ii) Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments 9e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases
The Group applies the short-term lease recognition exemption to its short-term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Income tax

Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting period.

Deferred tax
Deferred tax is provided using the liability method on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and NOLCO can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will not reverse in the foreseeable future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic associates and interests in joint ventures.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the financial reporting date. Movements in deferred tax assets and liabilities arising from changes in tax rates are charged or credited to income for the period.

Deferred tax relating to items outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

Value-Added Tax (VAT)
Revenue, expenses and assets are recognized net of the amount of sales tax except:

- Where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,
- Receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of other current assets or payables in the consolidated statement of financial position.

Pensions and other long-term employee benefits
The net pension liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any).

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss. Remeasurements comprising actuarial gains and losses are recognized immediately in the consolidated statements of financial position with a corresponding debit or credit through other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The Group’s right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

The Group also provided other long-term employee benefit obligations to an employee of a subsidiary as remuneration for the services provided by the employee to the subsidiary, which are to be settled in cash. A liability and expense for the long-term employee benefit is recognized when the services have been rendered and is amortized during the period of entitlement.

Foreign Currency Transactions
The Group’s consolidated financial statements are presented in Philippine Peso, which is also the Parent Company and the subsidiaries’ functional currency, except for AOC and ODX, which is US dollar, and Storm Indonesia, which is Indonesian Rupiah. The Philippine peso is the currency of the primary economic environment in which the Parent Company operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions denominated in foreign currencies are initially recorded in Philippine Peso at the exchange rate at the date of transaction. Foreign currency-denominated monetary assets and liabilities are retranslated at the closing rate at reporting date. Exchange gains or losses arising from foreign currency transactions are recognized in profit or loss.

As at reporting date, the assets and liabilities of subsidiaries whose functional currency is not the Philippines Peso are translated into the presentation currency of the Parent Company (the Philippine Peso) at the closing rate as at the reporting date, and the consolidated statement of income accounts are translated at monthly weighted average exchange rate. The exchange differences arising on the translation are taken directly to a separate component of equity under "Cumulative translation adjustment" account. Upon disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

Investments in foreign associates are translated to Philippine Peso using the closing exchange rate prevailing at reporting date. The Group's share in the results of operations of the foreign investee is translated using the exchange rate at the dates of the transactions or, where practicable, the rate that approximates the exchange rates at the dates of the transactions, such as the average rate for the period. Any resulting exchange difference is recognized as a separate component of equity.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to common stockholders of the parent by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year attributable to common stockholders of the parent by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares, if any.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and serves different markets. Financial information on business segments is presented in Note 26 of the consolidated financial statements.

Provisions

Provisions are recognized when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

This policy also applies to proceeds received from the Token Pre-Sale Agreement for which management has assessed that it has a present constructive obligation to the token investors.

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

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes when an inflow of economic benefits is probable.

This policy also applies to agreements which the Group entered into with certain advisors for which the services received are to be paid through internally generated tokens in the future and for which the obligation cannot be measured with sufficient reliability.

Events after the Reporting Period

Post year-end events up to date when the consolidated financial statements are authorized for issue that provide additional information about the Group's position at the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. **Significant Accounting Judgments and Estimates and Assumptions**

The preparation of the accompanying consolidated financial statements in compliance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments and estimates used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statement. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

<u>Judgments</u>
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

a. *Going concern assessment*
The management has made an assessment of the Group's ability to continue as a going concern and is satisfied that it can continue in business for the foreseeable future (see Note 1). The Group incurred net loss of ₱20.78 million, and net operating cash outflows of ₱32.04 million for the three-month period ended March 31, 2020. As of March 31, 2020 the Group's current liabilities exceeded its current assets by ₱359.42 million. Management has considered this in their assessment and has concluded that the ability to continue as a going concern is mainly dependent on future actions such as continuous venture into new revenue potentials, cost cutting measures, and entry of new strategic investors.

Management does not have plans to liquidate and continues to believe that the Group is in a unique position being one of the few technology companies that can assist companies in their digital transformation initiatives and develop marketing promotions for consumer and enterprise businesses.

b. *Determination of control over investment in subsidiaries*
The Group determined that it has control over its subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following were also considered:
- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual agreements
- The Group's voting rights and potential voting rights

c. *Existence of significant influence over associates*
The Group determined that it exercises significant influence over its associates (see Note 9) by considering, among others, its ownership interest (holding 20% or more of the voting power of the investee) and board representation.

d. *Capitalization of development costs*
The Group determined that intangible assets arising from development qualify for recognition by determining that all of the following are present:
i. The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
ii. Intention to complete and its ability and intention to use or sell the asset;
iii. How the asset will generate future economic benefits;
iv. The availability of resources to complete the asset; and
v. The ability to measure reliably the expenditure during development.

e. *Determination of constructive obligation arising from cryptocurrency transactions*
The Group determined that a constructive obligation exists based on the terms of the agreements and the general expectations of the counterparties.

Management's Use of Estimates

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

a. *Evaluating impairment of goodwill, intangible assets with indefinite useful lives and investments in associates*

   Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less cost 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 for 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 Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the growth rates, earnings before interest, taxes, depreciation and amortization (EBITDA) margins, working capital and capital expenditures used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Group.

   Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level and when circumstances indicate that the carrying value may be impaired.

   The carrying value of goodwill as of March 31, 2020 and December 31, 2019 amounted to ₱48.22 million.

   Investment in associate is tested for impairment when circumstances indicate that the carrying value may be impaired.

   The carrying values of investments in associates amounted to ₱317.47 million and ₱319.94 million as of March 31, 2020 and December 31, 2019, respectively (see Note 10).

b. *Revenue recognition*

   The Group's revenue recognition require management to make use of estimates that may affect the reported amount of revenue. The Group's revenue from sale of services for development projects recognized based on the percentage of completion are measured principally on the basis of the estimated completion of the development services. In measuring the progress of its performance obligation over time, the Group uses the output method which measures progress based on the completion of proportion of work done and requires technical determination by the Group's specialists.

c. *Provisions and contingencies*

   The Group is currently involved in assessments for national taxes. The estimate of the probable costs for the resolution of these assessments has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these assessments will have a material effect on the Group's consolidated financial position and results of operation.

d. *Provision for expected credit losses of trade receivables and contract assets*

   The Group uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss pattern.

   The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

   The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As of March 31, 2020 and December 31, 2019, allowance for impairment losses on accounts and other receivables amounted to ₱250.48 million and ₱263.09 million, respectively (see Note 6).

e. *Realizability of deferred tax assets*
The Group reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the subsidiaries of the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized. The Group looks at its projected performance in the sufficiency of future taxable income.

4. Seasonality of Interim Operations

The Group is subject to the seasonality of revenue realization due to Storm's Flexible Benefits Program. Historically, Storm's sales tend to increase in the second half of the year as observed from its customer behavior to likely avail their converted benefits towards the end of the year.

5. Cash and cash equivalent

This account consists of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Cash on hand	**₱295,097**	₱104,525
Cash in banks	**128,402,770**	52,751,583
Cash equivalent	**–**	101,072,938
	₱128,697,867	₱153,929,046

Cash in banks earn interest at the prevailing bank deposit rates.

Interest income earned from cash in banks amounted to ₱0.52 million and ₱0.06 million for the three-month periods ended March 31, 2020 and 2019, respectively.

6. Accounts and Other Receivables

This account consists of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade receivables	**₱274,682,589**	₱273,387,545
Receivable from related parties (Note 21)	**10,587,709**	10,377,902
Advances to employees	**2,346,734**	2,389,525
Others	**14,724,904**	14,113,381
	302,341,936	300,268,353
Less: Allowance for impairment loss	**250,478,254**	263,085,522
	₱51,863,682	₱37,182,831

Trade receivables arise from the mobile content development, mobile solution and key platform development services rendered by the Group to its customers. These are noninterest-bearing and are generally settled on a 30- to 60-day term.

Advances to employees mainly pertain to advances which are subject to liquidation.

Others are noninterest-bearing and are generally collectible within one year.

The table below shows the movements in the provision for impairment losses of trade receivables:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
At beginning of year	**₱263,085,522**	₱265,024,372
Provisions (Note 18)	**−**	3,299,669
Write-off	**−**	(7,305,401)
Sale of subsidiary	**−**	(6,153,477)
Translation adjustments	**(12,607,268)**	8,220,359
	₱250,478,254	₱263,085,522

7. Contract Balances

This account consists of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Contract assets	**₱9,494,141**	₱8,290,141
Contract liabilities	**94,042,911**	68,048,657

Contract assets are initially recognized for revenues earned from custom development as receipt of consideration is conditional on successful completion of proportion of work. Upon completion of performance obligation and acceptance by the customer, the amount recognized as contract assets are reclassified to trade receivables.

Contract liabilities consist of collections from customers under custom development services which have not qualified for revenue recognition.

8. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of period	**₱440,000**	₱475,000
Unrealized gain on financial assets at FVOCI	**−**	(35,000)
	₱440,000	₱440,000

The roll forward analysis of net unrealized loss on financial assets at FVOCI follows:

	March 31	
	2020 (Unaudited)	2019 (Unaudited)
Balance at beginning of period	**(₱44,254,956)**	(₱44,219,956)
Unrealized gain on financial assets at FVOCI	**−**	(35,000)
Balance at end of period	**(₱44,254,956)**	(₱44,254,956)

Unrealized loss on financial assets at FVOCI is recognized under "Other comprehensive income" in the consolidated statements of comprehensive income.

Carrying amount of the investments in financial assets at FVPL and financial assets at FVOCI as at March 31, 2020 and December 31, 2019 are as follow:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Quoted shares		
Club Punta Fuego	**₱440,000**	₱440,000
Unquoted equity investment		
Zowdow Inc.	**44,244,956**	44,244,956
Less: Unrealized loss on financial assets at FVOCI	**(44,244,956)**	(44,244,956)
	–	–
	₱440,000	₱440,000

The quoted shares are categorized under the Level 2 of the fair value hierarchy. The unquoted equity and debt investments are categorized under Level 3 (Note 26).

Quoted equity investments
Quoted equity instruments consist of investment in golf club shares.

Unquoted equity investments
In April 2015, the Group acquired 666,666 million shares of Series A Preferred Stock of Zowdow Inc. ("Zowdow"), formerly Quick.ly, Inc. ("Quick.ly"), at a purchase price of $1.50 per share for a total investment of US$999,999 or ₱44.24 million. As at March 31, 2020 and December 31, 2019, the Group holds a 3.56% ownership of Zowdow on a fully-diluted basis.

Fair value of unquoted equity investments was determined using prices from recent sales at arm's length transaction. No unrealized gain or loss was recognized during the year for these investments (Note 26).

Unquoted debt investments
MatchMe Pte. Ltd.
On November 2, 2015, the Group acquired a convertible promissory note for US$300,000 (₱14.06 million) issued by MatchMe Pte. Ltd. ("MatchMe"), an associate of the Group based in Singapore (Note 10). On February 11, 2016, the Group acquired additional convertible promissory note issued by MatchMe for US$500,000 (₱23.89 million). On October 7, 2016, the Group acquired additional convertible promissory note issued by MatchMe for US$300,000 (₱14.55 million).

Altitude Games Pte. Ltd.
On January 19, 2016, the Group purchased a convertible promissory note for US$400,000 (₱19.26 million) issued by Altitude Games Pte. Ltd. ("Altitude Games"), an associate of the Group. On September 21, 2016, the Group acquired additional convertible promissory note for US$200,000 (₱9.60 million) issued by Altitude Games.

Einsights Pte, Ltd.
On September 30, 2015, the Group purchased a convertible promissory note for US$500,000 (₱23.48 million) issued by Einsights Pte, Ltd. ("Einsights"), a Singapore-based technology solutions provider with operations in Singapore, Vietnam, Hong Kong, India, Australia, Canada and Switzerland.

Pico Candy Pte. Ltd.
In August 2013, the Group invested in Pico Candy Pte. Ltd.'s convertible bonds amounting to SG $0.10 million, which is equivalent to ₱3.60 million. Pico Candy Pte. Ltd. operates a digital sticker distribution platform. It was founded in 2013 and is based in Singapore.

9. Other Current Assets

This account consists of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Input VAT	**₱15,351,438**	₱15,427,616
Creditable withholding tax	**7,975,672**	6,911,430
Prepaid expenses	**7,648,759**	3,925,070
Restricted cash equivalent	**5,060,129**	5,060,129
Inventories	**2,951,380**	245,717
Deferred input VAT	**1,910,628**	2,287,689
Cash held in trust	**–**	10,000,000
Rental deposit	**–**	689,200
Refundable deposits	**–**	1,230,667
	40,898,006	45,777,518
Less: Allowance for impairment	**1,576,402**	1,576,402
	₱39,321,604	₱44,201,116

Input VAT represents VAT imposed on the Company by its suppliers for the acquisition of goods and services.

Creditable withholding taxes pertain to prepaid taxes recognized at the amount withheld at source upon payment and overpayment of income tax in previous years. This can be carried forward and claimed as tax credit against income tax due. In 2019, the Group recognized an impairment loss amounting to ₱1.58 million.

Prepaid expenses mainly pertain to advances to contractors, deposits and advances to rentals and prepaid professional fees.

Restricted cash equivalent earns interest at the prevailing bank deposit rates. This is reserved to accommodate Seer, a subsidiary, for credit line and such other facilities for subsequent borrowings.

Inventories include purchases of goods to be sold. These are carried at cost.

Deferred input VAT represents input VAT related to unpaid balances for the services availed by the Group. These will be recognized as input VAT and applied against output VAT upon payment. Any remaining balance is recoverable in future periods.

10. **Investments in Associates**

This account consists of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Cost		
Balance at beginning of period	**₱577,561,081**	₱577,561,081
Addition	**202,401**	–
Balance at end of period	**577,763,482**	577,561,081
Equity in net loss during the period		
Balance at beginning of period	**(166,378,090)**	(133,091,435)
Share in net loss during the period	**(2,670,707)**	(33,286,655)
Balance at end of period	**(169,048,797)**	(166,378,090)
Cumulative translation adjustment		
Balance at beginning of period	**15,901,005**	11,525,824
Movement during the period	**–**	4,375,181
Balance at end of period	**15,901,005**	15,901,005
Impairment	**(107,147,488)**	(107,147,488)
	₱317,468,202	₱319,936,508

The equity in cumulative translation adjustments represents exchange differences arising from the translation of financial statements of the foreign operations, whose functional currency is other than Philippine Peso.

The Group's equity in the net assets of associates and the related percentages of ownership are shown below:

	Percentages of Ownership		**Carrying Amounts**	
	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)	**March 31, 2020 (Unaudited)**	December 31, 2019 (Audited)
Micro Benefits Limited	23.53%	23.53%	**₱278,023,143**	₱281,545,160
MatchMe Ltd.	29.10	29.10	**–**	–
Altitude Games Pte. Ltd	21.78	21.78	**25,167,863**	24,601,980
PT Sembilan Digital Investama	49.00	49.00	**14,074,795**	13,789,368
Altitude Games Inc.	21.17	21.17	**–**	–
CTX Technologies Inc.	20.00	–	**202,401**	–
			₱317,468,202	₱319,936,508

Micro Benefits Limited
On March 9, 2016, the Parent Company acquired 718,333 new Series C Preferred Shares equivalent to a 23.53% stake in Micro Benefits Limited ("Micro Benefits") for US$10.00 million. Micro Benefits, a company registered in Hong Kong, is engaged in the business of providing employee benefits to Chinese workers through its operating company, Micro Benefits Financial Consulting (Suzhou) Co. Ltd., located in China.

MatchMe Pte. Ltd.
On March 30, 2015, the Parent Company acquired 1,000,000 ordinary shares of MatchMe Pte. Ltd. ("MatchMe"), an international game development company based in Singapore, for a total consideration amounting to ₱60.47 million.

In 2016, MatchMe issued 325,385 common shares to various individuals which resulted in the decrease in the Parent Company ownership interest from 31.52% to 28.59%.

In 2018, MatchMe issued 1,547,729 ordinary shares worth US$0.079 per share or a total of US$122,944. The Group subscribed to 467,820 ordinary shares for a total of US$37,161 or ₱1,977,018 resulting in an increase in percentage ownership from 28.59% to 29.10%.

Altitude Games Pte. Ltd.
On December 11, 2014, the Parent Company acquired 11.76% stake for 13.33 million ordinary shares in Altitude Games, a Singaporean IT company engaged in computer game development and publishing. The Parent Company paid ₱17.98 million as consideration for the said investment.

On the same date, Mr. Nico Jose S. Nolledo, a stockholder, assigned its 11.36 million ordinary shares representing 10.02% ownership in Altitude Games pursuant to the Deed of Assignment with the Parent Company. Accordingly, the Parent Company recognized a payable to a stockholder amounting to ₱15.24 million from the said assignment which was subsequently paid in 2015.

PT Sembilan Digital Investama
On March 26, 2015, the Parent Company acquired 147 shares representing 49% shareholdings in PT Sembilan Digital Investama (SDI) amounting to ₱10.83 million. The acquisition gave the Parent Company access to PT Ninelives Interactive ("Ninelives"), a mobile content and distribution company in Indonesia, which SDI owns.

Altitude Games Inc.
On July 22, 2015, the Parent Company subscribed to 211,656 shares of stock or 21.17% shareholdings in Altitude Games Inc. ("Altitude Philippines"), an affiliate of Altitude Games. Altitude Philippines engages in the business of development, design, sale and distribution of games and applications.

CTX Technologies Inc.
On March 30, 2020, the board of directors approved the sale of 80% ownership in CTX to Mr. Fernando Jude Garcia, a founder of the Parent Company, for a total amount of ₱4.00 million. As at the date of disposal, carrying value of CTX's net assets amounted to ₱1.01 million. Accordingly, as a result of the deconsolidation of CTX, the Group recorded "Gain on sale of subsidiary" amounting to ₱3.19 million and "Investment in associate" amounting to ₱0.20 million.

As at March 31, 2020 and December 31, 2019, there are no capital commitments relating to the Group's interests in its associates.

The Group considers an associate with material interest if its net assets exceed 5% of its total consolidated net assets of the Group as of reporting period and considers the relevance of the nature of activities of the entity compared to other operations of the Group. There are no significant restrictions on the Parent Company's ability to use assets and settle liabilities of the Group.

11. **Property and Equipment**

The Group acquired property and equipment amounting to ₱0.50 million and ₱75.39 million during the three-month period ended March 31, 2020 and March 31, 2019, respectively. Depreciation expense amounted to ₱1.50 million and ₱13.94 million for the three-month periods ended March 31, 2020 and 2019, respectively.

12. **Intangible Assets**

This account consists of:

March 31, 2020

	Goodwill	Developed Software	Leasehold Rights	Crypto-Currencies	Total
Cost					
At beginning of period	**₱48,221,984**	**₱103,416,043**	**₱5,150,312**	**₱6,081,778**	**₱162,870,117**
Additions	**–**	**60,425**	**–**		**60,425**
Translation adjustment	**–**	**–**	**–**	**(264,875)**	**(264,875)**
At end of period	**48,221,984**	**103,476,468**	**5,150,312**	**5,816,903**	**162,665,667**
Accumulated amortization					
At beginning of period	**–**	**58,234,341**	**3,505,967**	**–**	**61,740,308**
Amortization (Note 18)	**–**	**5,718,070**	**214,596**	**–**	**5,932,666**
At end of period	**–**	**63,952,411**	**3,720,563**	**–**	**67,672,974**
Allowance for impairment	**–**	**–**	**–**	**–**	**–**
Net Book Value	**₱48,221,984**	**₱39,524,057**	**₱1,429,749**	**₱5,816,903**	**₱94,992,693**

December 31, 2019

	Goodwill	Customer Relationship	Developed Software	Leasehold Rights	Crypto-currencies	Total
Cost						
At beginning of period	₱2,544,617,520	₱1,077,809,700	₱208,845,306	₱17,378,812	₱5,484,591	₱3,854,135,929
Additions	–	–	2,520,997	–	1,253,879	3,774,876
Disposals	–	–	–	–	(2,652,458)	(2,652,458)
Revaluation surplus	–	–	–	–	1,995,765	1,995,765
Sale of subsidiary	(540,147,917)	(1,077,809,700)	(108,569,519)	(12,228,500)	–	(1,738,755,636)
At end of period	2,004,469,603	–	102,796,784	5,150,312	6,081,777	2,118,498,476
Accumulated amortization						
At beginning of period	–	–	87,763,575	8,593,303	–	96,356,878
Amortization (Note 16)	–	–	30,744,703	1,900,378	–	32,645,081
Sale of subsidiary	–	–	(60,893,197)	(6,987,713)	–	(67,880,910)
At end of period	–	–	57,615,081	3,505,968	–	61,121,049
Impairment (Note 17)	1,956,247,619	–	–	–	–	1,956,247,619
Net Book Value	₱48,221,984	₱–	₱45,181,703	₱1,644,344	₱6,081,777	₱101,129,808

Goodwill
Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group.

Developed software
Developed software pertain to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment.

Leasehold rights
Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination.

Cryptocurrencies
Cryptocurrencies pertain to units of Bitcoin held by the Group as at March 31, 2020.

The fair value of cryptocurrencies was determined using quoted market prices in active markets categorized under Level 1 of fair value hierarchy. As at March 31, 2020 and December 31, 2019, the fair value of Bitcoin is valued at USD3,742.70 per unit. For the three-month period ended March 31, 2020 and for the year ended December

31, 2019, unrealized loss amounting to nil and Php2.55 million, respectively, was recognized as a result of revaluation of cryptocurrencies.

During the three-month periods ended March 31, 2020 and 2019, the Group sold cryptocurrencies with cost amounting to nil and ₱2.75 million, respectively. The Group recognized "Loss from sale of cryptocurrencies" and "Foreign exchange gain" under "Other income (charges)" amounting to nil and ₱0.26 million, respectively (see Note 18).

The amortization expense of intangible assets recognized in "Depreciation and amortization" under "Cost of services" in the consolidated statements of comprehensive income amounted to ₱9.08 million and ₱8.15 million for the three-month periods ended March 31, 2020 and 2019, respectively (see Note 16).

13. **Accounts and Other Payables**

This account consists of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade payables	**₱115,732,393**	₱115,714,403
Payable to related parties (Note 21)	**102,677,876**	101,028,311
Nontrade payable	**52,108,329**	54,481,084
Accrued expenses	**19,137,367**	26,006,041
Taxes payable	**6,661,340**	8,533,499
Deferred output VAT	**3,538,728**	1,708,501
Others	**142,210,075**	170,777,193
	₱442,066,108	₱478,249,032

Trade payable represents the unpaid subcontracted services and other cost of services to third parties. These are noninterest-bearing and are normally settled within one year.

Nontrade payables include proceeds received by ODX under the Share and Token Allocation Agreement which grants the investor rights to certain shares of ODX and internally generated tokens in the future depending on the happening of certain events prior to termination of the agreement.

Accrued expenses mainly consist of accruals for salaries, professional fees, utilities, transportation and travel, rent, outsourced services and royalty. These are noninterest-bearing and are normally settled within one year.

Taxes payable include output VAT after application of available input VAT and expanded withholding tax on payment of suppliers and employees' compensation which are settled within one year.

Deferred output VAT represents deferral of output VAT related to trade receivables for the services rendered by the Group. These will be recognized as output VAT and applied against input VAT upon receipt of payment.

Others consist of statutory payables to SSS, Philhealth and HDMF. This account also includes provision relating to the Token Pre-Sale Agreements ("PSA") entered into by the Group, through ODX, with various investors for the sale of ODX tokens. These are noninterest-bearing and are normally settled within one year.

The table below shows the movements in the provision relating to the PSA:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of year	**₱134,499,466**	₱184,527,714
Additions	**–**	1,253,879
Cost incurred for platform development	**–**	(46,582,907)
Translation adjustments	**(5,857,707)**	(4,699,220)
	₱128,641,759	₱134,499,466

14. **Loans Payable**

This account pertains to short-term, unsecured and interest bearing 30- to 180- day term loans entered into by the Group with different local banks and non-banks, with interest rates of 4.00% to 7.60% and 4.00% to 5.8125% in 2020 and 2019, respectively.

The rollforward analysis of this account follow:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of the period	**₱52,130,272**	₱358,741,481
Availment of loans	**–**	9,735,561
Payment of loans	**(1,110,675)**	(316,346,770)
	₱51,019,597	₱52,130,272

Interest expense recognized in the consolidated statements of comprehensive income during the three-month periods ended March 31, 2020 and 2019 amounted to ₱2.57 million and ₱11.00 million, respectively (see Note 18).

There were no undrawn loan commitments, transaction costs and interest expenses capitalized as at March 31, 2020 and December 31, 2019.

15. **Service Income**

Service income, amounting to ₱28.28 million and ₱268.99 million for the three-month periods ended March 31, 2020 and 2019, respectively, pertain to revenues earned from mobile consumer products and services, enterprise services and knowledge process outsourcing rendered by the Group to its major customer, GTI, and other telecommunication companies. Revenue from these segments are recognized at a point in time, except for revenues from Custom Development included under mobile enterprise services which are recognized over time.

For the three-month periods ended March 31, 2020 and 2019, the Group's revenue from GTI amounted to nil and ₱196.12 million, respectively, which comprise approximately 0% and 65%, respectively, of the total service income of the Group.

16. **Cost of Services**

Cost of services for the three-month periods ended March 31, 2020 and 2019 consists of:

	March 31	
	2020 (Unaudited)	2019 (Unaudited)
Salaries, wages and employee benefits	**₱19,021,742**	₱170,910,547
Depreciation and amortization	**5,972,346**	9,300,830
Outsourced services	**1,982,973**	3,816,730
Web hosting	**604,544**	13,477,442
Consultancy fees	**600,761**	1,712,647
Segment fee and network costs	**225,714**	16,143,937
Utilities	**130,782**	928,983
Rent (Note 20)	**54,000**	2,812,575
Royalty fees	**–**	270,144
Commission	**33,000**	–
Others	**1,003,764**	2,181,065
	₱29,629,626	₱221,554,900

17. **General and Administrative Expenses**

General and administrative expenses for the three-month periods ended March 31, 2020 and 2019 consists of:

	March 31	
	2020 (Unaudited)	2019 (Unaudited)
Salaries, wages and employee benefits	**₱8,652,950**	₱57,507,606
Professional fees	**3,855,549**	3,273,898
Depreciation and amortization	**2,626,618**	13,715,511
Taxes and licenses	**1,197,922**	3,333,700
Rent (Note 20)	**931,185**	1,892,491
Utilities	**764,652**	2,843,773
Marketing and promotions	**725,378**	94,744
Insurance	**379,143**	394,080
Outsourced services	**250,880**	11,850,969
Repairs and maintenance	**233,471**	5,664,615
Dues and subscription	**217,877**	1,646,754
Seminars and trainings	**206,856**	51,156
Transportation and travel	**159,571**	2,192,644
Entertainment, amusement and recreation	**128,409**	1,106,293
Supplies	**94,477**	907,279
Advertising	**10,000**	268,593
Miscellaneous	**295,351**	942,527
	₱20,730,289	₱107,686,633

18. **Other Charges - Net**

This account consists of:

	March 31	
	2020 (Unaudited)	2019 (Unaudited)
Interest expense	**₱2,600,151**	₱11,004,151
Bank charges	**104,589**	327,477
Foreign exchange losses	**1,753**	1,191,243
Loss on sale of cryptocurrencies	**–**	189,520
Other income	**(140,023)**	(3,216,374)
Interest income	**(524,771)**	(55,380)
Gain on sale of shares of stock	**(3,190,375)**	–
	(₱1,148,676)	₱9,440,637

Other income pertains to gain on curtailment, gain on reversal of payables and other miscellaneous income.

Interest expense consists of:

	March 31	
	2020 (Unaudited)	2019 (Unaudited)
Interest on loans payable	**₱2,568,655**	₱11,004,151
Amortization of discount on lease liability	**31,496**	
	₱2,600,151	₱11,004,151

19. **Operating Lease Commitments**

The Group entered into various lease agreements with third parties for the office spaces it occupies. Leases have terms ranging from one to three years and renewable subject to new terms and conditions to be mutually agreed upon by both parties.

Set out below are the movements and carrying amounts of right-of-use asset recognized as of March 31, 2020 and December 31, 2019:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Cost		
Balance at beginning of period	**₱16,396,951**	₱85,472,135
Additions	**–**	3,490,515
Sale of a subsidiary	**–**	(72,565,699)
Balance at end of period	**16,396,951**	16,396,951
Accumulated Depreciation		
Balance at beginning of period	**11,784,466**	7,536,575
Depreciation	**1,164,214**	22,097,622
Adjustment		16,508
Sale of a subsidiary		(17,856,853)
Translation adjustments	**(363,667)**	(9,386)
	12,585,013	11,784,466
	₱3,811,938	₱4,612,485

The rollforward analysis of lease liability as of December 31, 2019 follows:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of period	**₱3,809,525**	₱–
Adjustment as result of PFRS 16 adoption	**–**	76,495,086
Additions	**–**	3,340,541
Accretion of interest	**31,496**	2,657,206
Payments	**(1,160,828)**	(21,833,336)
Sale of a subsidiary		(56,849,444)
Translation adjustment	**461,812**	(528)
Balance at end of period	**₱3,142,005**	₱3,809,525
Current lease liability	**₱2,714,007**	₱2,775,923
Noncurrent lease liability	**₱427,998**	₱1,033,602

Total rent expense charged under “Cost of services” and “General and administrative expenses” in the consolidated statements of comprehensive income amounted to ₱2.25 million and ₱4.71 million for the three-month periods ended March 31, 2020 and 2019, respectively (see Notes 17 and 18).

As at March 31, 2020 and December 31, 2019, the future minimum lease payments within one year under noncancellable operating leases amounted to ₱6.03 million.

20. Related Party Transactions

The Group, in the normal course of business, has transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture.

Terms and conditions of transactions with related parties
There have been no guarantees provided or received for any related party receivables and payables. These accounts are noninterest-bearing and are generally unsecured. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties. Impairment assessment is undertaken through examination of the financial position of the related party and market in which this related party operates.

Details of transactions with related parties and their outstanding payables to a related party as at March 31, 2020 and December 31, 2019 follow:

			Amount/ Volume		Outstanding Balance			
					March 31, 2020		December 31, 2019	
	Terms	Conditions	March 31, 2020	March 31, 2019	Receivable	Payable	Receivable	Payable
Associate								
Advances	Noninterest-bearing	Unsecured, no impairment	**₱209,807**	4,049,516	**₱10,587,709**	**₱–**	₱10,377,902	₱–
			209,807	4,049,516	**10,587,709**		10,377,902	–
Stockholders								
Payable to directors and officers (a-b)	Interest-bearing	Unsecured	**2,075,217**	–	**–**	**151,159,051**	–	153,071,966
Payable to directors and officers (c)	Noninterest-bearing	Unsecured	**–**	–	**–**	**1,872,000**	–	1,872,000
Advances (d)	One year; noninterest-bearing	Unsecured, no impairment	**–**	–	**–**	**117,678**	–	117,678
			₱2,075,216	₱–	**–**	**153,148,729**	–	155,061,644
					₱10,587,709	**₱153,148,729**	₱10,377,902	₱155,061,644

Associates:

a. In 2017, the Parent Company entered into a US$100,000 noninterest-bearing short-term loan agreement with Altitude Games for working capital purposes. As at March 31, 2020 and December 31, 2019, receivable from Altitude Games amounted to ₱5.26 million.

b. The Parent Company made payments on behalf of its associates. As at March 31, 2020 and December 31, 2019, outstanding balance amounted to ₱5.33 million and ₱5.12 million.

Stockholders:

a. In 2017, the Parent Company entered into a loan agreement with its directors amounting to US$1,945,758 or ₱97.15 million subject to 5% interest rate per annum. The Group recognized interest expense amounting to ₱1.33 million under "Other income (charges)" in its consolidated statements of comprehensive income. As at March 31, 2019, outstanding loans and interest payable amounted to ₱93.79 million and ₱6.01 million, respectively.

b. On April 29, 2019 the BOD approved the availment of loan from the Parent Company's founders with an aggregate amount of ₱150.00 million subject to 5.50% interest rate per annum. . The Group recognized interest expense amounting to ₱0.75 million under "Other income (charges)" in its consolidated statements of comprehensive income.

   As at March 31, 2020, outstanding loans and interest payable pertaining to this transaction amounted to ₱ 50.47 million and ₱0.89 million, respectively.

c. Payable to directors and officers also pertain to directors' fees still outstanding as of March 31, 2020 and

December 31, 2019 amounting to ₱1.87 million.

d. Advances from stockholders pertain to cash advances for operational and corporate-related expenses paid by a stockholder in behalf of the Group. These are noninterest-bearing and are due and demandable.

Compensation of key management personnel pertaining to short-term employee benefits amounted to ₱3.19 million and ₱21.39 million for the three-month periods ended March 31, 2020 and 2019, respectively.

21. Income Taxes

Provision for (benefit from) income tax for the three-month periods ended March 31, 2020 and 2019 consists of:

	March 31	
	2020 (Unaudited)	2019 (Unaudited)
Deferred	**(₱987,012)**	(₱1,998,201)
Current	**–**	4,814,643
Final	**104,596**	6,427
	(882,416)	₱2,822,869

22. Business Combinations and Acquisition of Noncontrolling Interests

Business Combinations

Art of Click Pte. Ltd.
On October 6, 2016, the Parent Company executed a Share Purchase Agreement for the acquisition of 100% shares of Art of Click Pte. Ltd. ("Art of Click") for an aggregate consideration of ₱1.40 billion in cash and in Parent Company's shares. Art of Click is a Singaporean start-up firm established in 2011 that specializes on mobile marketing solutions for advertisers, publishers, app developers, and other operators. Its key markets include Japan, Korea, Hong Kong, Taiwan, Southeast Asia, North America and Europe.

The Group considers the acquisition an opportunity to grow its mobile consumer services by increasing its content offering.

The cash consideration consists of (1) an Upfront Payment to the Sellers amounting to US$2,797,106 (₱135,379,930) and (2) cancellation of employee stockholder options through Parent Company's subscription to one ordinary share in the capital of AOC for US$2,202,894 (₱106,620,070). This was used to pay the AOC's Employee Stock Ownership Plan ("ESOP") shareholders.

The Xurpas shares to be issued to the Sellers consist of (1) an Upfront Payment amounting to US$19,451,739 payable in Xurpas shares to the Sellers on the acquisition date, (2) Installment Payment payable to the Sellers in Xurpas shares one year after the closing date and every year thereafter until three years after the closing date, and (3) a Deferred Purchase Consideration which shall be subject to a net income after tax floor per year that AOC has to meet as a condition precedent to the entitlement of the Sellers to the Deferred Purchase Consideration and payable in three (3) tranches. The aggregate amount of Deferred Payment Consideration for a three year deferred payment period shall in no case be greater than US$13,962,725. In the finalization of the purchase price, the parties have clarified that the Deferred Purchase Consideration shall be fixed at US$13,962,725 and shall not be subject to the performance metrics of AOC, and such is intentionally part of the original consideration. Accordingly, the Deferred Purchase Consideration was considered as part of the acquisition cost in the final purchase price.

The number of Xurpas shares to be issued at each tranche shall be determined using the average market value of Xurpas common shares fifteen (15) days before and fifteen (15) days after the closing date or each commitment date, as applicable, agreed to by the parties.

The Installment Payment payable and Deferred Purchase Consideration in the next three years amounting to ₱760.69 million was initially recognized under "Payable to former shareholders of a subsidiary" in the consolidated statements of financial position. These were measured at its fair value as at acquisition date using an assumed discount rate of 11.55%. In 2016, interest expense and foreign exchange loss amounting to ₱21.96 million and ₱22.78 million, respectively, were recognized in "Other income (charges)" in the consolidated statements of comprehensive income and is reflected in the net income attributable to the equity holders of the Parent Company. As of December 31, 2016, the outstanding payable to former shareholders of a subsidiary amounted to ₱805.43 million.

Included in the Share Purchase Agreement is a call option granting the Sellers an option exercisable within fifty one (51) months following the Closing Date and only upon the occurrence of a Call Option event to purchase from the Parent Company their respective proportionate share in the Sale Shares. This was subsequently waived.

In June 2017, the Parent Company entered into an agreement to reacquire the 53,298,242 common shares Upfront Payment issued at acquisition date to Emmanuel Michel Jean Allix ("Allix"), a former shareholder of AOC, for a consideration of US$532,983 or ₱26.65 million (see Note 24). On the same date, amendments were made to the share purchase agreement with Allix which (a) resulted in the payment of US$7.24 million or ₱358.50 million, (b) changed the manner of payment of the Installment Payment payable and Deferred Purchase Consideration from being partly in cash and Xurpas shares to solely in cash, and (c) changed the term of the Installment Payment payable from being payable in three years after the closing date to being payable within the year. The additional payment and the buyback of the common shares are linked transactions and in substance is accounted for as an equity transaction for accounting purposes. Based on the agreement, only the ₱26.65 million is presented as treasury shares while the remaining amount of ₱358.50 million is presented under equity reserve in the consolidated statements of financial position. The change from being payable in three years to being payable within the year resulted in the acceleration of the accretion of unamortized interest expense amounting to ₱26.00 million.

In October 2017, the Parent Company entered into an agreement to amend the share purchase agreement with Wavemaker Labs Pte. Ltd. ("Wavemaker"), a former shareholder of AOC, which provides for (a) the adjusted purchase price, (b) the change in manner of payment for the Installment Payment and Deferred Consideration pertaining to Wavemaker from being payable in Xurpas shares to cash, and (c) changed the term of the Installment Payment payable from being payable in three years after the closing date to being payable within the year. To implement these amendments, the Parent Company made a placement and subscription transaction involving 67,285,706 Xurpas listed shares of existing shareholders by way of a block sale through the facilities of the PSE in 2019. The amendments resulted in an additional payable to Wavemaker amounting to US$3.01 million or ₱153.96 million which was recognized as a loss under "Other income (charges)" in the consolidated statements of comprehensive income. The change in the timing of the payment resulted in an acceleration of the accretion of unamortized interest expense amounting to ₱4.92 million. The amendments were ratified by the BOD on February 22, 2018.

The 16,641,244 common shares initially issued to Wavemaker representing the Upfront Payment shall be placed by Wavemaker in an escrow agent who is authorized to sell these shares after these are listed. The allocation of the proceeds from the sale of these shares will be determined in the future subject to certain conditions.

In October 2017, Allix and Wavemaker executed a waiver of the second and third tranches of the Deferred Purchase Consideration. Since the waiver is not considered as a measurement period adjustment as allowed under PFRS 3 to adjust the recorded acquisition cost of the Parent Company's investment, the extinguishment of the liability amounting to US$7.11 million or ₱364.01 million is recognized as a gain under "Other Charges - Net" in the consolidated statements of comprehensive income. The Sellers also waived their call option on the shares.

In 2017, interest expense and foreign exchange losses amounting to ₱61.63 million and ₱26.59 million, respectively, were recognized in "Other income (charges)" in the consolidated statements of comprehensive income and is reflected in the net income attributable to the equity holders of the Parent Company. As of December 31, 2017, the remaining payable to former shareholders of a subsidiary amounted to ₱244.43 million.

The net assets recognized in the December 31, 2016 financial statements were based on a provisional assessment of their fair value while the Group sought an independent valuation for the intangible assets owned by AOC which was done by an appraiser accredited by the SEC.

The purchase price allocation has been prepared on a preliminary basis as the fair value of intangible asset (i.e., technology) is being finalized. The following are the preliminary fair values of the identifiable assets and liabilities assumed:

Assets	
Cash	₱205,580,070
Receivables	125,285,313
Property and equipment	634,945
Intangible asset	61,508,895
Other assets	2,197,610
	395,206,833
Liabilities	
Accounts and other payables	₱270,986,228
Income tax payable	20,099,967
Deferred tax liability	18,452,669
	309,538,864
Total net assets acquired	85,667,969
Goodwill	1,856,808,730
Acquisition cost	₱1,942,476,699

In October 2017, the valuation was completed and the acquisition date fair value of the total net assets acquired was determined to be ₱85.67 million, an increase of ₱43.06 million over the provisional value of ₱42.61 million. The 2016 comparative information was restated to reflect the adjustments to the provisional amounts. As a result, an intangible asset for AOC's developed software amounting to ₱61.51 million was recognized. The Deferred Purchase Consideration amounting ₱544.29 million was included as acquisition cost. Total goodwill arising from the acquisition amounted to ₱1,856.81 million. The 2016 comparative income statements were also restated to reflect the increase in amortization expense, additional accretion and interest and foreign exchange adjustments, with a net effect of ₱40.06 million decrease in the 2016 consolidated net income and net income attributable to equity holders of the Parent Company.

The fair value of the receivables approximate their carrying amounts. None of the receivables have been impaired and it is expected that the full contractual amounts can be collected. The deferred tax liability represents the tax effect of the fair value adjustments on the intangible asset.

The fair value of the intangible asset was based on net present value of future cash flows using the "Relief from Royalty" method. The valuation has not been completed by the date the 2016 consolidated financial statements were approved for issue by the BOD.

The consideration for the acquisition amounting to ₱1.94 billion partly involves cash and Xurpas shares payable to the Sellers.

From the date of acquisition on October 6, 2016, the Group's share in the revenue and net income of AOC amounted to ₱477.95 million and ₱120.34 million, respectively. If the combination had taken place at the beginning of 2016, the Group's total revenue and total net income would have been ₱2,120.93 million and ₱334.01 million, respectively.

Cash outflow related to the acquisition follows:

Cash acquired from AOC	₱205,580,070
Cash paid	242,000,000
Net cash outflow	₱36,419,930

Storm Technologies, Inc. ("Storm")

On February 26, 2015, the Parent Company and Storm signed a deal that will give the Parent Company 37,565 common shares or a 51% stake in Storm and other rights through primary and secondary issuances, for a total consideration of US$4.30 million or ₱190.89 million.

Storm is a human resource consultancy firm which has developed a proprietary platform called the "flex benefits system" that allows employees to convert their employee benefits to other benefits such as gadgets, dining and other merchandise or service.

The acquisition of Storm will enable the Group to expand its distribution network to beyond telecommunication networks. The Group will be able to reach more customers and provide them with physical products and services through Storm's "flex benefits system".

In 2016, the Parent Company finalized its purchase price allocation.
The following are fair values of the identifiable assets and liabilities assumed:

Assets	
Cash	₱110,123,616
Receivables	14,389,114
Inventories	978,648
Other current assets	5,788,668
Property and equipment	1,435,871
Intangible assets	4,096,106
Deferred tax asset	2,731,642
Other noncurrent asset	382,769
	139,926,434
Liabilities	
Accounts and other payables	20,965,139
Deferred tax liability	1,228,832
Loans payable	6,628,000
	28,821,971
Net assets	111,104,463
Non-controlling interests in Storm	54,376,599
Total net assets acquired	56,727,864
Goodwill	134,161,689
Acquisition cost	₱190,889,553

The fair value of the trade and other receivables approximate their carrying amounts. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The non-controlling interests have been measured at the proportionate share of the value of the net identifiable assets acquired and liabilities assumed.

Cash outflow related to the acquisition follows:

Cash acquired from Storm	₱110,123,616
Cash paid	135,366,761
Net cash outflow	₱25,243,145

From February 26 to December 31, 2015, the Group's share in revenue and net loss of Storm amounted to ₱80.27 million and ₱28.81 million, respectively. If the combination had taken place at the beginning of 2015, the Group's total revenue would have been ₱927.83 million, while the Group's net income would have been ₱226.47 million.

Seer Technologies Inc. ("Seer") and subsidiary

On June 25, 2015, the Parent Company acquired 70,000 shares representing 70% stake holdings in Seer at a price of ₱18.00 million. Codesignate is a 75% owned subsidiary of Seer.

The Parent Company is also due to pay an earn-out amount corresponding to a fixed percentage of Seer's net income after tax for the years 2015 to 2017 based on its Audited Financial Statements, as an incentive for Seer's management to continue to improve Seer's financial performance in the immediately succeeding years after the acquisition.

Seer is a company in the mobile platform development space, with a human resource base composed primarily of software engineers. Its acquisition will enhance the ability of the Group to provide mobile solutions such as applications and mobile marketing solutions to its enterprise clients.

In 2016, the Parent Company finalized its purchase price allocation.

The following are fair values of the identifiable assets and liabilities assumed:

Assets	
Cash	₱3,706,340
Receivables	29,735,813
Other current assets	7,297,243
Property and equipment	3,381,984
Intangible assets	1,054,205
Deferred tax asset	5,562,638
Other noncurrent asset	2,886,447
	53,624,670
Liabilities	
Accounts and other payables	22,014,409
Loans payable	13,998,370
Pension liability	6,959,000
Finance lease liability	3,906,890
Deferred tax liability	316,262
	47,194,931
Net assets	6,429,739
Non-controlling interests in Seer	1,928,922
Total net assets acquired	4,500,817
Goodwill	13,499,183
Acquisition cost	₱18,000,000

The fair value of the trade and other receivables approximate their carrying amounts. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The non-controlling interests have been measured at the proportionate share of the value of the net identifiable assets acquired and liabilities assumed.

Cash outflow related to the acquisition follows:

Cash acquired from Seer	₱3,706,340
Cash paid	18,000,000
Net cash outflow	₱14,293,660

From June 26 to December 31, 2015, the Group's share in revenue and net income of Seer amounted to ₱41.02 million and ₱5.27 million, respectively. If the combination had taken place at the beginning of 2015, the Group's total revenue would have been ₱954.25 million, while the Group's net income would have been ₱223.72 million.

Yondu Inc. ("Yondu")

On September 16, 2015, the Parent Company acquired 22,950 shares of common stock in Yondu, a content developer and provider of mobile value-added services and information technology services for a total consideration of ₱900.00 million. 5,000 shares out of the 22,950 shares were from unissued shares of Yondu while 17,950 shares were purchased from GTI. Purchase price of unissued shares and shares previously held by GTI amounted to ₱230.00 million and ₱670.00 million, respectively. The purchase resulted to a 51% ownership by the Parent Company in Yondu.

Included in the Shareholders' Agreement are a call and put option granting the Parent Company the right to require GTI to sell and granting GTI the right to require the Parent Company to purchase all, but not part only, of the 49% shareholding of GTI in Yondu at ₱39,215.69 per company share, respectively. The options will be effective starting September 16, 2016 and will expire after two years, therefrom. The put option and call option shall be exercised by a share swap of Xurpas shares for shares held by GTI or a combination of share swap and cash, at the mutual agreement of both parties.

A financial liability amounting to ₱853.18 million was recognized in the consolidated financial statements of financial position for the redemption obligation related to the written put option over the shares held by GTI. The liability was recognized initially at the present value of the redemption price at acquisition date.

In 2016, the Parent Company finalized its purchase price allocation.

The following are fair values of the identifiable assets and liabilities assumed:

Assets	
Cash	₱175,110,666
Receivables	598,921,607
Other current assets	38,071,606
Property and equipment	39,638,479
Intangible assets	1,187,626,747
Deferred tax asset	6,652,819
Other noncurrent asset	10,431,165
	2,056,453,089
Liabilities	
Accounts and other payables	582,669,211
Income tax payable	41,541,943
Pension liability	6,514,740
Deferred tax liability	355,471,170
Other long-term liabilities	3,900,000
	990,097,064
Net assets	1,066,356,025
Non-controlling interests in Yondu	706,503,943
Total net assets acquired	359,852,082
Goodwill	540,147,918
Acquisition cost	₱900,000,000

The fair value of the trade and other receivables approximate their carrying amounts. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The Group elected to measure the noncontrolling interests in the acquiree at fair value.

The fair value of the noncontrolling interest has been estimated by determining the present value of discounted cash flow. The fair value measurements are based on significant inputs that are not observable in the market. The fair value estimate is based on:

- An assumed discount rate of 13.46%
- A terminal value, calculated based on long-term sustainable growth rates for the industry ranging from 2% to 4% which has been used to determine income from future years.

Cash outflow related to the acquisition follows:

Cash acquired from Yondu	₱175,110,666
Cash paid	900,000,000
Net cash outflow	₱724,889,334

From September 15 to December 31, 2015, the Group's share in revenue and net income of Yondu amounted to ₱235.89 million and ₱35.87 million, respectively. If the combination had taken place at the beginning of 2015, the Group's total revenue would have been ₱1,498.37 million, while the Group's net income would have been ₱ 312.98 million.

Acquisition of Noncontrolling Interests

Xeleb Technologies Inc. (Xeleb Tech)
On August 22, 2016, Deeds of Absolute Sale were executed for the acquisition by the Parent Company of the remaining 35.00% interest is Xeleb Tech. The acquisition of the 35.00% interest in Xeleb Tech made it a wholly-owned subsidiary of the Parent Company. The acquisition resulted to recognition of equity reserves amounting to ₱41.49 million (see Note 24).

Xeleb Inc. (Xeleb)
On August 22, 2016, Xeleb Tech acquired 3,349,996 shares or 67.00% majority stake in Xeleb from the Parent Company at ₱1.00 per share or ₱3.35 million. On the same date, Xeleb acquired the remaining 33.00% stake in Xeleb from various individuals for a total consideration of ₱1.65 million. This resulted in 100.00% ownership interest of Xeleb Tech in Xeleb.

Xeleb Tech and Xeleb are entities under common control of the Parent Company before and after the restructuring. As a result, the acquisition was accounted for using the pooling of interests method. This transaction has no effect on the carrying amounts of the Group's assets and liabilities, but has resulted to consolidation of Xeleb's assets and liabilities into Xeleb Tech. This resulted to recognition of equity reserves amounting to ₱5.39 million (see Note 24).

Storm Technologies, Inc. (Storm)
On October 27, 2016, the Parent Company acquired additional 3,735 common shares of Storm for ₱10.00 million. This brought the Parent Company's ownership from 51.52% to 56.60% of the outstanding capital stock of Storm and there was no change in control.

23. **Equity**

The details of the number of shares as at March 31, 2020 and December 31, 2019 follow:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Authorized shares	**5,000,000,000**	5,000,000,000
Par value per share	**₱0.10**	₱0.10
Issued shares	**1,934,925,852**	1,934,925,852
Treasury shares	**63,095,642**	63,095,642
Value of shares issued	**₱193,492,585**	₱193,492,585
Value of treasury shares	**(₱107,418,911)**	(₱107,418,911)

Capital Stock and Additional Paid-in Capital (APIC)
On May 2, 2014, the Parent Company's BOD approved the subscription and issuance of 6.75 million shares with par value of ₱1.00 per share from the unissued portion of its ₱10.00 million authorized capital stock.

On May 5, 2014, the Parent Company's BOD approved the following transactions which were subsequently approved by the SEC on June 25, 2014:

- Increase in authorized capital stock from ₱10.00 million divided into 10.00 million common shares with par value of ₱1.00 per share to ₱255.00 million divided into 255.00 million common shares with par value of ₱ 1.00 per share.
- Amendments of the Parent Company's Articles of Incorporation to increase the authorized capital stock from ₱10.00 million to ₱255.00 million.
- Subscription of 61.25 million shares with par value of ₱1.00 per share, which is paid in the form of stock dividends. These represent twenty five percent of the additional increase in authorized capital stock.

On July 10, 2014, the Parent Company's BOD approved the following transactions which were subsequently approved by the SEC on September 2, 2014:

- Increase in authorized capital stock from ₱255.00 million divided into 255.00 million common shares at the par value of ₱1.00each to ₱500.00 million divided into 500.00 million common shares at the par value of ₱ 1.00 each.
- Amendments of the Parent Company's Articles of Incorporation to increase the authorized capital stock from ₱255.00 million to ₱500.00 million.
- Subscription of 61.25 million shares with par values of ₱1.00 per share, to be paid in the form of stock dividends. These represent twenty five percent of the additional increase in authorized capital stock.

In addition, the Parent Company issued the subscribed 61.25 million shares with par value of ₱1.00 per share and another 5.10 million shares with par value of ₱1.00 per share to certain executives and employees through cash payments.

On September 3, 2014, the Parent Company's BOD approved the decrease in the par value of the capital stock from ₱1.00 per share to ₱0.10 per share. Accordingly, the Parent Company applied for an Amended Articles of Incorporation to decrease the par value of the capital stock. Thus, the Parent Company cancelled all the previously issued stock certificates and reissued new stock certificates to all stockholders effecting the 10-to-1 stock split.

Initial Public Offering (IPO)
On November 12, 2014, PSE approved the 344.00 million common shares at an offer price of ₱3.97 per share (₱ 1,365.68 million) for the IPO of the Parent Company.

On November 13, 2014, the SEC granted the Parent Company permit to sell or offer its securities which consists of 1,720.00 million common shares.

The Parent Company was publicly listed on December 2, 2014.

As at December 31, 2014, ₱172.00 million of the ₱500.00 million authorized capital stock has been subscribed and issued, ₱122.55 million of which was issued through stock dividend declaration and the rest was paid in cash. The excess of subscription price over paid-up capital was recognized as APIC. The Parent Company incurred transaction costs incidental to the IPO amounting to ₱111.56 million and ₱7.35 million which were charged to "Additional paid-in capital" in the consolidated statements of financial position and "General and administrative expense" in the consolidated statements of comprehensive income, respectively.

Overnight Top-Up Placement
On April 9, 2016, the Parent Company issued and subscribed 77.70 million shares with par value of ₱0.10 for a total consideration of ₱1,243.20 million or ₱16.00 per share. The excess of subscription price over paid-up capital was recognized in APIC. The Parent Company incurred transaction costs incidental to the share issuance amounting to ₱44.82 million which were charged to "Additional paid-in capital" in the consolidated statements of financial position.

Installment Payment in Shares
On November 11, 2016, the Parent Company issued 69,939,486 common shares to the Sellers of AOC as payment of the upfront consideration in relation to the acquisition of 100% stakeholding in AOC (see Note 22). The excess of subscription price over paid-up capital amounting to ₱932.79 million was recognized as APIC.

On March 2, 2018, the Parent Company issued 67,285,706 common shares by way of block sale to implement the amendments in the share purchase agreement (see Note 23). The shares were issued at ₱3.80 per share.

<u>Retained Earnings</u>
Appropriations
On November 9, 2016, the BOD of the Parent Company approved the appropriation of unrestricted retained earnings for the buyback of its common shares up to the extent of the total allotment amounting to ₱170.00 million subject to the prevailing market price at the time of the share buyback.

On March 27, 2017, the BOD of the Parent Company approved the termination of the Buy-back Program adopted last November 9, 2016 appropriating an aggregate of ₱170.00 million. A total of ₱88.82 million has been used as of March 31, 2017. Accordingly, the balance of ₱81.18 million previously allocated for the Buy-back Program shall be released from such appropriations.

Dividends declaration
On May 10, 2016, the Parent Company's BOD approved the declaration of cash dividends of approximately ₱0.048 per share, or the aggregate amount of ₱86.27 million out of the Parent Company's unrestricted retained earnings for distribution to its stockholders of record as at May 31, 2016 and payable to stockholders on June 23, 2016.

Equity Reserve
In 2016, the Parent Company purchased additional shares from noncontrolling interests of Xeleb, Xeleb Tech and Storm. The transactions were accounted as an equity transaction since there was no change in control. The movements within equity are accounted for as follows:

	Consideration paid	Carrying value of noncontrolling interests	Difference recognized within Equity
Xeleb Technologies Inc.	₱45,000,000	₱3,506,647	(₱41,493,353)
Storm Technologies Inc.	10,002,330	2,382,396	(7,619,934)
Xeleb Inc.	1,650,000	7,038,398	5,388,398
	₱56,652,330	₱12,927,441	(₱43,724,889)

In 2017, a reserve amounting to ₱358.50 million was recognized for the payment resulting from amendments in the Share Purchase Agreement with Allix and the acquisition of the Parent Company's own shares (see Note 22).

Treasury Stock
On November 9, 2016, the BOD of the Parent Company approved the buyback of its common shares up to the extent of the total allotment amounting to ₱170.00 million subject to the prevailing market price at the time of the buyback. The Parent Company commenced the program on November 14, 2016 and will end upon full usage of the approved allotment, or as otherwise may be directed by the BOD, subject to an appropriate disclosure to the SEC and PSE. As at December 31, 2016, treasury stocks acquired totaled to 10,687,400 shares and 8,532,900 shares, respectively, which amounted to ₱71.51 million.

In January and February 2017, the Parent Company acquired 2,154,500 shares for ₱17.30 million.

On March 27, 2017, the BOD of the Parent Company approved the termination of the buyback program adopted in 2016. Treasury stocks acquired under this program totaled to 10,687,400 shares amounting to ₱88.82 million.

On July 18, 2017, the Parent Company reacquired 53,298,242 common shares from Allix for a total amount US$532,983 or ₱26.65 million (see Note 22).

Employee Stock Option Plan
The Parent Company's BOD, on January 20, 2016, and the stockholders, on May 11, 2016, approved the Employee Stock Option Plan (the Plan) of the Parent Company. Full time and regular employees of the Parent Company and those deemed qualified by the Compensation and Remuneration Committee from the names recommended by the Executive Committee are eligible to participate in the Plan. As at March 31, 2019, the Plan has been filed with and is pending approval of the SEC and PSE.

Capital Management
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The Group's sources of capital follow:

	March 31 2020 (Unaudited)	December 31, 2019 (Audited)
Capital stock	**₱193,492,585**	₱193,492,585
Additional paid-in capital	**3,585,092,298**	3,585,092,298
Deficit	**(3,204,848,267)**	(3,184,802,325)
	₱3,778,584,883	₱593,782,558

The Group is not subject to externally-imposed capital requirements. The Group regards its equity as its primary source of capital. No changes were made in the capital management policies as at March 31, 2020 and December 31, 2019.

24. **Loss Per Share**

Basic loss per share for the three-month periods ended March 31, 2020 and 2019 were computed as follows:

	March 31	
	2020 (Unaudited)	2019 (Unaudited)
Net loss attributable to the equity holders of the Parent Company	**(₱20,045,942)**	(₱70,607,577)
Weighted average number of outstanding shares	**1,870,940,210**	1,870,940,210
Dilutive shares arising from contingent liability	**–**	–
Adjusted weighted average number of common shares for diluted earnings per share	**1,870,940,210**	1,870,940,210
Basic loss per share	**(₱0.01)**	(₱0.04)
Diluted loss per share	**(₱0.01)**	(₱0.04)

Loss per share is calculated using the consolidated net loss attributable to the equity holders of the Parent Company divided by weighted average number of shares

25. **Financial Instruments**

Fair Value Information

The methods and assumptions used by the Group in estimating fair value of the financial instruments are as follows:

- Cash, accounts and other receivables (except for advances to employees which are subject to liquidation), refundable deposits under other current assets, cash bond under other noncurrent assets, accounts and other payables (excluding "Taxes payable", "Deferred output VAT", and provision relating to PSA and statutory payables included as "Others"), loans payable, liability on written put option, payable to former shareholders of a subsidiary, dividends payable and finance lease liability under other current liabilities - Carrying amounts approximate fair values due to the relatively short-term maturities of these instruments, except for cash bond under other noncurrent assets. The difference between carrying amount and fair value is immaterial.

- Financial assets at FVOCI - Fair value is based on quoted prices published in the market.

- Financial assets at FVOCI (unquoted equity investments) - Fair values are based on the latest selling price available.

- Financial assets at FVPL (unquoted debt investments) - Fair values are based on the comparable prices adjusted for specific market factors such as nature, industry, location and market recovery rates.

- Nontrade payable - Fair values are determined using prices in such transaction which still approximate the fair values at yearend.

The fair value of financial assets at FVOCI amounting to ₱0.48 million approximate their carrying value.

Fair Value Hierarchy
The Group uses the following three-level hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Cash, accounts and other receivables, refundable deposits under other current assets, cash bond under other noncurrent assets, accounts and other payables (excluding "Taxes payable", "Deferred output VAT", and statutory payables included as "Others"), loans payable, liability on written put option, payable to former shareholders of a subsidiary, dividends payable and finance lease liability under other current liabilities were classified under Level 3. The fair value of these financial instruments is determined by discounting future cash flows using the applicable rates of similar types of instruments plus certain spread.

Quoted financial assets at FVOCI amounting to ₱0.44 million as at March 31, 2020 and December 31, 2019 were classified under Level 2 (see Note 8).

Unquoted financial assets at FVOCI amounting to nil as at March 31, 2020 and December 31, 2019 were classified under Level 3 (see Note 8).

As at March 31, 2020 and December 31, 2019, there have been no reclassifications from Level 1 to Level 2 or 3 categories.

Financial Risk Management and Objectives and Policies
The Group's financial instruments comprise cash, financial assets at FVPL, accounts and other receivables, financial assets at FVOCI, refundable deposits under other current assets, cash bond under other noncurrent assets, accounts and other payables (excluding taxes payable, deferred output VAT, customer's deposit and statutory payables), loans payable, liability on written put option, contingent liability and finance lease liability under other current liabilities, which arise directly from operations. The main purpose of these financial instruments is to finance the Group's operations and to earn additional income on excess funds.

Exposure to credit risk, liquidity risk and foreign currency risk arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

There were no changes in the Group's risk management objectives and policies in 2020 and 2019.

The Group's risk management policies are summarized below:

Credit Risk
Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation.

The Group's credit risk is primarily attributable to cash (excluding "cash on hand") and receivables. To manage credit risk, the Group monitors its exposure to credit risk on a continuous basis.

The Group's maximum exposure to credit risk is equal to the carrying values of its financial assets as at March 31, 2020 and December 31, 2019.

The credit quality of the financial assets was determined as follows:

Cash in banks, financial assets at FVPL, financial assets at FVOCI and other assets - based on the nature of the counterparty and the Group's rating procedure. These are held by counterparty banks with minimal risk of bankruptcy and are therefore classified as high grade.

Accounts and other receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to three defaults in payment; and low grade pertains to receivables with more than three defaults in payment.

Unquoted AFS financial assets are unrated.

Liquidity Risk
Liquidity risk is the risk that the Group will be unable to meet its obligations as they fall due. The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirement, finance capital expenditures and service maturing debts. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds and available short-term and long term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD.

The maturity profile of the Group's financial assets and financial liabilities at March 31, 2020 and December 31, 2019 are based on contractual undiscounted payments.

As at March 31, 2020 and December 31, 2019, the Group's financial assets and financial liabilities have a maturity of less than one year.

26. **Segment Reporting**

The industry segments where the Group operates follow:

- Mobile consumer services - includes airtime management, content development and management and marketing and advertising solutions
- Enterprise services - includes platform development and customization, system integration, mobile platform consultancy services, management of off-the-shelf application and social media related services. This also includes IT staff augmentation and various enterprise solutions-based services to telecommunication companies and other companies for network and applications development
- Other services – includes consultancy services in the field of human resource management, trading in general, sourcing for and supplying of goods to import and export goods

The following tables regarding business segment revenue and profit information for the three-month periods ended March 31, 2020 and 2019:

2020 (Unaudited)

	Mobile consumer services	**Enterprise service**	**Other services**	**Intersegment Adjustments**	**Consolidated**
INCOME					
Service income	**₱9,944,647**	**₱25,148,068**	**₱2,174,859**	**₱(8,987,969)**	**₱28,279,605**
Sale of goods	**–**	**–**	**18,723,245**	**–**	**18,723,245**
	9,944,647	**25,148,068**	**20,898,104**	**(8,987,969)**	**47,002,850**
COST AND EXPENSES	**(23,142,802)**	**(14,082,698)**	**(26,625,243)**	**(3,290,341)**	**(67,141,084)**
Equity in net losses of associates	**–**	**–**	**–**	**(2,670,706)**	**(2,670,706)**
Other expenses	**(5,655,696)**	**(92,758)**	**(293,245)**	**7,190,375**	**1,148,676**
	(18,853,851)	**10,972,612**	**(6,020,384)**	**(7,758,641)**	**(21,660,264)**
Provision for (benefit from) income tax	**(103,507)**	**(101)**	**(988)**	**987,012**	**882,416**
Net income (loss)	**(₱18,957,358)**	**₱10,972,511**	**(₱6,021,372)**	**(₱6,771,629)**	**(₱20,777,848)**
Net loss attributable to:					
Equity holders of Xurpas Inc.					**(₱20,045,942)**
Noncontrolling interests					**(731,906)**
					(₱20,777,848)

2019 (Unaudited)

	Mobile consumer services	Enterprise service	Other services	Intersegment Adjustments	Consolidated
INCOME					
Service income	₱10,433,612	₱264,189,614	₱1,869,095	(₱7,501,514)	₱268,990,807
Sale of goods	–	–	30,523,291	–	30,523,291
	10,433,612	264,189,614	32,392,386	(7,501,514)	299,514,098
COST AND EXPENSES	(56,312,823)	(254,132,679)	(45,760,942)	(2,222,389)	(358,428,833)
Equity in net losses of associates	–	–	–	(5,398,034)	(5,398,034)
Other expenses	(2,896,239)	(1,975,813)	(5,727,544)	1,158,959	(9,440,637)
	(48,775,450)	8,081,122	(19,096,100)	(13,962,978)	(73,753,406)
Provision for (benefit from) income tax	(8,841)	(4,811,058)	(1,171)	1,998,201	(2,822,869)
Net loss	(₱48,784,291)	₱3,270,064	(₱19,097,271)	(₱11,964,777)	(₱76,576,275)
Net loss attributable to:					
Equity holders of Xurpas Inc.					(₱70,607,577)
Noncontrolling interests					(5,968,698)
					(₱76,576,275)

27. Notes to Consolidated Statement of Cash Flows

Disclosed below is the rollforward of liabilities under financing activities:

	January 1, 2020	Cash flows	Non-cash changes	Foreign exchange movement	March 31, 2020
Loans payable	₱52,130,272	(₱1,110,675)	₱–	₱–	₱51,019,597
Dividends payable	–	–	–	–	–
Total liabilities from financing activities	₱52,130,272	(₱1,110,675)	₱–	₱–	₱51,019,597

	January 1, 2019	Cash flows	Non-cash changes	Foreign exchange movement	December 31, 2019
Loans payable	₱358,741,481	(₱306,611,209)	₱–	₱–	₱52,130,272
Dividends payable	63,163,333	(299,788)	(62,863,545)	–	–
Total liabilities from financing activities	₱421,904,814	(₱306,910,997)	(₱62,863,545)	₱–	₱52,130,272

28. Events After Reporting Date

On May 7, 2020, the Parent Company conducted its Special Stockholders' Meeting on the approval of the issuance of up to 1,706,072,261 new common shares from the unissued authorized capital stock of the Parent Company. Pending subscription agreement and such other definitive agreements and considering that less than 67% of the outstanding shares of Parent Company was present or represented in the meeting, there was no stockholders' approval on the purchase of 100% interest in Wavemaker US Fund Management Holdings, LLC.

On July 23, 2020, the board of directors approved the issuance of 966,667 Xurpas shares to certain Xurpas employees. Transfer price will be set at current trading price. The shares will be taken from Xurpas Inc.'s treasury shares.

29. Approval of Financial Statements

The unaudited interim condensed consolidated financial statements of the Group as at March 31, 2020 and December 31, 2019 and for the three-month periods ended March 31, 2020 and 2019 were approved and authorized for issue by the BOD on August 14, 2020.

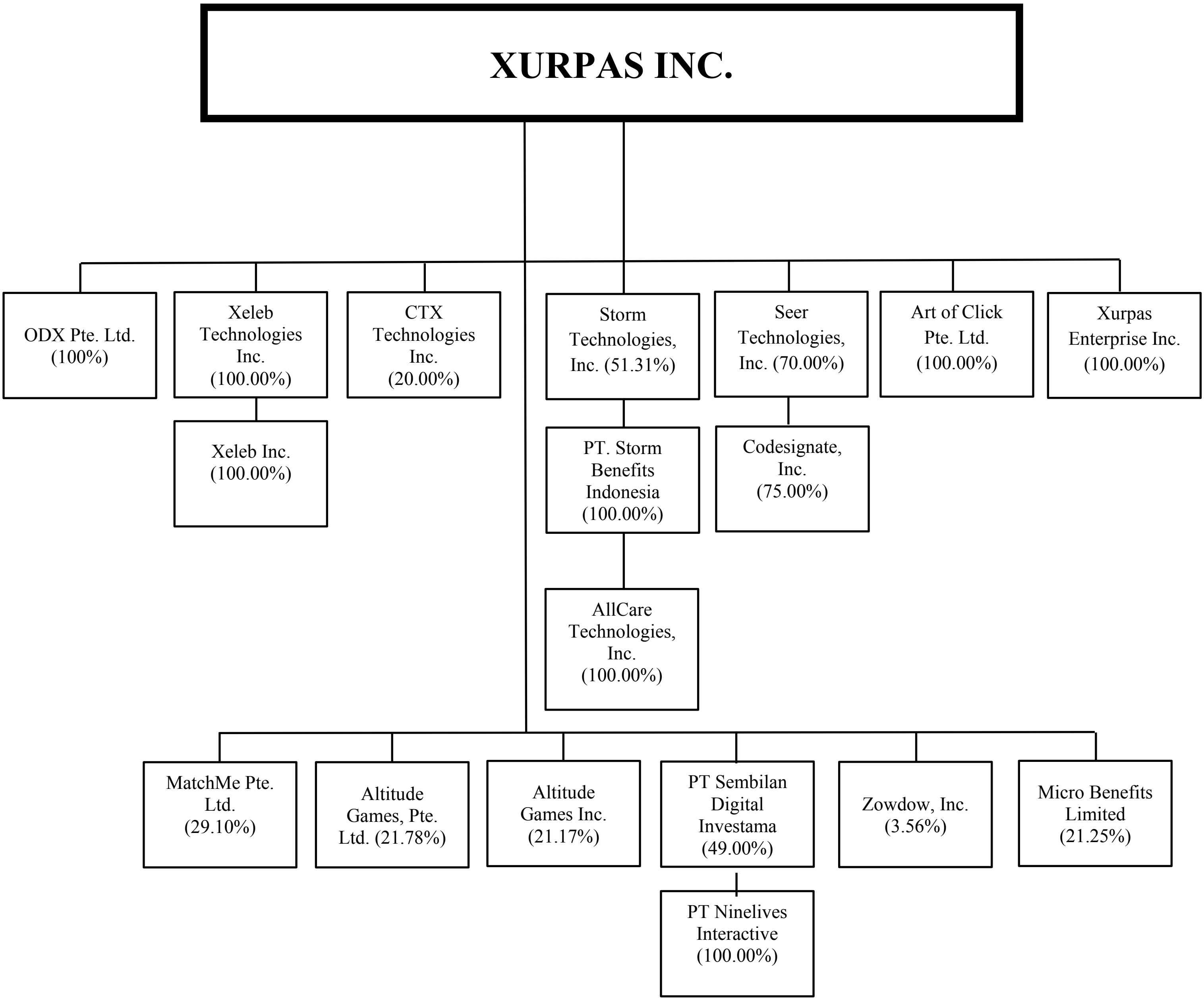
AGING OF RECEIVABLES

The aging analysis of accounts receivable as of March 31, 2020 presented per class follows:

		Days past due				
	Current	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**>90 days**	**Total**
Trade receivable	**₱22,811,200**	**₱1,685,711**	**₱379,640**	**₱4,772,286**	**₱245,033,752**	**₱274,682,589**
Receivable from related parties	**10,587,709**	**–**	**–**	**–**	**–**	**10,587,709**
Advances to employees	**2,346,734**	**–**	**–**	**–**	**–**	**2,346,734**
Others	**14,724,904**	**–**	**–**	**–**	**–**	**14,724,904**
	₱50,470,547	**₱1,685,711**	**₱379,640**	**₱4,772,286**	**₱245,033,752**	**₱302,341,936**

XURPAS INC. AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES



Note: Xeleb Technologies Inc. and Xeleb Inc. are in the process of liquidation

XURPAS INC. AND SUBSIDIARIES

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS MARCH 31, 2020

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as of March 31, 2020:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2020		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing costs			✓
	Amendments to PFRS 1: Meaning of ‘Effective PFRSs			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination	✓		
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2020		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments, with PFRS 4, Insurance			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Disclosures - Servicing Contracts			✓
	Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments: Classification and Movement (2010 version)	**Not early adopted**		
	Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)	**Not early adopted**		
	Financial Instruments (2014 or final version)	**Not early adopted**		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	**Not early adopted**		
	Amendments to PFRS 9: Prepayment Features with	**Not early adopted**		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2020		Adopted	Not Adopted	Not Applicable
	Negative Compensation			
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*			✓
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendment to PFRS 12: Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014-2016 Cycle)			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term receivable and payables	✓		
	Amendments to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	**Not early adopted**		
PFRS 16	Leases	**Not early adopted**		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the requirements for comparative information	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2020		Adopted	Not Adopted	Not Applicable
	Estimates and Errors			
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12-Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of servicing equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendment to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
	Amendments to PAS 19: Regional Market Issue regarding Discount Rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2020		Adopted	Not Adopted	Not Applicable
	Financial Statements			
PAS 28	Investment in Associate and Joint Venture	✓		
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*			✓
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures			✓
	Amendment to PAS 28: Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014-2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim financial reporting and segment information for total assets and liabilities	✓		
	Amendments to PAS 34: - Disclosure of information ‘elsewhere in the interim financial report	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2020		Adopted	Not Adopted	Not Applicable
	Liabilities			
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Interrelationship between PFRS 3 and PAS 40			✓
	Transfer of Investment Property			✓
PAS 40 (Amended)	Investment Property			✓
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2020		Adopted	Not Adopted	Not Applicable
	and PAS 39: Embedded Derivatives			
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate*			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
IFRIC 23	Uncertainty over Income Tax Treatments			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

XURPAS INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

Unappropriated Retained Earnings, beginning, as restated	(₱3,048,024,408)
Less adjustments:	
Impairment loss	2,526,245,730
Fair value adjustments	–
Unappropriated Retained Earnings, as adjusted, beginning	(521,778,678)
Net Income based on the face of financial statement	(12,356,519)
Less: Non-actual/unrealized income net of tax	
Amount of provision for deferred tax during the year	–
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	–
Fair value adjustment (M2M gains)	–
Impairment loss	–
Net Income Actual/Realized	(12,356,519)
Less: Other adjustments	
Dividend declarations during the period	–
Reversal of appropriation for share buy-back transactions	–
Reversal of appropriation for dividend declaration	–
Appropriations during the year	–
	–
Unappropriated retained earnings, end available for dividend distribution	₱–

XURPAS INC. AND SUBSIDIARIES
FINANCIAL RATIOS

Financial Ratios	March 31, 2020	December 31, 2019
A. Current ratios		
Current ratios	39%	41%
Quick ratios	32%	33%
B. Debt-to-equity ratios	569%	555%
C. Asset-to-equity ratios	585%	575%
D. Interest rate coverage ratios	(733%)	(6475%)
E. Profitability ratios		
Net income margin	(43%)	(271%)
Gross margin	1%	15%
Operating margin	(22%)	(256%)
Return on total assets	(3%)	(93%)
Return on equity	(17%)	(186%)

PART II--OTHER INFORMATION

There are no other information for this period not previously reported in SEC Form 17-C that needs to be reported in this section.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Summary

Key Financial Data In PhP Millions	For the 3 months ended March 31					
	2020		2019		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Revenues						
Mobile consumer services	0.96	2%	7.74	3%	(6.78)	-88%
Enterprise services	25.15	54%	259.38	86%	(234.24)	-90%
Other services	20.90	44%	32.39	11%	(11.49)	-35%
Total Revenues	**47.00**	**100%**	**299.51**	**100%**	**(252.51)**	**-84%**
Cost of Services	29.63	63%	221.55	74%	(191.93)	-87%
Cost of Goods Sold	16.78	36%	29.19	10%	(12.41)	-43%
Gross Profit	**0.59**	**1%**	**48.77**	**16%**	**(48.18)**	**-99%**
General and Administrative Expenses	20.73	44%	107.69	36%	(86.96)	-81%
Equity in Net Loss of Associates	2.67	6%	5.40	2%	(2.73)	-51%
Other charges - net	(1.15)	-2%	9.44	3%	(10.59)	-112%
Loss Before Income Tax	**(21.66)**	**-46%**	**(73.75)**	**-25%**	**52.09**	**-71%**
Provision for (Benefit from) Income Tax	(0.88)	-2%	2.82	1%	(3.71)	-131%
Net Loss	**(20.78)**	**-44%**	**(76.58)**	**-26%**	**55.80**	**-73%**
Other Comprehensive Income	14.16	0%	2.33	1%	11.84	509%
Total Comprehensive Loss	**(6.62)**	**-14%**	**(74.25)**	**-25%**	**67.63**	**-91%**

	March 31, 2020 Amount	December 31, 2019 Amount	Amount Change	% Increase (Decrease)
Total Assets	690.81	713.94	(23.13)	-3%
Total Liabilities	671.53	688.05	(16.52)	-2%
Total Equity	19.28	25.89	(6.62)	-26%

For the first quarter of 2020, the Group's total revenue was ₱47.0 million, a decrease of 84% compared to the first quarter of 2019 which was ₱299.51 million. In terms of bottom line, as compared to 2019 first quarter, the net loss of the Group decreased by 73% for the first 3 months of 2020 (from ₱76.58 million to ₱20.78 million). The drop in the topline and net loss was mainly due to the sale of Yondu back to Globe Telecoms Inc. In 2019, 80% of the Group's revenue came from Yondu, hence the decline in total revenue. Though Yondu generated profit, it is also the major company that incurred majority of the expenses.

The blended cost of services as of March 31, 2020 went down by 87% from ₱221.55 million to ₱29.63 million as compared to the three-month period ended March 31, 2019. Cost of goods sold attributable to other services was ₱16.78 million for Q1 of 2020 compared to ₱29.19 million figure for the first quarter of 2019.

Gross profit margins on total revenues, for the period ended March 31, 2020 was at 1%, a decrease from the same period last year of 16%. Gross profit decreased by 99% from ₱48.77 million for the first quarter of 2019 to ₱0.59 million for the same period in 2020.

General and administrative expenses decreased by 81%, from ₱107.69 million for the first quarter of 2019 to ₱20.73 million for the same period in 2020. Overall, the decrease in cost of services and GAEX was the result of the separation of Yondu's expenses from the Group. Aside from that, the Group has undertaken several cost reduction initiatives to lower expenses.

The Company also shares in the recorded net loss of the associate companies it has invested in, which amounted to ₱2.67 million for the three-month period ended March 31, 2020 (a 51% decrease from first quarter of 2019). Lower net loss of associate companies accompanied by reported tax benefit resulted to a decline in net loss for first quarter of 2020 compared to that same period in 2019 (from ₱5.40 million to ₱2.67 million).

Consolidated total assets slightly dropped by 3% from ₱713.94 million for the period ended December 31, 2019 to ₱690.81 million of the first 3 months of 2020. 67% of total assets in the first quarter of 2020 were composed of noncurrent assets particularly, investment in associates. The remaining 33% came from current assets namely, cash, accounts receivable, contract assets and other current assets.

Consolidated total liabilities also went down by 2% from ₱688.05 million as of December 31, 2019 to ₱671.53 million in March 31, 2020 due to lower trade payables. Lastly, consolidated total equity reduced to ₱19.28 million for March 31, 2020 from December 31, 2019 equity of ₱25.89 million as a result of the net loss incurred during the period.

Segment Financial Performance

For the 3-month period ended March 31, 2020 In PhP Millions	**Mobile Consumer Services**	**Enterprise Services**	**Other Services**	**Intersegment Adjustments**	**Consolidated**
Revenue from services	9.94	25.15	2.17	(8.99)	28.28
Revenue from sale of goods	-	-	18.72	-	18.72
Total Service Revenues	**9.94**	**25.15**	**20.90**	**(8.99)**	**47.00**
Operating expenses	23.14	14.08	26.63	3.29	67.14
Equity in net loss of associates	-	-	-	2.67	2.67
Other charges (income) - net	5.66	0.09	0.29	(7.19)	(1.15)
Total Expenses	**28.80**	**14.18**	**26.92**	**(1.23)**	**68.66**
Operating Loss	**(18.85)**	**10.97**	**(6.02)**	**(7.76)**	**(21.66)**
Provision from income tax	(0.10)	(0.00)	(0.00)	0.99	0.88
Net Loss	**(18.96)**	**10.97**	**(6.02)**	**(6.77)**	**(20.78)**

Xurpas Group operates under Mobile Consumer Services, Enterprise Services and Other Services segments. Prior to eliminations, for the three-month period ended March 31, 2020, the Group's enterprise business generated the highest revenue which is ₱25.15 million followed by other services which posted a revenue of ₱20.90 million and mobile consumer business with ₱9.94 million. (Note that after intersegment adjustments, revenue for Mobile Consumer services is ₱0.96 million and net loss is ₱25.73.) Out of the three business sources, only the enterprise business posted a net income of ₱10.97 million.

Profitability

For the three-month period ended March 31, 2020 compared with the three-month period ended March 31, 2019.

Revenues

The consolidated revenues of the Group for the three-month period ended March 31, 2020 amounted to ₱47.00 million, a decrease of 84% from ₱299.51 million the same period of the previous year.

The service income component of total revenues is comprised of the following segments:

Segment	Description	Subsidiaries
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing and advertising solutions integrated in mobile casual games and platforms	• Xurpas Parent Company • Art of Click

Enterprise services	Revenues derived from the provision of mobile platform solutions to corporate and government clients, information technology (IT) staff augmentation and consultancy services, various enterprise solutions-based services to Telcos and other companies for network, platform and applications development	• Seer • Xurpas Enterprise • Xurpas Parent Company
Other services	Revenues derived from services related to the proprietary platform called "Flex Benefits System" and "Ace" (formerly "Kudos") which allows employees to convert their employee benefits to other benefits which includes sale of goods	• Storm Technologies

In PhP Millions	For the 3 months ended March 31					
	2020		2019		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Enterprise services	25.15	54%	259.38	86%	(234.23)	-90%
Mobile consumer services	0.96	2%	7.74	3%	(6.79)	-88%
Other services	20.90	44%	32.39	11%	(11.49)	-35%
Total Revenues	**47.00**	**100%**	**299.51**	**100%**	**(252.51)**	**-84%**

Similar to the first quarter of 2019, the enterprise services contributed the most to the Group's revenue for the first 3 months of 2020 with 54% revenue contribution. Other services and mobile consumer services likewise posted revenue contribution of 44% and 2% respectively.

Revenue from enterprise services went down by 90% from ₱259.38 million in March 2019 to ₱25.15 million on March 31, 2020 with the absence of Yondu revenue as a result of its sale back to Globe Telecoms Inc. Lower revenue of ₱20.90 million for other services was posted for the first quarter of 2020 vis-à-vis ₱32.39 million for the same period in 2019. Lastly, the mobile consumer services further declined from ₱7.74 million of the first three-months of 2019 to ₱0.96 million as of March 31, 2020 as there has been no recovery on the value-added services (VAS) business with Globe and the digital advertising business.

Expenses

In PhP Millions	For the 3 months ended March 31					
	2020		2019		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	29.63	44%	221.55	62%	(191.93)	-87%
Cost of Goods Sold	16.78	25%	29.19	8%	(12.42)	-43%
General and Administrative Expenses	20.73	31%	107.69	30%	(86.96)	-81%
Total Expenses	**67.14**	**100%**	**358.43**	**100%**	**(291.29)**	**-81%**

The Group's consolidated expenses during the three-month period ended March 31, 2020 amounted to ₱67.14 million, an 81% decrease from the same period of the previous year at ₱358.43 million. For the first three months of 2020, cost of services accounted for the bulk of expenses, totaling ₱29.63 million or 44% of the Group's consolidated expenses. For the same period in 2019, cost of services amounted to ₱221.55 million, which comprised 62% of overall expenses. Decline in overall expenses was due to the elimination of Yondu's expenses as a result of its sale to GTI.

Cost of Services

In PhP Millions	For the 3 months ended March 31					
	2020		2019		Amount Change	% Increase
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	19.02	64%	170.91	77%	(151.89)	-89%
Depreciation	5.97	20%	9.30	4%	(3.33)	-36%
Outsourced services	1.98	7%	3.82	2%	(1.83)	-48%
Webhosting	0.60	2%	13.48	6%	(12.87)	-96%
Others	2.05	7%	24.05	11%	(22.00)	-91%
Total Expenses	**29.63**	**100%**	**221.55**	**100%**	**(191.93)**	**-87%**

Due to the deconsolidation of Yondu in 2019, the Group saw a drastic decline in cost of services amounting to ₱191.93 million or 87%. In particular, salaries, wages and employee benefits decreased significantly, from ₱170.91 million in 2019 to ₱19.02 million in 2020.

Cost of Goods Sold

For three-month period ended March 31, 2020, cost of goods sold took up 25% of the Group's consolidated expenses, amounting to ₱16.78 million. This figure was a decrease of 43% from its level at ₱29.19 million in March 31, 2019. The decline in cost of goods sold was directly attributable to the decrease in revenues of Storm Technologies.

General and Administrative Expenses

In PhP Millions	For the 3 months ended March 31					
	2020		2019		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Salaries, wages and employee benefits	8.65	42%	57.51	53%	(48.85)	-85%
Professional fees	3.86	19%	3.27	3%	0.58	18%
Depreciation	2.63	13%	13.72	13%	(11.09)	-81%
Others	5.60	26%	33.19	31%	(27.59)	-83%
Total Expenses	**20.73**	**100%**	**107.69**	**100%**	**(86.96)**	**-81%**

General and administrative expenses relating to the Group's operations, for the first three months of 2020 amounted to ₱20.73 million, lower by 81% compared to previous year's same period level of ₱107.69 million.

In comparison to the first quarter of 2019, salaries, wages and employee benefits contributed ₱57.51 million or 53% of total expenses. This was an 85% decline or ₱48.85 million. Professional fees registered a slight increase of ₱0.58 million.

Equity in Net Loss of Associates

The equity of the Group in the net loss of its associate companies for the three-month period ended March 31, 2020, amounted to ₱2.67 million, 51% lower than the ₱5.40 million net loss for the comparable period. The decrease in equity in net loss of associates was partially due to the net loss from Altitude SG and 9Lives.

Other Charges – net

For the first three months of 2020, the Group recognized other income amounting to ₱1.15 million. This account mainly consists of gain on sale of subsidiary (CTX), interest income and other income totaling to ₱3.86 million, partially offset by interest expense, bank charges and foreign exchange losses with aggregate amount of ₱2.71 million.

Loss before Income Tax

The Group's net loss before taxes for the three-month period ended March 31, 2020 was ₱21.66 million. The net loss before taxes for the Group declined by 71% or ₱52.09 million from the same period ended March 31, 2019, which posted a figure of ₱73.75 million.

Provision for (Benefit from) Income Tax

Due to incurring losses, the Group recognized a provision for income tax benefit for the three- month period ended March 31, 2020 amounting to P0.88 million.

Net Loss

The Group posted a consolidated net loss of ₱20.78 million for the three-month period ended March 31, 2020, a decrease of 73% from the previous year's same period at ₱76.58 million.

Total Comprehensive Income (Loss)

As of March 31, 2020, the Group's total comprehensive loss amounted to ₱6.62 million, a 91% decline compared to total comprehensive income of ₱74.25 million as of March 31, 2019.

<u>Financial Position</u>

As of March 31, 2020 compared to December 31, 2019.

Assets

Cash and Cash Equivalents

The Group's consolidated cash and cash equivalents amounted to ₱128.69 million for the three-month period ended March 31, 2020, a net decrease of 16% or ₱25.23 million from consolidated cash of ₱153.93 million as of December 31, 2019.

Accounts and Other Receivables

The Group's consolidated accounts and other receivables amounted to ₱51.86 million and ₱37.18 million as of March 31, 2020 and December 31, 2019, respectively, representing an increase of ₱14.68 million. Most of it came from trade receivables, other receivables and receivables from associates.

Contract Asset

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

The Group's consolidated contract asset totaled ₱9.49 million of March 31, 2020, an increase of ₱1.20 million from its previous level on December 31, 2019 at ₱8.29 million.

Other Current Assets

As of March 31, 2020, the Group's consolidated other current assets totaled ₱39.32 million, a decrease of ₱4.88 million or 10% from its previous level on December 31, 2019 of ₱44.20 million. Prepaid expenses, Creditable withholding taxes and Input VAT comprised majority of other current assets.

Financial assets at FVOCI

This account pertains to quoted and unquoted equity investments in Club Punta Fuego and Zowdow Inc. As of March 31, 2020, carrying value and net unrealized loss on financial assets at FVOCI recognized in the consolidated statement of financial position remained unchanged from its previous level on December 31, 2019 which both amounted to ₱0.44 million.

Investment in Associates

As of March 31, 2020, the Group's consolidated investment in associates had a slight decrease from ₱319.94 million during December 31, 2019 to ₱317.47 million. The breakdown of the carrying amounts of these investments are as follows: Micro Benefits Limited (₱278.02 million), Altitude Games Pte Ltd. (₱25.17 million), SDI (₱14.07 million), and CTX (₱0.20 million).

Property and Equipment

The Group's consolidated property and equipment was ₱7.75 million on March 31, 2020 vis-à-vis ₱8.76 million as of December 31, 2019. Additions and depreciation during the first three months of 2020 amounted to ₱0.50 million and ₱1.50 million, respectively. Property and equipment consisted of leasehold improvements, office equipment, information technology equipment and furniture and fixtures.

Right-of-use Assets

This account represents the right to use office spaces and computer equipment covered by non-cancellable lease agreements with terms ranging from 1.5 to 3 years. As of March 31, 2020, the Group recorded right-of-use assets with carrying amount of ₱3.81 million. Depreciation expense from right-of-use assets amounted to ₱1.16 million.

Intangible Assets

As of March 31, 2020, intangible assets amounted to ₱94.99 million, a 7% decrease from December 31, 2019 balance of ₱101.13 million. The components are goodwill, customer relationship, developed software, - and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group. As of March 31, 2020, goodwill is at ₱48.22 million.

- Developed software pertains to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As of March 31, 2020, net book value of developed software was ₱39.52 million. Amortization of developed software for the three-month period ended March 31, 2020 amounted to ₱5.72 million.

- Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination. As of March 31, 2020, leasehold rights net book value is at ₱1.43 million. Amortization of leasehold rights for the three-month period ended March 31, 2020 amounted to ₱0.21 million.

- Cryptocurrencies pertain to units of Bitcoin held by the Group as of March 31, 2020 valued at ₱5.82 million.

Other Noncurrent Assets

Other noncurrent assets amounted to ₱36.97 million as of March 31, 2020. This figure is 4% lower than the ₱35.46 million figure posted as of December 31, 2019.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables was at ₱442.07 million as of March 31, 2020. It decreased by 8% or ₱36.18 million from the December 31, 2019 figure of ₱478.25 million. The payables consisted of other payables, trade payables, payables to related parties, nontrade payables, accrued expenses, deferred output VAT and taxes payables.

Loans Payable

The Group recorded ₱51.02 million in current loans on March 31, 2020 and ₱52.13 million as of December 31, 2019. This is mainly attributable to the loans of Storm and Seer which are interest-bearing and short-term.

Contract Liability

Contract liabilities are obligations to transfer goods and services to customers from whom the Group has received consideration. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due. Contract liabilities are recognized as revenue when the Group performs under the contract.

The Group's consolidated contract liability as of March 31, 2020 amounted to ₱94.04 million, an increase of 38% from the December 31, 2019 figure of ₱68.05 million.

Income Tax Payable

The Group's consolidated income tax payable as of March 31, 2020 and December 31, 2019 was ₱3,184.

Advances from stockholders – net of current portion

This account pertains to the loan agreement entered into by the Parent Company on April 29, 2019 with its founders amounting to ₱150.00 million, subject to 5.50% interest rate per annum payable in three (3) years from date of agreement.

Lease liabilities

Lease liabilities pertain to long-term office lease and lease for the use of Seer's IT equipment. As of March 31, 2020 and December 31, 2019, lease liabilities totaled ₱3.14 million and ₱3.81 million, respectively, a slight decrease of ₱0.67 million mainly due to rent payments. Current and non-current portions as of March 31, 2020 amounted to ₱2.71 million and ₱0.43 million, respectively.

Deferred Tax Liability - net

As of March 31, 2020, the deferred tax liability was ₱5.96 million, a decrease of 14% or ₱0.98 million from ₱6.95 million as of December 31, 2019. This is primarily the deferred tax liability on fair value adjustment on intangible assets.

Pension Liability

The accrued pension of the Group was at ₱24.82 million as of March 31, 2019, which was unchanged from its levels on December 31, 2019.

Equity

Total Equity

The Group's total equity as of March 31, 2020 was at ₱19.28 million, a 26% decrease from its December 31, 2019 level of ₱25.89 million. The net decrease in total equity was a result of the net loss incurred by the Group during the period. Deficit increased to ₱3,204.85 million in the first quarter of 2020 vis-à-vis ₱3,184.20 million in end 2019.

Liquidity and Capital Resources

The Group's liquidity is primarily driven by cash flows from operating activities and cash reserves. The Group knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity. The Group is current on all of its accounts. The Group has some bank debt through the Parent Company and Seer Technologies Inc. which are short term in nature. The Group is not in breach or default on any loan or other form of indebtedness.

<u>Cashflows</u>

	For the 3 months ended March 31	
	2020	**2019**
In PhP Millions	**Amount**	**Amount**
Net cash provided by (used in) Operating Activities	(31.22)	20.25
Net cash provided by (used in) Investing Activities	(2.01)	(6.91)
Net cash provided by (used in) Financing Activities	(1.81)	67.46
Effect of foreign currency exchange changes in cash	9.81	3.86
Net increase (decrease) in cash	(25.23)	84.67
Cash at beginning of period	153.93	177.40
Cash at end of period	**128.70**	**262.07**

Cash Flows Provided by Operating Activities

For the first three months of 2020, operating loss before changes in working capital of ₱8.31 million was coupled with the corresponding increase in account receivables and account payables which resulted to ₱30.52 million net cash generated from operations. Together with interest received and income taxes paid, this resulted in a net cash used in operating activities of ₱31.22 million.

Cash Flows Used in Investing Activities

The Group's consolidated cash flows provided by investing activities for the first three months of 2020 was ₱2.01 million compared to ₱6.91 million used in the same period of 2019.

Cash Flows Used in Financing Activities

The cash flow used in financing activities for the first quarter of 2020 was ₱1.81 million which was a decrease of 103% in comparison to the cashflow in the same period in 2019. The cash flow used in financing activities were mainly from the payment of loans.

Capital Expenditure

The Group's capital expenditures for the nine-month period ended March 31, 2020 and the year ended December 31, 2019 amounted to nil and ₱4.50 million, respectively.

Key Financial Data In PhP Millions	**March 31, 2019 Additions**	**December 31, 2019 Additions**
Right-of-use Assets	-	3.51
IT Equipment	0.50	0.12
Leasehold Improvements	-	0.39
Office Equipment	-	0.29
Furniture and Fixtures	-	0.19
Leased Asset	-	-
	0.50	**4.50**

Additions of right-of-use assets resulted from adoption of PFRS 16.

Key Performance Indicators

The key performance indicators disclosed below present the financial performance of the Group as a whole. These are different with those in supplemental schedule of the consolidated financial statements which were prepared only for the analysis of financial performance attributable to the Parent Company.

The following are the key performance indicators of the Group and its majority-owned subsidiaries:

In Percentage	For the 3 months period ended March 31		For the year ended December 31, 2019
	2020	2019	
Liquidity Ratios			
Current Ratio	**39%**	64%	41%
Quick Ratio	**32%**	58%	33%
Asset-to-Equity Ratio	**585%**	193%	575%
Profitability Ratios			
Net Income Margin	**-43%**	-24%	-271%
Gross Margin	**1%**	16%	15%
Operating Margin	**-22%**	-13%	-256%
Return on Total Assets	**-3%**	-1%	-93%
Return on Equity	**-17%**	-29%	-186%
Debt Ratios			
Debt-to-Equity Ratio	**5.69x**	0.64x	5.55x
Interest Coverage Ratio	**-7.33x**	-5.70x	-64.75x

Liquidity Ratios

Current Ratio and Quick Ratio for the three-month period ended March 31, 2020 were 39% and 32%, respectively, a decrease from their respective 41% and 33% figures during the full year 2019. The decrease in both ratios was primarily from the significant decrease in current liabilities and minimal increase of current assets of the Group for that period.

Asset-to-Equity Ratio

The decrease in the asset-to-equity ratio from 575% in December 31, 2019 to 585% on March 31, 2020 was the result of the decrease in equity due to net loss incurred during the period.

Profitability Ratios

Profitability margins decreased from March 31, 2019, due to the overall business downturn. The result was a decrease in Gross Profit Margin (1%), Net Loss Margin (-43%), Operating Margin (-22%), Return on Total Assets (-3%) and an increase on Return on Equity (-17%).

Debt Ratios

Debt to Equity in March 31, 2020 was at 5.69x compared to 5.55x as of December 31, 2019. The decrease in the gearing ratio was attributed to the lower total liabilities as of March 31, 2020 compared to the previous year. Interest coverage ratio in March 31, 2020 was at -7.33x compared to -64.75x in December 31, 2019.

The manner by which the Company calculates the foregoing indicators is as follows:

Current Ratios

1. Current ratio $\dfrac{\text{Current assets}}{\text{Current liabilities}}$

2. Quick ratio $\dfrac{\text{Current assets – Other current assets}}{\text{Current liabilities}}$

Asset-to-equity Ratio	Total assets / Total equity attributable to Parent Company
Profitability Ratios	
1. Net income ratio	Net income attributable to Parent Company / Service income + Sale of goods
2. Gross margin	(Service income + Sale of goods) – (Cost of services + Cost of goods sold) / Service income + Sale of goods
3. Operating margin	Earnings before interest, tax, depreciation and amortization / Service income + Sale of goods
4. Return on total assets	Net income attributable to Parent Company / Average total assets
5. Return on total equity	Net income attributable to Parent Company / Average total equity attributable to the Parent Company
Debt Ratios	
1. Debt-to-equity ratio	Total Liabilities / Total equity attributable to Parent Company
Interest coverage ratio	Earnings before interest and tax / Interest expense

Other Disclosures:

i. Liquidity. To cover its short-term funding requirements, the Group intends to use internally generated funds and available short-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD. The Group can also obtain additional advances from its stockholders, refinance its short-term loans, renew its credit lines and negotiate for longer payment terms for its payables.

ii. Events that will trigger Direct or Contingent Financial Obligation. There are no events that will trigger direct or contingent financial obligations that are material to the Group, including and default or acceleration of an obligation.

iii. Material Off-balance sheet Transactions, Arrangements, Obligations. Likewise, there were no materials off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the group with unconsolidated entities or other persons created during the reporting period.

iv. Material Commitments for Capital Expenditure. There are no material commitments for capital expenditures.

v. Material Events/ Uncertainties. There are no new trends, events, or uncertainties that are expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations. The Group's financial challenges in 2019 are being addressed through the following: continuous venture into new revenue potentials, cost cutting measures, and entry of new strategic investors.

vi. Results of Operations. There were no significant elements of income or loss that did not arise from continuing operations.

vii. Seasonality. The effects of seasonality or cyclicality on the operations of the Group's business are confined to its mobile consumer and other services segment.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned, on AUG 1 4 2020.

Issuer: **XURPAS INC.**

By:

NICO JOSE S. NOLLEDO
Chairman of the Board

ALEXANDER D. CORPUZ
President

FERNANDO JUDE F. GARCIA
Treasurer

COVER SHEET

SEC Registration Number

A	2	0	0	1	1	7	7	0	8	

Company Name

XURPAS INC. AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town/Province)

7th Floor, Cambridge Centre 108 Tordesillas St. Salcedo Village, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
info@xurpas.com	**889-6467**	**N/A**

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
26	**2nd Monday of May**	**June 30**

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Alexander D. Corpuz	**mar@xurpas.com**	**889-6467**	**N/A**

Contact Person's Address

7th Floor Cambridge Centre, 108 Tordesillas St. Salcedo Village, Makati City

***Note**: 1*. In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **June 30, 2020**

2. Commission identification number **A200117708**

3. BIR Tax Identification No **219-934-330**

4. **Xurpas Inc.**
   Exact name of issuer as specified in its charter

   Philippines
5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: [ ] (For SEC Use Only)

   7F Cambridge Centre, 108 Tordesillas St., Salcedo Village, Makati City **1227**
7. Address of issuer's principal office Postal Code

   (632) 889-6467
8. Issuer's telephone number, including area code

   Not Applicable
9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Shares	**1,871,830,210**

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [✓] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
    Philippine Stock Exchange Common Shares 1,797,700,660

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
    Yes [✓] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.
    Yes [✓] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Unaudited Interim Condensed Consolidated Statements of Financial Position
As at June 30, 2020 (with Comparative Audited Consolidated Statements of Financial Position as at December 31, 2019)

Unaudited Interim Condensed Consolidated Statements of Income and Comprehensive Income
For the Six-Month Periods Ended June 30, 2020 and 2019

Unaudited Interim Condensed Consolidated Statements of Changes in Equity
For the Six-Month Periods Ended June 30, 2020 and 2019

Unaudited Interim Condensed Consolidated Statements of Cash Flows
For the Six-Month Periods Ended June 30, 2020 and 2019

Notes to Unaudited Interim Condensed Consolidated Financial Statements

Attachments:

Schedule I: Map Showing the Relationships Between and Among the Companies in the Group, Its Subsidiaries and Associate
Schedule II: Schedule of All Effective Standards and Interpretations under Philippine Financial Reporting Standards
Schedule III: Reconciliation of Retained Earnings Available for Dividend Declaration
Schedule IV: Financial Ratios

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The MD&A is a discussion and analysis of the Company's financial position as at June 30, 2020 and December 31, 2019 and performance for the six-month periods ended June 30, 2020 and 2019. The primary objective of this MD&A is to help the readers understand the dynamics of the Company's business and the key factors underlying the Company's financial results.

The MD&A as of and for the six-month period ended June 30, 2020 and 2019 should be read in conjunction with the unaudited interim condensed consolidated financial statements and the accompanying notes.

PART I--FINANCIAL INFORMATION

Item 1. – FINANCIAL STATEMENTS

XURPAS INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalent (Notes 5 and 25)	**₱99,146,819**	₱153,929,046
Accounts and other receivables (Notes 6 and 25)	**52,550,798**	37,182,831
Contract assets (Note 7)	**9,494,141**	8,290,141
Other current assets (Note 9)	**37,777,723**	44,201,116
Total Current Assets	**198,969,481**	243,603,134
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (Notes 8 and 25)	**440,000**	440,000
Investments in associates (Note 10)	**324,787,686**	319,936,508
Property and equipment (Note 11)	**5,285,976**	8,763,883
Right-of-use asset (Note 19)	**3,389,987**	4,612,485
Intangible assets (Note 12)	**90,169,124**	101,129,808
Other noncurrent assets	**38,093,904**	35,457,027
Total Noncurrent Assets	**462,166,677**	470,339,711
	₱661,136,158	₱713,942,845
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 13 and 25)	**₱445,937,528**	₱478,249,032
Loans payable (Notes 14 and 25)	**45,834,992**	52,130,272
Contract liabilities (Note 7)	**93,644,913**	68,048,657
Current portion of lease liabilities	**2,552,685**	2,775,923
Income tax payable	–	3,184
Total Current Liabilities	**587,970,118**	601,207,068
Noncurrent Liabilities		
Advances from stockholders - net of current	**50,470,853**	54,033,333
Finance lease - net of current	**134,513**	1,033,602
Deferred tax liabilities – net	**5,429,755**	6,951,740
Pension liabilities	**24,823,772**	24,823,772
Total Noncurrent Liabilities	**80,858,893**	86,842,447
Total Liabilities	**668,829,011**	688,049,515
Equity (Capital deficiency)		
Equity (Capital deficiency) attributable to equity holders of Xurpas Inc.		
Capital stock (Note 23)	**193,492,585**	193,492,585
Additional paid-in capital (Note 23)	**3,585,092,298**	3,585,092,298
Deficit (Note 23)	**(3,228,547,967)**	(3,184,802,325)
Net unrealized loss on financial assets at FVOCI (Note 8)	**(44,254,956)**	(44,254,956)
Cumulative translation adjustment	**62,847,275**	47,950,210
Retirement benefit reserve	**(2,571,739)**	(2,571,739)
Equity reserve (Notes 22 and 23)	**(363,424,608)**	(363,424,608)
Treasury stock (Note 23)	**(107,418,911)**	(107,418,911)
	95,213,977	124,062,554
Noncontrolling interests	**(102,906,830)**	(98,169,224)
Total Equity (Capital deficiency)	**(7,692,853)**	25,893,330
	₱661,136,158	₱713,942,845

See accompanying Notes to Interim Condensed Consolidated Financial Statements

XURPAS INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the six-month period ended		For the three-month period ended	
	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)	**June 30, 2020 (Unaudited)**	June 30, 2019 (Unaudited)
INCOME				
Service income (Note 15)	**₱44,950,983**	₱590,095,010	**₱16,671,378**	₱321,104,203
Sale of goods	**21,719,611**	50,052,682	**2,996,366**	19,529,391
	66,670,594	640,147,692	**19,667,744**	340,633,594
COST AND EXPENSES				
Cost of services (Note 16)	**61,083,554**	462,592,499	**31,453,928**	241,037,599
Cost of goods sold	**20,169,492**	40,083,674	**3,388,323**	10,896,374
	81,253,046	502,676,173	**34,842,251**	251,933,973
GENERAL AND ADMINISTRATIVE EXPENSES (Note 17)	**39,380,591**	214,472,948	**18,650,301**	106,786,315
EQUITY IN NET LOSSES (EARNINGS) OF ASSOCIATES (Note 10)	**(4,648,778)**	7,527,926	**(7,319,484)**	2,129,892
OTHER CHARGES – NET (Note 18)	**1,112,982**	20,274,886	**2,261,658**	10,834,249
	35,844,795	242,275,760	**13,592,475**	119,750,456
LOSS BEFORE INCOME TAX	**(50,427,247)**	(104,804,241)	**(28,766,982)**	(31,050,835)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 21)	**(1,860,739)**	10,552,970	**(978,323)**	7,730,101
NET LOSS	**(48,566,508)**	(115,357,211)	**(27,788,659)**	(38,780,936)
OTHER COMPREHENSIVE INCOME				
Item that may be reclassified to profit or loss in subsequent periods:				
Cumulative translation adjustment	**14,980,325**	7,285,582	**817,860**	4,958,169
TOTAL COMPREHENSIVE INCOME LOSS	**(₱33,586,183)**	(₱108,071,629)	**(₱26,970,800)**	(₱33,822,767)

(Forward)

	For the six-month period ended		For the three-month period ended	
	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)	**June 30, 2020 (Unaudited)**	June 30, 2019 (Unaudited)
Net income (loss) attributable to:				
Equity holders of Xurpas Inc.	**(₱43,745,642)**	(₱118,284,342)	**(₱23,699,700)**	(₱47,676,765)
Noncontrolling interests	**(4,820,866)**	2,927,131	**(4,088,960)**	8,895,829
	(₱48,566,508)	(₱115,357,211)	**(₱27,788,660)**	(₱38,780,936)
Total comprehensive income (loss) attributable to:				
Equity holders of Xurpas Inc.	**(₱28,848,577)**	(₱111,791,839)	**(₱22,901,281)**	(₱43,511,656)
Noncontrolling interests	**(4,737,606)**	3,720,210	**(4,069,519)**	9,688,889
	(₱33,586,183)	(₱108,071,629)	**(₱26,970,800)**	(₱33,822,767)
Earnings (Loss) Per Share (Note 24)				
Basic	**(₱0.02)**	(₱0.06)	**(₱0.01)**	(₱0.03)
Diluted	**(₱0.02)**	(₱0.06)	**(₱0.01)**	(₱0.03)

See accompanying Notes to Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	June 30	
	2020 (Unaudited)	2019 (Unaudited)
EQUITY (CAPITAL DEFICIENCY) ATTRIBUTABLE TO EQUITY HOLDERS OF XURPAS INC.		
CAPITAL STOCK - ₱0.10 par value (Note 23)		
Authorized – 5,000,000,000 shares		
Issued and outstanding		
Balance at beginning and end of period	**₱193,492,585**	₱193,492,585
ADDITIONAL PAID-IN CAPITAL (Note 23)		
Balance at beginning and end of period	**3,585,092,298**	3,592,076,662
RETAINED EARNINGS (DEFICIT) (Note 23)		
Appropriated		
Balance at beginning and end of period	**115,464,275**	115,464,275
Unappropriated		
Balance at beginning of period	**(3,300,266,600)**	(671,838,812)
Net loss	**(43,745,642)**	(118,284,342)
Balance at end of period	**(3,344,012,242)**	(790,123,154)
	(3,228,547,967)	(674,658,879)
NET UNREALIZED LOSS ON FINANCIAL ASSETS AT FVOCI (Note 9)		
Balance at beginning and end of period	**(44,254,956)**	(44,219,956)
CUMULATIVE TRANSLATION ADJUSTMENT		
Balance at beginning of period	**47,950,210**	34,451,988
Movement during the period	**14,897,065**	6,492,503
Balance at end of period	**62,847,275**	40,944,491
RETIREMENT BENEFIT RESERVE		
Balance at beginning and end of period	**(2,571,739)**	5,475,312
EQUITY RESERVE (Notes 22 and 23)		
Balance at beginning and end of period	**(363,424,608)**	(402,222,322)
TREASURY STOCK (Note 23)		
Balance at beginning of period	**(107,418,911)**	(115,464,275)
Sale of treasury shares	**–**	510,000
Balance at end of period	**(107,418,911)**	(114,954,275)
	95,213,977	2,595,933,618
NONCONTROLLING INTERESTS		
Balance at beginning of period	**(98,169,224)**	759,368,776
Increase in NCI	**–**	7,082,805
Cumulative translation adjustment	**83,260**	793,079
Net income (loss)	**(4,820,866)**	2,927,131
Balance at end of period	**(102,906,830)**	770,171,791
	(₱7,692,853)	₱3,366,105,409

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	June 30	
	2020 (Unaudited)	2019 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱50,427,247)**	(₱104,804,241)
Adjustments for:		
Depreciation and amortization (Notes 16 and 17)	**15,110,922**	45,765,706
Interest expense (Note 18)	**4,810,721**	18,672,417
Equity in net losses (earnings) of associates (Note 10)	**(4,648,778)**	7,527,926
Interest income (Note 5)	**(570,157)**	(185,027)
Unrealized foreign currency exchange gain	**(4,257)**	(10,063)
Realized foreign exchange loss on sale of cryptocurrencies	−	447,254
Loss on sale of cryptocurrencies	−	189,520
Provision for impairment loss	−	1,300,211
Loss on disposal of property and equipment	−	277,925
Operating loss before changes in working capital	**(35,728,796)**	(30,819,825)
Changes in working capital		
Decrease (increase) in:		
Accounts and other receivables and contract assets – net	**(16,571,967)**	(14,743,470)
Other current assets	**6,423,392**	(7,415,035)
Increase (decrease) in:		
Accounts and other payables	**(36,324,370)**	46,033,249
Contract liabilities	**25,596,256**	9,039,105
Net cash generated from (used in) operations	**(56,605,485)**	2,094,024
Interest paid	**(1,482,662)**	(18,809,358)
Interest received	**570,157**	185,027
Income taxes paid	**335,570**	(9,057,540)
Net cash used in operating activities	**(57,182,420)**	(25,587,847)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of intangible assets	−	2,058,018
Proceed from sale of PPE	−	1,834,105
Acquisition of intangible assets	**(74,175)**	−
Additions to property and equipment (Note 11)	**(558,325)**	(11,379,247)
Increase in noncurrent assets	**(2,636,876)**	(4,325,761)
Net cash used in investing activities	**(3,269,375)**	(11,812,885)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from stockholders	−	150,000,000
Increase in NCI	−	7,082,805
Dividends paid	−	(299,788)
Payment of loans payable	**(6,295,280)**	(25,602,896)
Net cash provided by (used in) financing activities	**(6,295,280)**	131,180,121
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH	**11,964,848**	6,628,192
NET INCREASE(DECREASE) IN CASH	**(54,782,227)**	100,407,581
CASH AT BEGINNING OF PERIOD	**153,929,046**	177,396,187
CASH AT END OF PERIOD (Note 5)	**99,146,819**	₱277,803,768

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

Xurpas Inc. (the Parent Company or Xurpas) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on November 26, 2001. The principal activities of the Parent Company and its subsidiaries (collectively referred to as the Group) are to develop, produce, sell, buy or otherwise deal in products, goods or services in connection with the transmission, receiving, or exchange of voice, data, video or any form or kind of communication whatsoever.

The Parent Company's registered office address and principal place of business is at 7th Floor, Cambridge Centre, 108 Tordesillas St. Salcedo Village, Makati City.

On December 2, 2014, the Parent Company's shares of stock were listed in the Philippine Stock Exchange (PSE).

The accompanying interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on August 14, 2020.

2. **Summary of Significant Accounting Policies**

Basis of Preparation

The interim condensed consolidated financial statements of the Group as at June 30, 2020 and for the six-month periods ended June 30, 2020 and 2019, have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*.

Accordingly, the interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements as at and for the year ended December 31, 2019.

The interim condensed consolidated financial statements are presented in Philippine Peso (₱), the Group's presentation currency. All amounts were rounded-off to the nearest Peso, except when otherwise indicated. The interim condensed consolidated financial statements have been prepared under the historical cost basis, except for except for financial assets at fair value through other comprehensive income (FVOCI), available-for-sale (AFS) financial assets which have been measured at fair value and financial liabilities at fair value through profit or loss (FVPL).

Statement of Compliance

The accompanying interim condensed consolidated financial statements of the Group as at June 30, 2020 and December 31, 2019 and for the six-month periods ended June 30, 2020 and 2019 have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Xurpas Inc. and its subsidiaries as at June 30, 2020 and December 31, 2019.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect that return through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other voter holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls and investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group obtains control until the date the Group ceases to control the subsidiary.

Noncontrolling interests ("NCI") represent the portion of profit or loss and net assets in a subsidiary not wholly owned and are presented separately in the consolidated statement of comprehensive income and consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from the Parent Company's equity.

Total comprehensive income within a subsidiary is attributed to the noncontrolling interest even if that results in a deficit balance.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any noncontrolling interest and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

As at June 30, 2020 and December 31, 2019, the consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

	Percentage Ownership		
	June 30, 2020	December 31, 2019	**Principal Activities**
Xeleb Technologies Inc. (formerly Fluxion, Inc.) (Xeleb Tech)	100.00%	67.00%	Enterprise services and mobile consumer services
Xeleb Inc. (Xeleb)	100.00	67.00	Mobile consumer services
Seer Technologies, Inc. (Seer)	70.00	70.00	Enterprise services
Codesignate Inc. (Codesignate)*	52.50	52.50	Enterprise services
Storm Technologies, Inc. (formerly Storm Flex Systems, Inc.) (Storm)	51.31	51.31	Human resource management
Pt. Storm Benefits Indonesia (Storm Indonesia)**	51.31	51.31	Human resource management
Allcare Technologies, Inc.**	51.31	51.31	Human resource management
Xurpas Enterprise Inc. (Xurpas Enterprise)	100.00	100.00	Enterprise services
Art of Click Pte. Ltd. (AOC)	100.00	100.00	Mobile consumer services
ODX Pte. Ltd. (ODX)	100.00	100.00	Enterprise services
CTX Technologies Inc.	−	100.00	Enterprise services

**Codesignate is a 75%-owned subsidiary of Seer. The Group's effective ownership over Codesignate is 52.50%. The Group has determined that it has control over the entity and consolidates the entity on this basis.*
*** Storm Indonesia and Allcare are 100%-owned of Storm Technologies, Inc.*

All subsidiaries are domiciled in the Philippines except for Storm Indonesia, which is domiciled in Indonesia, and AOC and ODX, which are domiciled in Singapore.

<u>Xeleb Technologies, Inc.</u>
Xeleb Technologies, Inc. was organized to primarily engage in the business of mobile content development.

In 2019, Deeds of Absolute Sale were executed for the acquisition by the Parent Company of the remaining 33% stake in Xeleb Technologies from its minority stakeholders for a total consideration of ₱4.00 million. This brought Parent Company's interest in Xeleb Technologies to 100%.

On September 11, 2019, the board of directors of the Parent Company approved the dissolution of Xeleb Technologies.

<u>Xurpas Enterprise Inc.</u>
On March 23, 2016, the Parent Company incorporated Xurpas Enterprise. Xurpas Enterprise shall primarily engage in the business of software development including designing, upgrading and marketing all kinds of information technology systems or parts thereof and other related services.

<u>Xeleb Inc.</u>
On July 14, 2015, the Parent Company incorporated Xeleb Inc., a mobile games company domiciled in the Philippines. Xeleb was organized primarily to design, develop, test, build, market, distribute, maintain, support, customize, sell and/or sell applications, games, software, digital solutions, whether internet, mobile or other handheld applications, portals, hardware and other related projects and services, except internet provider services, both for proprietary and custom development purposes.

On September 11, 2019, the board of directors of the Parent Company approved the dissolution of Xeleb.

<u>Storm Technologies, Inc.</u>
The Parent Company's ownership is 56.60% of the outstanding capital stock of Storm as of December 31, 2017. In 2018, Storm issued 3,601 common shares to various individuals for a total of ₱11.97 million. This brought down the Parent Company's ownership from 56.60% to 53.96% of the outstanding capital stock of Storm, which resulted in a transfer of the Parent Company's share in the accumulated net losses of Storm to the noncontrolling

interest amounting to ₱3.19 million. Net increase in NCI amounted to ₱8.78 million. No change in control resulted from the said transaction.

In 2019, Storm issued 3,985 common shares to various individuals for a total consideration of ₱4.38 million. This brought down the Parent Company's ownership from 53.96% to 51.31% of the outstanding capital stock of Storm. Net increase in NCI amounted to ₱4.38 million. No change in control resulted from the said transaction.

Storm's primary purpose is to create, develop and maintain an online platform that allows companies to exchange their current human resources benefits given to employees and transform them into a wide range of products and services, provide client management services, data management and information processing services, software network management services, software development services, consultancy, project and program management, marketing solutions, information technology services and business process outsourcing services to various companies.

Art of Click Pte. Ltd.
On October 6, 2016, the Parent Company signed a Share Purchase Agreement with Emmanuel Michael Jean Allix and Wavemaker Labs Pte. Ltd. (the "Sellers") for the acquisition of 100% stake in Art of Click for an aggregate consideration of ₱1.94 billion in cash and in Parent Company's shares (see Note 23).

AOC is engaged in the business of mobile media agency that offers a marketing platform for advertisers.

ODX Pte. Ltd.
On April 27, 2018, the Parent Company incorporated a wholly-owned subsidiary in Singapore, ODX, with the following principal activities: 1) other information technology and computer service activities (e.g., disaster recovery services) and 2) development of software for interactive digital media (except games).

CTX Technologies Inc. ("CTX")
On October 16, 2018, the Parent Company incorporated a wholly-owned subsidiary, CTX, an entity engaged as a remittance and transfer company, to operate as a virtual currency exchange.

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year except for the new PFRS, amended PFRS and improvements to PFRS which were adopted beginning January 1, 2020. Adoption of these new standards and amendments did not have any significant impact on the consolidated financial position or performance unless otherwise indicated.

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

- Amendments to PAS 1, *Presentation of Financial Statements,* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

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

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

Standards and Interpretation Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Group does not expect that the future adoption of the said pronouncements to have a significant impact on the consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Deferred Effectivity

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

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

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Current and Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current / noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair value measurement

Fair value is the estimated 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:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

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

The Group 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 consolidated financial statements are categorized within the fair value hierarchy (see Note 26).

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Instruments - initial recognition and subsequent measurement

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

a. Financial assets

Initial recognition of financial instrument

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables are measured at the transaction price determined under PFRS 15. Refer to the accounting policies on revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost
The Group measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective 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.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes "Cash" and "Accounts and other receivables" (except for "Advances to employees" which are subject to liquidation), "Refundable deposits" under other current assets, and "Cash bond" under other noncurrent assets.

Financial assets at FVOCI (debt instruments)
The Group measures debt instruments at FVOCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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 debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group has not designated any financial assets under this category.

Financial assets at FVOCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in

OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its quoted and unquoted equity investments under this category.

Financial assets at FVPL
Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of comprehensive income.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as other income in profit or loss when the right of payment has been established.

The Group has designated its unquoted debt investments under this category.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the statement of financial position) when:

- The rights to receive cash flows from the asset have expired
  Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of Financial Assets and Contract Assets
The Group recognizes an allowance for ECLs for all debt instruments not held at FVPL and contract assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix for trade receivables and contract assets that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets such as receivable from related parties, other receivables, refundable deposits under other current assets, cash bond under other noncurrent assets and financial assets at FVOCI (debt instruments), ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, where there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables and contract assets in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 60 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

b. Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include "Accounts and other payables" (except "Deferred output VAT", "Taxes payable" and provision relating to PSA and statutory payables included as "Others"), "Loans payable" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVPL
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial liabilities are only designated as at FVPL when one of the following criteria are met. Such designation is determined on an instrument-by- instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the liabilities or recognizing gains or losses on them on a different basis; or
- The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited

Financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Group's own credit risk. Such changes in fair value are recorded in equity reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument.

Financial liabilities arising from amounts received under the Share and Token Allocation Agreement classified as "Nontrade payables" under "Accounts and other payables" were designated at FVTPL as it contains embedded derivatives.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to short-term debts.

Other Financial Liabilities
Issued financial instruments or their components, which are not designated at FVPL, are classified as accounts payable and accrued expenses where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to 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. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR 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. Any effect of restatement of foreign currency-denominated liabilities is recognized in profit or loss.

This accounting policy applies to the Group's "Accounts and other payables" (except "Deferred output VAT", "Taxes payable" and provision relating to PSA and statutory payables included as "Others") and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

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

<u>Investments in Associates</u>
The Group's investments in its associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

An investment is accounted for using the equity method from the day it becomes an associate. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the associate.

Under the equity method, the investment in an associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the associate, less any impairment in values. The consolidated statement of comprehensive income reflects the share of the results of the operations of the associate company. The Group's share of post-acquisition movements in the associate's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the associate company are eliminated to the extent of the interest in the associate company and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investment in associate company is reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the associate company. When the associate company subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances. When necessary, adjustments are made to bring the reporting dates and accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

<u>Inventories</u>
Inventories are stated at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

<u>Property and Equipment</u>
Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price and other directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. It excludes the cost of day-to-day servicing.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the property and equipment which are as follows:

	Years
Transportation equipment	3 to 5
Office equipment	2 to 4
Information Technology (IT) equipment	2 to 4
Furniture and fixtures	3 to 5
Leased asset	3 to 5
Leasehold improvements	Useful life or lease term, whichever is shorter

The estimated residual values, useful life and depreciation and amortization method are reviewed at least annually to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

If there is an indication that there has been a significant change in depreciation and amortization rate or the useful lives, the depreciation of that property and equipment is revised prospectively to reflect the new expectations.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged against current operations.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Cryptocurrencies which are not held in the ordinary course of business are recognized as intangible assets as these are identifiable non-monetary asset without physical substance.

Following initial recognition, intangible assets (other than cryptocurrencies) are carried at cost less any accumulated amortization and accumulated impairment losses. Cryptocurrencies are subsequently carried at revalued amount, being its fair value at the date of the revaluation less any accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The estimated useful lives of intangible assets follow:

	Years
Customer relationships	Indefinite
Cryptocurrencies	Indefinite
Leasehold rights	7
Developed software	5 – 8

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

If an intangible asset's carrying amount is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

If the cryptocurrencies' carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance in the revaluation surplus in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of goods sold.

<u>Business Combinations and Goodwill</u>

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any noncontrolling interests in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms' economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognized either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests) and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

When goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measure based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree’s identifiable assets, liabilities or contingent liabilities or the cost of combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Noncontrolling interests

In a business combination, as of the acquisition date, the Group recognizes, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. There is a choice of two measurement methods for those components of noncontrolling interests that are both present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of a liquidation. They can be measured at:

a. acquisition-date fair value (consistent with the measurement principle for other components of the business combination); or
b. at their proportionate share of the value of net identifiable assets acquired.

Written put option over NCI

Any put options granted to noncontrolling interests give rise to a financial liability measured at fair value, which will be the present value of the redemption amount. The Group’s accounting policy on financial instruments applies for the subsequent measurement of the financial liability.

The Group assesses whether the terms and conditions of the option give the acquirer present access to the ownership interest in the share subject to the put option. Factors that indicate that the NCI put provides a present ownership interest include:

a. pricing - to the extent that the price is fixed or determinable, rather than being at fair value;
b. voting rights and decision-making – to the extent that the voting rights or decision-making connected to the shares concerned are restricted;
c. dividend rights – to the extent that the dividend rights attached to the shares concerned are restricted; and
d. issue of call options – a combination of put and call options, with the same period of exercise and same/similar pricing indicates that the arrangement is in the nature of a forward contract.

If it is concluded that the acquirer has a present ownership interest in the shares concerned, the put option is accounted for as an acquisition of the underlying shares, and no noncontrolling interest is recognized.

When the terms of the transaction do not provide a present ownership interest, the noncontrolling interests continues to be recognized within equity until the NCI put is exercised. The carrying amount of noncontrolling interest changes due to allocations of profit or loss, changes in other comprehensive income and dividends declared for the reporting period. The financial liability for the put option is recognized through a debit made to another component of equity attributable to the parent.

If the put option is exercised, the entity accounts for an increase in its ownership interest. At the same time, the entity derecognizes the financial liability and recognizes an offsetting credit in the same component of equity reduced on initial recognition.

If the put option expires unexercised, the financial liability is reclassified to the same component of equity that was reduced on initial recognition.

Combinations of Entities under Common Control
Business combinations of entities under common control are accounted for using the pooling of interests method. The pooling of interest method is generally considered to involve the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity under the "Equity reserve" account.

The financial information in the consolidated financial statements are not restated for periods prior to the combination of the entities under common control.

Impairment of Nonfinancial Assets
The Group assesses at each financial reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Investments in associates
The Group also determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount and the carrying value of the associate company and recognizes the difference in profit or loss.

In assessing impairment indicators, the Group considers, as a minimum, the following indicators: (a) dividends exceeding the total comprehensive income of the associate in the period the dividend is declared; or (b) the carrying amount of the investment in the separate financial statements exceeding the carrying amount of the associate's net assets, including goodwill.

Intangible assets with indefinite useful life
Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level and when circumstances indicate that the carrying value may be impaired.

Impairment of goodwill
For assessing impairment of goodwill, a test of impairment is performed annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGUs is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

<u>Equity</u>
Capital stock and additional paid-in capital
Capital stock is measured at par value for all shares issued. When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital". When the shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. The costs of an equity transaction that is abandoned are recognized as an expense.

Treasury shares
Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Retained earnings (deficit)
Retained earnings represent the cumulative balance of net income or loss, dividend distributions, prior period adjustments, effects of the changes in accounting policy and other capital adjustments.

Unappropriated retained earnings
Unappropriated retained earnings represent the portion of retained earnings that is free and can be declared as dividends to stockholders.

Appropriated retained earnings
Appropriated retained earnings represent the portion of retained earnings which has been restricted and therefore is not available for dividend declaration.

Equity reserve
Equity reserve represents:
(a) a portion of equity against which the recognized liability for a written put option was charged;
(b) gains or losses resulting from increase or decrease in ownership without loss of control; and
(c) difference between the consideration transferred and the net assets acquired in common control business combination.

<u>Revenue Recognition</u>
Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognized when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

Service income
Service income consists of revenue from Value Added Services (VAS) and Business Process Outsourcing (BPO). BPO is further subdivided into IT Staffing, Custom Development and Managed Services, and Products.

VAS are mobile and content application services provided to mobile subscribers. Revenue is recognized at a point in time, that is when services are delivered to the customers during the period.

IT staffing is a business segment where the Group deploys resources to clients to fulfill their IT requirements. Revenue is recognized at a point in time, that is when services are rendered to the customers during the period.

Custom Development and Managed Services are services offered to customers that are produced in the Company's premises. Revenue is recognized over time and at a point in time. In measuring the progress of its performance obligation over time for Custom Development, the Group uses the output method which measures progress based on the completion of proportion of work done and requires technical determination by the IT specialists.

Products are readily available solutions that will cater to customers' requirements. Revenue is recognized at a point in time, that is when goods are delivered to the customers during the period.

Sale of goods
Revenue from the sale of goods in the ordinary course of activities is measured at the fair value of the consideration received or receivable, net of discounts and applicable taxes. Revenue is recognized at a point in time, which is normally upon delivery.

For the year ended December 31, 2019, the Group has no variable consideration but the timing of revenue recognition resulted in contract assets and liabilities.

<u>Contract Balances</u>
Receivables
A receivable represents the Group’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional (e.g., warranty fees).

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer (e.g., upfront fees, implementation fees, subscription fees, etc.). If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Interest income
Interest income is recognized as it accrues using the effective interest method.

Other income
Other income is recognized as they accrue.

<u>Cost and Expenses</u>
“Cost of services”, “Cost of goods sold”, and “General and administrative expenses” are expenditures recognized in the consolidated statement of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measure reliably. The following specific recognition criteria must also be met before costs and expenses are recognized:

Cost of services
Cost that includes all expenses associated with the specific sale of services. Cost of services include salaries, wages and employee benefits, utilities and communication, supplies and other expenses related to services. Such costs are recognized when the related sales have been recognized.

Cost of goods sold
Cost of goods sold consists of inventory costs related to goods which the Group has sold. Inventory costs include all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

General and administrative expenses
General and administrative expenses constitute expenses of administering the business and are recognized in profit or loss as incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee
Except for short-term leases and leases of low-value assets, the Group applies a single recognition and measurement approach for all leases. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of cost to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Office space	1.5 to 3 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in Impairment of nonfinancial assets section.

ii) Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments 9e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases
The Group applies the short-term lease recognition exemption to its short-term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Income tax
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting period.

Deferred tax
Deferred tax is provided using the liability method on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and NOLCO can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will not reverse in the foreseeable future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic associates and interests in joint ventures.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the financial reporting date. Movements in deferred tax assets and liabilities arising from changes in tax rates are charged or credited to income for the period.

Deferred tax relating to items outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

Value-Added Tax (VAT)
Revenue, expenses and assets are recognized net of the amount of sales tax except:

- Where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,
- Receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of other current assets or payables in the consolidated statement of financial position.

Pensions and other long-term employee benefits
The net pension liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any).

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.
Remeasurements comprising actuarial gains and losses are recognized immediately in the consolidated statements of financial position with a corresponding debit or credit through other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

The Group also provided other long-term employee benefit obligations to an employee of a subsidiary as remuneration for the services provided by the employee to the subsidiary, which are to be settled in cash. A liability and expense for the long-term employee benefit is recognized when the services have been rendered and is amortized during the period of entitlement.

Foreign Currency Transactions
The Group's consolidated financial statements are presented in Philippine Peso, which is also the Parent Company and the subsidiaries' functional currency, except for AOC and ODX, which is US dollar, and Storm Indonesia, which is Indonesian Rupiah. The Philippine peso is the currency of the primary economic environment in which the Parent Company operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions denominated in foreign currencies are initially recorded in Philippine Peso at the exchange rate at the date of transaction. Foreign currency-denominated monetary assets and liabilities are retranslated at the closing rate at reporting date. Exchange gains or losses arising from foreign currency transactions are recognized in profit or loss.

As at reporting date, the assets and liabilities of subsidiaries whose functional currency is not the Philippines Peso are translated into the presentation currency of the Parent Company (the Philippine Peso) at the closing rate as at the reporting date, and the consolidated statement of income accounts are translated at monthly weighted average exchange rate. The exchange differences arising on the translation are taken directly to a separate component of equity under "Cumulative translation adjustment" account. Upon disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

Investments in foreign associates are translated to Philippine Peso using the closing exchange rate prevailing at reporting date. The Group's share in the results of operations of the foreign investee is translated using the exchange rate at the dates of the transactions or, where practicable, the rate that approximates the exchange rates at the dates of the transactions, such as the average rate for the period. Any resulting exchange difference is recognized as a separate component of equity.

Earnings Per Share (EPS)
Basic EPS is computed by dividing net income for the year attributable to common stockholders of the parent by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year attributable to common stockholders of the parent by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares, if any.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and serves different markets. Financial information on business segments is presented in Note 26 of the consolidated financial statements.

Provisions
Provisions are recognized when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

This policy also applies to proceeds received from the Token Pre-Sale Agreement for which management has assessed that it has a present constructive obligation to the token investors.

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

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes when an inflow of economic benefits is probable.

This policy also applies to agreements which the Group entered into with certain advisors for which the services received are to be paid through internally generated tokens in the future and for which the obligation cannot be measured with sufficient reliability.

Events after the Reporting Period
Post year-end events up to date when the consolidated financial statements are authorized for issue that provide additional information about the Group's position at the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. **Significant Accounting Judgments and Estimates and Assumptions**

The preparation of the accompanying consolidated financial statements in compliance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments and estimates used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statement. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

a. *Going concern assessment*

The management has made an assessment of the Group's ability to continue as a going concern and is satisfied that it can continue in business for the foreseeable future (see Note 1). The Group incurred net loss of ₱48.57 million, and net operating cash outflows of ₱63.01 million for the six-month period ended June 30, 2020. As of June 30, 2020 the Group's current liabilities exceeded its current assets by ₱387.95 million. Management has considered this in their assessment and has concluded that the ability to continue as a going concern is mainly dependent on future actions such as continuous venture into new revenue potentials, cost cutting measures, and entry of new strategic investors.

Management does not have plans to liquidate and continues to believe that the Group is in a unique position being one of the few technology companies that can assist companies in their digital transformation initiatives and develop marketing promotions for consumer and enterprise businesses.

b. *Determination of control over investment in subsidiaries*

The Group determined that it has control over its subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following were also considered:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual agreements
- The Group's voting rights and potential voting rights

c. *Existence of significant influence over associates*

The Group determined that it exercises significant influence over its associates (see Note 10) by considering, among others, its ownership interest (holding 20% or more of the voting power of the investee) and board representation.

d. *Capitalization of development costs*

The Group determined that intangible assets arising from development qualify for recognition by determining that all of the following are present:

i. The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
ii. Intention to complete and its ability and intention to use or sell the asset;
iii. How the asset will generate future economic benefits;
iv. The availability of resources to complete the asset; and
v. The ability to measure reliably the expenditure during development.

e. *Determination of constructive obligation arising from cryptocurrency transactions*

The Group determined that a constructive obligation exists based on the terms of the agreements and the general expectations of the counterparties.

Management's Use of Estimates

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

a. *Evaluating impairment of goodwill, intangible assets with indefinite useful lives and investments in associates*
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less cost 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 for 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 Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the growth rates, earnings before interest, taxes, depreciation and amortization (EBITDA) margins, working capital and capital expenditures used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Group.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level and when circumstances indicate that the carrying value may be impaired.

The carrying value of goodwill as of June 30, 2020 and December 31, 2019 amounted to ₱48.22 million.

Investment in associate is tested for impairment when circumstances indicate that the carrying value may be impaired.

The carrying values of investments in associates amounted to ₱324.79 million and ₱319.94 million as of June 30, 2020 and December 31, 2019, respectively (see Note 10).

b. *Revenue recognition*
The Group's revenue recognition require management to make use of estimates that may affect the reported amount of revenue. The Group's revenue from sale of services for development projects recognized based on the percentage of completion are measured principally on the basis of the estimated completion of the development services. In measuring the progress of its performance obligation over time, the Group uses the output method which measures progress based on the completion of proportion of work done and requires technical determination by the Group's specialists.

c. *Provisions and contingencies*
The Group is currently involved in assessments for national taxes. The estimate of the probable costs for the resolution of these assessments has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these assessments will have a material effect on the Group's consolidated financial position and results of operation.

d. *Provision for expected credit losses of trade receivables and contract assets*
The Group uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss pattern.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As of June 30, 2020 and December 31, 2019, allowance for impairment losses on accounts and other receivables amounted to ₱249.86 million and ₱263.09 million, respectively (see Note 6).

e. *Realizability of deferred tax assets*
The Group reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the subsidiaries of the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized. The Group looks at its projected performance in the sufficiency of future taxable income.

4. Seasonality of Interim Operations

The Group is subject to the seasonality of revenue realization due to Storm's Flexible Benefits Program. Historically, Storm's sales tend to increase in the second half of the year as observed from its customer behavior to likely avail their converted benefits towards the end of the year.

5. Cash and cash equivalent

This account consists of:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Cash on hand	**₱303,629**	₱104,525
Cash in banks	**98,843,190**	52,751,583
Cash equivalent	–	101,072,938
	₱99,146,819	₱153,929,046

Cash in banks earn interest at the prevailing bank deposit rates.

Interest income earned from cash in banks amounted to ₱0.57 million and ₱0.06 million for the six-month periods ended June 30, 2020 and 2019, respectively.

6. Accounts and Other Receivables

This account consists of:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade receivables	**₱274,584,991**	₱273,387,545
Receivable from related parties (Note 21)	**10,716,544**	10,377,902
Advances to employees	**2,315,332**	2,389,525
Others	**14,797,634**	14,113,381
	302,414,501	300,268,353
Less: Allowance for impairment loss	**249,863,703**	263,085,522
	₱52,550,798	₱37,182,831

Trade receivables arise from the mobile content development, mobile solution and key platform development services rendered by the Group to its customers. These are noninterest-bearing and are generally settled on a 30- to 60-day term.

Receivable from related parties are noninterest-bearing and are due and demandable.

Advances to employees mainly pertain to advances which are subject to liquidation.

Others are noninterest-bearing and are generally collectible within one year.

The table below shows the movements in the provision for impairment losses of trade receivables:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
At beginning of year	**₱263,085,522**	₱265,024,372
Provisions (Note 17)	**−**	(3,299,668)
Write-off	**−**	(7,305,401)
Sale of subsidiary	**−**	(6,153,477)
Translation adjustments	**(13,221,819)**	14,819,696
	₱249,863,703	₱263,085,522

7. Contract Balances

This account consists of:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Contract assets	**₱9,494,141**	₱8,290,141
Contract liabilities	**93,644,913**	68,048,657

Contract assets are initially recognized for revenues earned from custom development as receipt of consideration is conditional on successful completion of proportion of work. Upon completion of performance obligation and acceptance by the customer, the amount recognized as contract assets are reclassified to trade receivables.

Contract liabilities consist of collections from customers under custom development services which have not qualified for revenue recognition.

8. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of period	**₱440,000**	₱475,000
Unrealized gain on financial assets at FVOCI	**−**	(35,000)
	₱440,000	₱440,000

The roll forward analysis of net unrealized loss on financial assets at FVOCI follows:

	June 30	
	2020 (Unaudited)	2019 (Unaudited)
Balance at beginning of period	**(₱44,254,956)**	(₱44,219,956)
Unrealized gain on financial assets at FVOCI	**−**	(35,000)
Balance at end of period	**(₱44,254,956)**	(₱44,254,956)

Unrealized loss on financial assets at FVOCI is recognized under “Other comprehensive income” in the consolidated statements of comprehensive income.

Carrying amount of the investments in financial assets at FVPL and financial assets at FVOCI as at June 30, 2020 and December 31, 2019 are as follow:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Quoted shares		
Club Punta Fuego	**₱440,000**	₱440,000
Unquoted equity investment		
Zowdow Inc.	**44,244,956**	44,244,956
Less: Unrealized loss on financial assets at FVOCI	**(44,244,956)**	(44,244,956)
	–	–
	₱440,000	₱440,000

The quoted shares are categorized under the Level 2 of the fair value hierarchy. The unquoted equity and debt investments are categorized under Level 3 (Note 25).

Quoted equity investments
Quoted equity instruments consist of investment in golf club shares.

Unquoted equity investments
In April 2015, the Group acquired 666,666 million shares of Series A Preferred Stock of Zowdow Inc. ("Zowdow"), formerly Quick.ly, Inc. ("Quick.ly"), at a purchase price of $1.50 per share for a total investment of US$999,999 or ₱44.24 million. As at June 30, 2020 and December 31, 2019, the Group holds a 3.56% ownership of Zowdow on a fully-diluted basis.

Fair value of unquoted equity investments was determined using prices from recent sales at arm's length transaction. No unrealized gain or loss was recognized during the year for these investments (Note 26).

Unquoted debt investments
MatchMe Pte. Ltd.
On November 2, 2015, the Group acquired a convertible promissory note for US$300,000 (₱14.06 million) issued by MatchMe Pte. Ltd. ("MatchMe"), an associate of the Group based in Singapore (Note 10). On February 11, 2016, the Group acquired additional convertible promissory note issued by MatchMe for US$500,000 (₱23.89 million). On October 7, 2016, the Group acquired additional convertible promissory note issued by MatchMe for US$300,000 (₱14.55 million).

Altitude Games Pte. Ltd.
On January 19, 2016, the Group purchased a convertible promissory note for US$400,000 (₱19.26 million) issued by Altitude Games Pte. Ltd. ("Altitude Games"), an associate of the Group. On September 21, 2016, the Group acquired additional convertible promissory note for US$200,000 (₱9.60 million) issued by Altitude Games.

Einsights Pte, Ltd.
On September 30, 2015, the Group purchased a convertible promissory note for US$500,000 (₱23.48 million) issued by Einsights Pte, Ltd. ("Einsights"), a Singapore-based technology solutions provider with operations in Singapore, Vietnam, Hong Kong, India, Australia, Canada and Switzerland.

Pico Candy Pte. Ltd.
In August 2013, the Group invested in Pico Candy Pte. Ltd.'s convertible bonds amounting to SG $0.10 million, which is equivalent to ₱3.60 million. Pico Candy Pte. Ltd. operates a digital sticker distribution platform. It was founded in 2013 and is based in Singapore.

9. Other Current Assets

This account consists of:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Input VAT	**₱14,287,684**	₱15,427,616
Prepaid expenses	**5,345,483**	3,925,070
Creditable withholding tax	**8,313,990**	6,911,430
Restricted cash equivalent	**5,060,129**	5,060,129
Inventories	**1,821,704**	245,717
Deferred input VAT	**1,725,014**	2,287,689
Cash held in trust	**–**	10,000,000
Rental deposit	**1,094,812**	689,200
Refundable deposit	**1,705,309**	1,230,667
	39,354,125	45,777,518
Less: Allowance for impairment	**1,576,402**	1,576,402
	₱37,777,723	₱43,511,916

Prepaid expenses mainly pertain to advances to contractors, deposits and advances to rentals and prepaid professional fees.

Creditable withholding taxes pertain to prepaid taxes recognized at the amount withheld at source upon payment, and can be carried forward and claimed as tax credit against income tax due.

Input VAT represents VAT imposed on the Company by its suppliers for the acquisition of goods and services.

Deferred input VAT represents input VAT related to unpaid balances for the services availed by the Group. These will be recognized as input VAT and applied against output VAT upon payment. Any remaining balance is recoverable in future periods.

Inventories include purchases of goods to be sold. These are carried at cost.

10. Investments in Associates

This account consists of:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Cost		
Balance at beginning of period	**₱577,561,081**	₱577,561,081
Addition	**202,401**	–
Balance at end of period	**577,763,482**	577,561,081
Equity in net earnings (losses) during the period		
Balance at beginning of period	**(166,378,090)**	(133,091,435)
Share in net earnings (losses) during the period	**4,648,777**	(33,286,655)
Balance at end of period	**(161,729,313)**	(166,378,090)
Cumulative translation adjustment		
Balance at beginning of period	**15,901,005**	11,525,824
Movement during the period	**–**	4,375,181
Balance at end of period	**15,901,005**	15,901,005
Impairment	**(107,147,488)**	(107,147,488)
	₱324,787,686	₱319,936,508

The equity in cumulative translation adjustments represents exchange differences arising from the translation of financial statements of the foreign operations, whose functional currency is other than Philippine Peso.

The Group's equity in the net assets of associates and the related percentages of ownership are shown below:

	Percentages of Ownership		Carrying Amounts	
	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)	**June 30, 2020 (Unaudited)**	December 31, 2019 (Audited)
Micro Benefits Limited	23.53%	23.53%	**₱283,166,014**	₱281,545,160
MatchMe Ltd.	29.10%	29.10%	**–**	–
Altitude Games Pte. Ltd	21.78%	21.78%	**25,780,114**	24,601,980
PT Sembilan Digital Investama	49.00%	49.00%	**15,639,157**	13,789,368
Altitude Games Inc.	21.17%	21.17%	**–**	–
CTX Technologies Inc.	20.00%	–	**202,401**	–
			₱324,787,686	₱319,936,508

Micro Benefits Limited
On March 9, 2016, the Parent Company acquired 718,333 new Series C Preferred Shares equivalent to a 23.53% stake in Micro Benefits Limited ("Micro Benefits") for US$10.00 million. Micro Benefits, a company registered in Hong Kong, is engaged in the business of providing employee benefits to Chinese workers through its operating company, Micro Benefits Financial Consulting (Suzhou) Co. Ltd., located in China.

MatchMe Pte. Ltd.
On March 30, 2015, the Parent Company acquired 1,000,000 ordinary shares of MatchMe Pte. Ltd. ("MatchMe"), an international game development company based in Singapore, for a total consideration amounting to ₱60.47 million.

In 2016, MatchMe issued 325,385 common shares to various individuals which resulted in the decrease in the Parent Company ownership interest from 31.52% to 28.59%.

In 2018, MatchMe issued 1,547,729 ordinary shares worth US$0.079 per share or a total of US$122,944. The Group subscribed to 467,820 ordinary shares for a total of US$37,161 or ₱1,977,018 resulting in an increase in percentage ownership from 28.59% to 29.10%.

Altitude Games Pte. Ltd.
On December 11, 2014, the Parent Company acquired 11.76% stake for 13.33 million ordinary shares in Altitude Games, a Singaporean IT company engaged in computer game development and publishing. The Parent Company paid ₱17.98 million as consideration for the said investment.

On the same date, Mr. Nico Jose S. Nolledo, a stockholder, assigned its 11.36 million ordinary shares representing 10.02% ownership in Altitude Games pursuant to the Deed of Assignment with the Parent Company. Accordingly, the Parent Company recognized a payable to a stockholder amounting to ₱15.24 million from the said assignment which was subsequently paid in 2015.

PT Sembilan Digital Investama
On March 26, 2015, the Parent Company acquired 147 shares representing 49% shareholdings in PT Sembilan Digital Investama (SDI) amounting to ₱10.83 million. The acquisition gave the Parent Company access to PT Ninelives Interactive ("Ninelives"), a mobile content and distribution company in Indonesia, which SDI owns.

Altitude Games Inc.
On July 22, 2015, the Parent Company subscribed to 211,656 shares of stock or 21.17% shareholdings in Altitude Games Inc. ("Altitude Philippines"), an affiliate of Altitude Games. Altitude Philippines engages in the business of development, design, sale and distribution of games and applications.

On July 22, 2015, the Parent Company subscribed to 211,656 shares of stock or 21.17% shareholdings in Altitude Games Inc. ("Altitude Philippines"), an affiliate of Altitude Games. Altitude Philippines engages in the business of development, design, sale and distribution of games and applications.

CTX Technologies Inc.
On March 30, 2020, the board of directors approved the sale of 80% ownership in CTX to Mr. Fernando Jude Garcia, a founder of the Parent Company, for a total amount of ₱4.00 million. As at the date of disposal, carrying value of CTX's net assets amounted to ₱1.01 million. Accordingly, as a result of the deconsolidation of CTX, the Group recorded "Gain on sale of subsidiary" amounting to ₱3.19 million and "Investment in associate" amounting to ₱0.20 million.

As at June 30, 2020 and December 31, 2019, there are no capital commitments relating to the Group's interests in its associates.

The Group considers an associate with material interest if its net assets exceed 5% of its total consolidated net assets of the Group as of reporting period and considers the relevance of the nature of activities of the entity compared to other operations of the Group. There are no significant restrictions on the Parent Company's ability to use assets and settle liabilities of the Group.

11. Property and Equipment

The Group acquired property and equipment amounting to ₱0.56 million and ₱75.39 million during the six-month period ended June 30, 2020 and June 30, 2019, respectively. Depreciation expense amounted to ₱2.78 million and ₱13.94 million for the six-month periods ended June 30, 2020 and 2019, respectively.

12. Intangible Assets

This account consists of:

June 30, 2020

	Goodwill	Developed Software	Leasehold Rights	Crypto-Currencies	Total
Cost					
At beginning of period	**₱2,004,469,603**	**₱103,416,043**	**₱5,150,312**	**₱6,081,778**	**₱2,119,117,736**
Additions	−	**74,175**	−	−	**74,175**
Translation adjustment	−	−	−	**(279,782)**	**(279,782)**
At end of period	**₱2,004,469,603**	**103,490,218**	**5,150,312**	**5,801,996**	**2,118,912,129**
Accumulated amortization					
At beginning of period	−	**58,234,341**	**3,505,967**	−	**61,740,308**
Amortization (Note 18)	−	**10,325,885**	**429,193**	−	**10,755,078**
At end of period	−	**68,560,226**	**3,935,160**	−	**72,495,386**
Allowance for impairment	**1,956,247,619**	−	−	−	**1,956,247,619**
Net Book Value	**₱48,221,984**	**₱34,929,992**	**₱1,215,152**	**₱5,801,996**	**₱90,169,124**

December 31, 2019

	Goodwill	Customer Relationship	Developed Software	Leasehold Rights	Crypto-currencies	Total
Cost						
At beginning of period	₱2,544,617,520	₱1,077,809,700	₱208,845,306	₱17,378,812	₱5,484,591	₱3,854,135,929
Additions	−	−	2,520,997	−	1,253,879	3,774,876
Disposals	−	−	−	−	(2,652,458)	(2,652,458)
Revaluation surplus	−	−	−	−	1,995,765	1,995,765
Sale of subsidiary	(540,147,917)	(1,077,809,700)	(108,569,519)	(12,228,500)	−	(1,738,755,636)
At end of period	2,004,469,603	−	102,796,784	5,150,312	6,081,777	2,118,498,476
Accumulated amortization						
At beginning of period	−	−	87,763,575	8,593,303	−	96,356,878
Amortization (Note 16)	−	−	30,744,703	1,900,378	−	32,645,081
Sale of subsidiary	−	−	(60,893,197)	(6,987,713)	−	(67,880,910)
At end of period	−	−	57,615,081	3,505,968	−	61,121,049
Impairment (Note 17)	1,956,247,619	−	−	−	−	1,956,247,619
Net Book Value	₱48,221,984	₱−	₱45,181,703	₱1,644,344	₱6,081,777	₱101,129,808

Goodwill
Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group.

Developed software
Developed software pertain to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment.

Leasehold rights
Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination.

Cryptocurrencies
Cryptocurrencies pertain to units of Bitcoin held by the Group as at June 30, 2020.

The fair value of cryptocurrencies was determined using quoted market prices in active markets categorized under Level 1 of fair value hierarchy. As at June 30, 2020 and December 31, 2019, the fair value of Bitcoin is valued at USD3,742.70 per unit. For the six-month period ended June 30, 2020 and for the year ended December 31, 2019, unrealized loss amounting to nil and Php2.55 million, respectively, was recognized as a result of revaluation of cryptocurrencies.

During the six-month periods ended June 30, 2020 and 2019, the Group sold cryptocurrencies with cost amounting to nil and ₱2.69 million, respectively. The Group recognized "Loss from sale of cryptocurrencies" and "Foreign exchange gain" under "Other income (charges)" amounting to nil and ₱0.19 million, respectively (see Note 19).

The amortization expense of intangible assets recognized in "Depreciation and amortization" under "Cost of services" in the consolidated statements of comprehensive income amounted to ₱10.76 million and ₱18.18 million for the six-month periods ended June 30, 2020 and 2019, respectively (see Note 17).

13. Accounts and Other Payables

This account consists of:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade payables	**₱121,418,314**	₱115,714,403
Payable to related parties (Note 20)	**102,721,868**	101,028,311

Nontrade payable	**51,974,782**	54,481,084
Accrued expenses	**15,598,324**	26,006,041
Deferred output VAT	**4,636,965**	1,708,501
Taxes payable	**4,582,865**	8,533,499
Others	**141,884,789**	170,777,193
	₱442,817,907	₱478,249,032

Trade payable represents the unpaid subcontracted services and other cost of services to third parties. These are noninterest-bearing and are normally settled within one year.

Nontrade payables include proceeds received by ODX under the Share and Token Allocation Agreement which grants the investor rights to certain shares of ODX and internally generated tokens in the future depending on the happening of certain events prior to termination of the agreement.

Accrued expenses mainly consist of accruals for salaries, professional fees, utilities, transportation and travel, rent, outsourced services and royalty. These are noninterest-bearing and are normally settled within one year.

Deferred output VAT represents deferral of output VAT related to trade receivables for the services rendered by the Group. These will be recognized as output VAT and applied against input VAT upon receipt of payment.

Taxes payable include output VAT after application of available input VAT and expanded withholding tax on payment of suppliers and employees' compensation which are settled within one year.

Others consist of statutory payables to SSS, Philhealth and HDMF. This account also includes provision relating to the Token Pre-Sale Agreements ("PSA") entered into by the Group, through ODX, with various investors for the sale of ODX tokens. These are noninterest-bearing and are normally settled within one year.

The table below shows the movements in the provision relating to the PSA:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of year	**₱134,499,466**	₱184,527,714
Additions	**−**	1,253,879
Cost incurred for platform development	**−**	(46,582,907)
Translation adjustments	**(6,187,401)**	(4,699,220)
	₱128,312,065	₱134,499,466

14. **Loans Payable**

This account pertains to short-term, unsecured and interest bearing 30- to 180- day term loans entered into by the Group with different local banks and non-banks, with interest rates of 4.00% to 7.60% and 4.00% to 5.8125% in 2020 and 2019, respectively.

The rollforward analysis of this account follow:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of the period	**₱52,130,272**	₱358,741,481
Availment of loans	**−**	9,735,561
Payment of loans	**(6,295,280)**	(316,346,770)
	₱45,834,992	₱52,130,272

Interest expense recognized in the consolidated statements of comprehensive income during the six-month periods ended June 30, 2020 and 2019 amounted to ₱4.76 million and ₱18.67 million, respectively (see Note 18).

There were no undrawn loan commitments, transaction costs and interest expenses capitalized as at June 30, 2020 and December 31, 2019.

15. Service Income

Service income, amounting to ₱44.95 million and ₱590.10 million for the six-month periods ended June 30, 2020 and 2019, respectively, pertain to revenues earned from mobile consumer products and services, mobile enterprise services and knowledge process outsourcing rendered by the Group to its major customer, GTI, and other telecommunication companies. Revenue from these segments are recognized at a point in time, except for revenues from Custom Development included under mobile enterprise services which are recognized over time.

For the six-month periods ended June 30, 2020 and 2019, the Group's revenue from GTI amounted to nil and ₱196.12 million, respectively, which comprise approximately 0% and 65%, respectively, of the total service income of the Group.

16. Cost of Services

Cost of services for the six-month periods ended June 30, 2020 and 2019 consists of:

	For the six-month period ended		For the three-month period ended	
	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)	**June 30, 2020 (Unaudited)**	June 30, 2019 (Unaudited)
Salaries, wages and employee benefits	**₱39,190,262**	₱349,395,971	**₱20,168,520**	₱178,485,424
Depreciation and amortization	**10,818,310**	18,329,918	**4,845,964**	9,029,088
Outsourced services	**4,827,093**	15,759,863	**2,844,120**	11,943,133
Consultancy fees	**1,406,022**	3,507,782	**805,261**	1,795,135
Web hosting	**1,244,805**	8,775,126	**640,261**	(4,702,316)
Rent (Note 20)	**984,285**	2,386,564	**930,285**	(426,011)
Segment fee and network costs	**343,733**	58,352,003	**118,019**	42,208,066
Utilities	**248,795**	1,418,989	**118,013**	490,006
Commission	**33,000**	2,552	–	2,552
Royalty fees	–	943,304	–	673,160
Prizes and winnings	–	16,499	–	16,499
Others	**1,987,249**	3,703,928	**983,485**	1,522,863
	₱61,083,554	₱462,592,499	**₱31,453,928**	₱241,037,599

17. General and Administrative Expenses

General and administrative expenses for the six-month periods ended June 30, 2020 and 2019 consists of:

	For the six-month period ended		For the three-month period ended	
	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)	**June 30, 2020 (Unaudited)**	June 30, 2019 (Unaudited)
Salaries, wages and employee benefits	**₱19,227,509**	₱111,766,525	**₱10,574,559**	₱54,258,919
Professional fees	**7,807,986**	10,167,734	**3,952,437**	6,893,836
Depreciation and amortization	**4,292,612**	27,435,788	**1,665,994**	13,720,277
Taxes and licenses	**1,666,902**	7,683,564	**468,980**	4,349,864
Rent	**1,243,085**	3,999,645	**311,900**	2,107,154
Utilities	**1,023,183**	6,692,621	**258,531**	3,848,848
Marketing and promotions	**916,733**	153,732	**191,355**	58,988
Dues and subscription	**478,636**	3,493,761	**260,759**	1,847,007
Insurance	**400,920**	811,816	**21,777**	417,736
Outsourced services	**344,679**	14,339,888	**93,799**	2,488,919
Transportation and travel	**309,969**	4,390,642	**150,398**	2,197,998
Advertising	**247,003**	632,837	**237,003**	364,244
Repairs and maintenance	**240,778**	3,533,417	**7,307**	(2,131,198)

Entertainment, amusement and recreation	**218,124**	2,347,825	**89,715**	1,241,532
Seminars and trainings	**208,527**	434,458	**1,671**	383,302
Supplies	**158,228**	2,171,663	**63,751**	1,264,384
Provision for impairment loss	−	1,300,211	−	1,300,211
Miscellaneous	**595,717**	13,116,821	**300,365**	12,174,294
	₱39,380,591	₱214,472,948	**₱18,650,301**	₱106,786,315

18. Other Charges - Net

This account consists of:

	For the six-month period ended		For the three-month period ended	
	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)	**June 30, 2020 (Unaudited)**	June 30, 2019 (Unaudited)
Interest expense	**₱4,810,721**	₱18,672,417	**₱2,210,570**	₱7,668,266
Bank charges	**222,404**	512,713	**117,815**	185,236
Gain (loss) on sale of cryptocurrencies	**–**	188,067	**–**	(1,453)
Foreign exchange gains (losses)	**(4,257)**	1,795,879	**(6,010)**	604,636
Other income	**(155,354)**	(709,163)	**(15,331)**	2,507,211
Interest income	**(570,157)**	(185,027)	**(45,386)**	(129,647)
Gain on sale of subsidiary	**(3,190,375)**	–	**–**	–
	₱1,112,982	₱20,274,886	**₱2,261,658**	₱10,834,249

Other income pertains to gain on curtailment, gain on reversal of payables and other miscellaneous income.

Interest expense consists of:

	For the six-month period ended		For the three-month period ended	
	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)	**June 30, 2020 (Unaudited)**	June 30, 2019 (Unaudited)
Interest on loans payable	**₱4,763,475**	₱18,672,417	**₱2,194,820**	₱7,668,266
Amortization of discount on lease liability	**47,246**	–	**15,750**	–
	₱4,810,721	₱18,672,417	**₱2,210,570**	₱7,668,266

19. Operating Lease Commitments

The Group entered into various lease agreements with third parties for the office spaces it occupies. Leases have terms ranging from one to three years and renewable subject to new terms and conditions to be mutually agreed upon by both parties.

Set out below are the movements and carrying amounts of right-of-use asset recognized as of June 30, 2020 and December 31, 2019:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Cost		
Balance at beginning of period	**₱16,396,951**	₱85,472,135
Additions	**–**	3,490,515
Sale of a subsidiary	**–**	(72,565,699)
Balance at end of period	**16,396,951**	16,396,951
Accumulated Depreciation		
Balance at beginning of period	**11,784,466**	7,536,575
Depreciation	**1,580,286**	21,315,066
Adjustment		16,508
Sale of a subsidiary		(17,074,282)
Translation adjustments	**(357,788)**	(9,401)
	13,006,964	11,784,466
	₱3,389,987	₱4,612,485

The rollforward analysis of lease liability as of December 31, 2019 follows:

	June 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of period	**₱3,809,525**	₱76,495,086
Additions	**–**	3,340,541
Accretion of interest	**47,246**	2,657,206
Payments	**(1,591,804)**	(21,833,337)
Sale of a subsidiary	**–**	(56,849,444)
Translation adjustment	**422,231**	(528)
Balance at end of period	**₱2,687,198**	₱3,809,525
Current lease liability	**₱2,552,685**	₱2,775,923
Noncurrent lease liability	**₱134,513**	₱1,033,602

Total rent expense charged under "Cost of services" and "General and administrative expenses" in the consolidated statements of comprehensive income amounted to ₱2.22 million and ₱6.39 million for the six-month periods ended June 30, 2020 and 2019, respectively (see Notes 16 and 17).

As at June 30, 2020 and December 31, 2019, the future minimum lease payments within one year under noncancellable operating leases amounted to ₱6.03 million.

20. Related Party Transactions

The Group, in the normal course of business, has transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture.

Terms and conditions of transactions with related parties
There have been no guarantees provided or received for any related party receivables and payables. These accounts are noninterest-bearing and are generally unsecured. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties. Impairment assessment is undertaken through examination of the financial position of the related party and market in which this related party operates.

Details of transactions with related parties and their outstanding payables to a related party as at June 30, 2020 and December 31, 2019 follow:

			Amount/ Volume		**Outstanding Balance**			
					June 30, 2020		December 31, 2019	
	Terms	**Conditions**	**June 30, 2020**	June 30, 2019	**Receivable**	**Payable**	Receivable	Payable
Associate								
Advances	Noninterest-bearing	Unsecured, no impairment	**338,642**	4,049,516	**₱10,716,544**	**₱–**	₱10,377,902	₱–
			338,642	4,049,516	**10,716,544**		10,377,902	–
Stockholders								
Payable to directors and officers (a-b)	Interest-bearing	Unsecured	**3,909,327**	–	**–**	**152,981,293**	–	153,071,966
Payable to directors and officers (c)	Noninterest-bearing	Unsecured	**–**	–	**–**	**–**	–	1,872,000
Advances (d)	One year; noninterest-bearing	Unsecured, no impairment	**–**	–	**–**	**211,428**	–	117,678
			₱3,909,327	₱–	**–**	**153,192,721**	–	145,061,649
					₱10,716,544	**₱153,192,721**	₱10,377,902	₱145,061,649

Associates:

a. In 2017, the Parent Company entered into a US$100,000 noninterest-bearing short-term loan agreement with Altitude Games for working capital purposes. As at June 30, 2020 and December 31, 2019, receivable from Altitude Games amounted to ₱5.26 million.

b. The Parent Company made payments on behalf of its associates. As at June 30, 2020 and December 31, 2019, outstanding balance amounted to ₱5.46 million and ₱5.12 million.

Stockholders:

a. In 2017, the Parent Company entered into a loan agreement with its directors amounting to US$1,945,758 or ₱97.15 million subject to 5% interest rate per annum. The Group recognized interest expense amounting to ₱2.46 million under "Other income (charges)" in its consolidated statements of comprehensive income. As at June 30, 2019, outstanding loans and interest payable amounted to ₱93.79 million and ₱7.13 million, respectively.

b. On April 29, 2019 the BOD approved the availment of loan from the Parent Company's founders with an aggregate amount of ₱150.00 million subject to 5.50% interest rate per annum. . The Group recognized interest expense amounting to ₱1.45 million under "Other income (charges)" in its consolidated statements of comprehensive income.

   As at June 30, 2020, outstanding loans and interest payable pertaining to this transaction amounted to ₱50.47 million and ₱1.59 million, respectively.

c. Payable to directors and officers also pertain to directors' fees still outstanding as of June 30, 2020 and December 31, 2019 amounting to nil and ₱1.87 million, respectively.

d. Advances from stockholders pertain to cash advances for operational and corporate-related expenses paid by a stockholder in behalf of the Group. These are noninterest-bearing and are due and demandable.

Compensation of key management personnel pertaining to short-term employee benefits amounted to ₱5.62 million and ₱35.19 million for the six-month periods ended June 30, 2020 and 2019, respectively.

21. Income Taxes

Provision for (benefit from) income tax for the six-month periods ended June 30, 2020 and 2019 consists of:

	June 30	
	2020 (Unaudited)	2019 (Unaudited)
Deferred	**(₱1,974,025)**	(₱5,001,013)
Current	**–**	15,524,933
Final	**113,286**	29,050
	(₱1,860,739)	(₱10,552,970)

22. Business Combinations and Acquisition of Noncontrolling Interests

Business Combinations

Art of Click Pte. Ltd.
On October 6, 2016, the Parent Company executed a Share Purchase Agreement for the acquisition of 100% shares of Art of Click Pte. Ltd. ("Art of Click") for an aggregate consideration of ₱1.40 billion in cash and in Parent Company's shares. Art of Click is a Singaporean start-up firm established in 2011 that specializes on mobile marketing solutions for advertisers, publishers, app developers, and other operators. Its key markets include Japan, Korea, Hong Kong, Taiwan, Southeast Asia, North America and Europe.

The Group considers the acquisition an opportunity to grow its mobile consumer services by increasing its content offering.

The cash consideration consists of (1) an Upfront Payment to the Sellers amounting to US$2,797,106 (₱135,379,930) and (2) cancellation of employee stockholder options through Parent Company's subscription to one ordinary share in the capital of AOC for US$2,202,894 (₱106,620,070). This was used to pay the AOC's Employee Stock Ownership Plan ("ESOP") shareholders.

The Xurpas shares to be issued to the Sellers consist of (1) an Upfront Payment amounting to US$19,451,739 payable in Xurpas shares to the Sellers on the acquisition date, (2) Installment Payment payable to the Sellers in Xurpas shares one year after the closing date and every year thereafter until three years after the closing date, and (3) a Deferred Purchase Consideration which shall be subject to a net income after tax floor per year that AOC has to meet as a condition precedent to the entitlement of the Sellers to the Deferred Purchase Consideration and payable in three (3) tranches. The aggregate amount of Deferred Payment Consideration for a three year deferred payment period shall in no case be greater than US$13,962,725. In the finalization of the purchase price, the parties have clarified that the Deferred Purchase Consideration shall be fixed at US$13,962,725 and shall not be subject to the performance metrics of AOC, and such is intentionally part of the original consideration. Accordingly, the Deferred Purchase Consideration was considered as part of the acquisition cost in the final purchase price.

The number of Xurpas shares to be issued at each tranche shall be determined using the average market value of Xurpas common shares fifteen (15) days before and fifteen (15) days after the closing date or each commitment date, as applicable, agreed to by the parties.

The Installment Payment payable and Deferred Purchase Consideration in the next three years amounting to ₱760.69 million was initially recognized under "Payable to former shareholders of a subsidiary" in the consolidated statements of financial position. These were measured at its fair value as at acquisition date using an assumed discount rate of 11.55%. In 2016, interest expense and foreign exchange loss amounting to ₱21.96 million and ₱22.78 million, respectively, were recognized in "Other income (charges)" in the consolidated statements of comprehensive income and is reflected in the net income attributable to the equity holders of the Parent Company. As of December 31, 2016, the outstanding payable to former shareholders of a subsidiary amounted to ₱805.43 million.

Included in the Share Purchase Agreement is a call option granting the Sellers an option exercisable within fifty one (51) months following the Closing Date and only upon the occurrence of a Call Option event to purchase from the Parent Company their respective proportionate share in the Sale Shares. This was subsequently waived.

In June 2017, the Parent Company entered into an agreement to reacquire the 53,298,242 common shares Upfront Payment issued at acquisition date to Emmanuel Michel Jean Allix ("Allix"), a former shareholder of AOC, for a consideration of US$532,983 or ₱26.65 million (see Note 24). On the same date, amendments were made to the share purchase agreement with Allix which (a) resulted in the payment of US$7.24 million or ₱358.50 million, (b) changed the manner of payment of the Installment Payment payable and Deferred Purchase Consideration from being partly in cash and Xurpas shares to solely in cash, and (c) changed the term of the Installment Payment payable from being payable in three years after the closing date to being payable within the year. The additional payment and the buyback of the common shares are linked transactions and in substance is accounted for as an equity transaction for accounting purposes. Based on the agreement, only the ₱26.65 million is presented as treasury shares while the remaining amount of ₱358.50 million is presented under equity reserve in the consolidated statements of financial position. The change from being payable in three years to being payable within the year resulted in the acceleration of the accretion of unamortized interest expense amounting to ₱26.00 million.

In October 2017, the Parent Company entered into an agreement to amend the share purchase agreement with Wavemaker Labs Pte. Ltd. ("Wavemaker"), a former shareholder of AOC, which provides for (a) the adjusted purchase price, (b) the change in manner of payment for the Installment Payment and Deferred Consideration pertaining to Wavemaker from being payable in Xurpas shares to cash, and (c) changed the term of the Installment Payment payable from being payable in three years after the closing date to being payable within the year. To implement these amendments, the Parent Company made a placement and subscription transaction involving 67,285,706 Xurpas listed shares of existing shareholders by way of a block sale through the facilities of the PSE in 2019. The amendments resulted in an additional payable to Wavemaker amounting to US$3.01 million or ₱153.96 million which was recognized as a loss under "Other income (charges)" in the consolidated statements of comprehensive income. The change in the timing of the payment resulted in an acceleration of the accretion of unamortized interest expense amounting to ₱4.92 million. The amendments were ratified by the BOD on February 22, 2018.

The 16,641,244 common shares initially issued to Wavemaker representing the Upfront Payment shall be placed by Wavemaker in an escrow agent who is authorized to sell these shares after these are listed. The allocation of the proceeds from the sale of these shares will be determined in the future subject to certain conditions.

In October 2017, Allix and Wavemaker executed a waiver of the second and third tranches of the Deferred Purchase Consideration. Since the waiver is not considered as a measurement period adjustment as allowed under PFRS 3 to adjust the recorded acquisition cost of the Parent Company's investment, the extinguishment of the liability amounting to US$7.11 million or ₱364.01 million is recognized as a gain under "Other Charges - Net" in the consolidated statements of comprehensive income. The Sellers also waived their call option on the shares.

In 2017, interest expense and foreign exchange losses amounting to ₱61.63 million and ₱26.59 million, respectively, were recognized in "Other income (charges)" in the consolidated statements of comprehensive income and is reflected in the net income attributable to the equity holders of the Parent Company. As of December 31, 2017, the remaining payable to former shareholders of a subsidiary amounted to ₱244.43 million.

The net assets recognized in the December 31, 2016 financial statements were based on a provisional assessment of their fair value while the Group sought an independent valuation for the intangible assets owned by AOC which was done by an appraiser accredited by the SEC.

The purchase price allocation has been prepared on a preliminary basis as the fair value of intangible asset (i.e., technology) is being finalized. The following are the preliminary fair values of the identifiable assets and liabilities assumed:

Assets	
Cash	₱205,580,070
Receivables	125,285,313
Property and equipment	634,945
Intangible asset	61,508,895
Other assets	2,197,610
	395,206,833
Forward	
Liabilities	
Accounts and other payables	₱270,986,228
Income tax payable	20,099,967
Deferred tax liability	18,452,669
	309,538,864
Total net assets acquired	85,667,969
Goodwill	1,856,808,730
Acquisition cost	₱1,942,476,699

In October 2017, the valuation was completed and the acquisition date fair value of the total net assets acquired was determined to be ₱85.67 million, an increase of ₱43.06 million over the provisional value of ₱42.61 million. The 2016 comparative information was restated to reflect the adjustments to the provisional amounts. As a result, an intangible asset for AOC's developed software amounting to ₱61.51 million was recognized. The Deferred Purchase Consideration amounting ₱544.29 million was included as acquisition cost. Total goodwill arising from the acquisition amounted to ₱1,856.81 million. The 2016 comparative income statements were also restated to reflect the increase in amortization expense, additional accretion and interest and foreign exchange adjustments, with a net effect of ₱40.06 million decrease in the 2016 consolidated net income and net income attributable to equity holders of the Parent Company.

The fair value of the receivables approximate their carrying amounts. None of the receivables have been impaired and it is expected that the full contractual amounts can be collected. The deferred tax liability represents the tax effect of the fair value adjustments on the intangible asset.

The fair value of the intangible asset was based on net present value of future cash flows using the "Relief from Royalty" method. The valuation has not been completed by the date the 2016 consolidated financial statements were approved for issue by the BOD.

The consideration for the acquisition amounting to ₱1.94 billion partly involves cash and Xurpas shares payable to the Sellers.

From the date of acquisition on October 6, 2016, the Group's share in the revenue and net income of AOC amounted to ₱477.95 million and ₱120.34 million, respectively. If the combination had taken place at the beginning of 2016, the Group's total revenue and total net income would have been ₱2,120.93 million and ₱334.01 million, respectively.

Cash outflow related to the acquisition follows:

Cash acquired from AOC	₱205,580,070
Cash paid	242,000,000
Net cash outflow	₱36,419,930

Storm Technologies, Inc. ("Storm")

On February 26, 2015, the Parent Company and Storm signed a deal that will give the Parent Company 37,565 common shares or a 51% stake in Storm and other rights through primary and secondary issuances, for a total consideration of US$4.30 million or ₱190.89 million.

Storm is a human resource consultancy firm which has developed a proprietary platform called the "flex benefits system" that allows employees to convert their employee benefits to other benefits such as gadgets, dining and other merchandise or service.

The acquisition of Storm will enable the Group to expand its distribution network to beyond telecommunication networks. The Group will be able to reach more customers and provide them with physical products and services through Storm's "flex benefits system".

In 2016, the Parent Company finalized its purchase price allocation.

The following are fair values of the identifiable assets and liabilities assumed:

Assets	
Cash	₱110,123,616
Receivables	14,389,114
Inventories	978,648
Other current assets	5,788,668
Property and equipment	1,435,871
Intangible assets	4,096,106
Deferred tax asset	2,731,642
Other noncurrent asset	382,769
	139,926,434
Liabilities	
Accounts and other payables	20,965,139
Deferred tax liability	1,228,832
Loans payable	6,628,000
	28,821,971
Net assets	111,104,463
Non-controlling interests in Storm	54,376,599
Total net assets acquired	56,727,864
Goodwill	134,161,689
Acquisition cost	₱190,889,553

The fair value of the trade and other receivables approximate their carrying amounts. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The non-controlling interests have been measured at the proportionate share of the value of the net identifiable assets acquired and liabilities assumed.

Cash outflow related to the acquisition follows:

Cash acquired from Storm	₱110,123,616
Cash paid	135,366,761
Net cash outflow	₱25,243,145

From February 26 to December 31, 2015, the Group's share in revenue and net loss of Storm amounted to ₱80.27 million and ₱28.81 million, respectively. If the combination had taken place at the beginning of 2015, the Group's total revenue would have been ₱927.83 million, while the Group's net income would have been ₱226.47 million.

Seer Technologies Inc. ("Seer") and subsidiary

On June 25, 2015, the Parent Company acquired 70,000 shares representing 70% stake holdings in Seer at a price of ₱18.00 million. Codesignate is a 75% owned subsidiary of Seer.

The Parent Company is also due to pay an earn-out amount corresponding to a fixed percentage of Seer's net income after tax for the years 2015 to 2017 based on its Audited Financial Statements, as an incentive for Seer's management to continue to improve Seer's financial performance in the immediately succeeding years after the acquisition.

Seer is a company in the mobile platform development space, with a human resource base composed primarily of software engineers. Its acquisition will enhance the ability of the Group to provide mobile solutions such as applications and mobile marketing solutions to its enterprise clients.

In 2016, the Parent Company finalized its purchase price allocation.

The following are fair values of the identifiable assets and liabilities assumed:

Assets	
Cash	₱3,706,340
Receivables	29,735,813
Other current assets	7,297,243
Property and equipment	3,381,984
Intangible assets	1,054,205
Deferred tax asset	5,562,638
Other noncurrent asset	2,886,447
	53,624,670
Liabilities	
Accounts and other payables	22,014,409
Loans payable	13,998,370
Pension liability	6,959,000
Finance lease liability	3,906,890
Deferred tax liability	316,262
	47,194,931
Net assets	6,429,739
Non-controlling interests in Seer	1,928,922
Total net assets acquired	4,500,817
Goodwill	13,499,183
Acquisition cost	₱18,000,000

The fair value of the trade and other receivables approximate their carrying amounts. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The non-controlling interests have been measured at the proportionate share of the value of the net identifiable assets acquired and liabilities assumed.

Cash outflow related to the acquisition follows:

Cash acquired from Seer	₱3,706,340
Cash paid	18,000,000
Net cash outflow	₱14,293,660

From June 26 to December 31, 2015, the Group's share in revenue and net income of Seer amounted to ₱41.02 million and ₱5.27 million, respectively. If the combination had taken place at the beginning of 2015, the Group's total revenue would have been ₱954.25 million, while the Group's net income would have been ₱223.72 million.

Yondu Inc. ("Yondu")

On September 16, 2015, the Parent Company acquired 22,950 shares of common stock in Yondu, a content developer and provider of mobile value-added services and information technology services for a total consideration of ₱900.00 million. 5,000 shares out of the 22,950 shares were from unissued shares of Yondu while 17,950 shares were purchased from GTI. Purchase price of unissued shares and shares previously held by GTI amounted to ₱230.00 million and ₱670.00 million, respectively. The purchase resulted to a 51% ownership by the Parent Company in Yondu.

Included in the Shareholders' Agreement are a call and put option granting the Parent Company the right to require GTI to sell and granting GTI the right to require the Parent Company to purchase all, but not part only, of the 49% shareholding of GTI in Yondu at ₱39,215.69 per company share, respectively. The options will be effective starting September 16, 2016 and will expire after two years, therefrom. The put option and call option shall be exercised by a share swap of Xurpas shares for shares held by GTI or a combination of share swap and cash, at the mutual agreement of both parties.

A financial liability amounting to ₱853.18 million was recognized in the consolidated financial statements of financial position for the redemption obligation related to the written put option over the shares held by GTI. The liability was recognized initially at the present value of the redemption price at acquisition date.

In 2016, the Parent Company finalized its purchase price allocation.

The following are fair values of the identifiable assets and liabilities assumed:

Assets	
Cash	₱175,110,666
Receivables	598,921,607
Other current assets	38,071,606
Property and equipment	39,638,479
Intangible assets	1,187,626,747
Deferred tax asset	6,652,819
Other noncurrent asset	10,431,165
	2,056,453,089
Liabilities	
Accounts and other payables	582,669,211
Income tax payable	41,541,943
Pension liability	6,514,740
Deferred tax liability	355,471,170
Other long-term liabilities	3,900,000
	990,097,064
Net assets	1,066,356,025

Non-controlling interests in Yondu	706,503,943
Total net assets acquired	359,852,082
Goodwill	540,147,918
Acquisition cost	₱900,000,000

The fair value of the trade and other receivables approximate their carrying amounts. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The Group elected to measure the noncontrolling interests in the acquiree at fair value.

The fair value of the noncontrolling interest has been estimated by determining the present value of discounted cash flow. The fair value measurements are based on significant inputs that are not observable in the market. The fair value estimate is based on:

- An assumed discount rate of 13.46%

- A terminal value, calculated based on long-term sustainable growth rates for the industry ranging from 2% to 4% which has been used to determine income from future years.

Cash outflow related to the acquisition follows:

Cash acquired from Yondu	₱175,110,666
Cash paid	900,000,000
Net cash outflow	₱724,889,334

From September 15 to December 31, 2015, the Group's share in revenue and net income of Yondu amounted to ₱235.89 million and ₱35.87 million, respectively. If the combination had taken place at the beginning of 2015, the Group's total revenue would have been ₱1,498.37 million, while the Group's net income would have been ₱ 312.98 million.

Acquisition of Noncontrolling Interests

Xeleb Technologies Inc. (Xeleb Tech)
On August 22, 2016, Deeds of Absolute Sale were executed for the acquisition by the Parent Company of the remaining 35.00% interest is Xeleb Tech. The acquisition of the 35.00% interest in Xeleb Tech made it a wholly-owned subsidiary of the Parent Company. The acquisition resulted to recognition of equity reserves amounting to ₱41.49 million (see Note 24).

Xeleb Inc. (Xeleb)
On August 22, 2016, Xeleb Tech acquired 3,349,996 shares or 67.00% majority stake in Xeleb from the Parent Company at ₱1.00 per share or ₱3.35 million. On the same date, Xeleb acquired the remaining 33.00% stake in Xeleb from various individuals for a total consideration of ₱1.65 million. This resulted in 100.00% ownership interest of Xeleb Tech in Xeleb.

Xeleb Tech and Xeleb are entities under common control of the Parent Company before and after the restructuring. As a result, the acquisition was accounted for using the pooling of interests method. This transaction has no effect on the carrying amounts of the Group's assets and liabilities, but has resulted to consolidation of Xeleb's assets and liabilities into Xeleb Tech. This resulted to recognition of equity reserves amounting to ₱5.39 million (see Note 24).

Storm Technologies, Inc. (Storm)
On October 27, 2016, the Parent Company acquired additional 3,735 common shares of Storm for ₱10.00 million. This brought the Parent Company's ownership from 51.52% to 56.60% of the outstanding capital stock of Storm and there was no change in control.

23. **Equity (Capital Deficiency)**

The details of the number of shares as at June 30, 2020 and December 31, 2019 follow:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Authorized shares	**5,000,000,000**	5,000,000,000
Par value per share	**₱0.10**	₱0.10
Issued shares	**1,934,925,852**	1,934,925,852
Treasury shares	**63,985,642**	63,095,642
Value of shares issued	**₱193,492,585**	₱193,492,585
Value of treasury shares	**(₱115,464,275)**	(₱114,954,275)

Capital Stock and Additional Paid-in Capital (APIC)
On May 2, 2014, the Parent Company's BOD approved the subscription and issuance of 6.75 million shares with par value of ₱1.00 per share from the unissued portion of its ₱10.00 million authorized capital stock.

On May 5, 2014, the Parent Company's BOD approved the following transactions which were subsequently approved by the SEC on June 25, 2014:

- Increase in authorized capital stock from ₱10.00 million divided into 10.00 million common shares with par value of ₱1.00 per share to ₱255.00 million divided into 255.00 million common shares with par value of ₱ 1.00 per share.
- Amendments of the Parent Company's Articles of Incorporation to increase the authorized capital stock from ₱10.00 million to ₱255.00 million.
- Subscription of 61.25 million shares with par value of ₱1.00 per share, which is paid in the form of stock dividends. These represent twenty five percent of the additional increase in authorized capital stock.

On July 10, 2014, the Parent Company's BOD approved the following transactions which were subsequently approved by the SEC on September 2, 2014:

- Increase in authorized capital stock from ₱255.00 million divided into 255.00 million common shares at the par value of ₱1.00each to ₱500.00 million divided into 500.00 million common shares at the par value of ₱ 1.00 each.
- Amendments of the Parent Company's Articles of Incorporation to increase the authorized capital stock from ₱255.00 million to ₱500.00 million.
- Subscription of 61.25 million shares with par values of ₱1.00 per share, to be paid in the form of stock dividends. These represent twenty five percent of the additional increase in authorized capital stock.

In addition, the Parent Company issued the subscribed 61.25 million shares with par value of ₱1.00 per share and another 5.10 million shares with par value of ₱1.00 per share to certain executives and employees through cash payments.

On September 3, 2014, the Parent Company's BOD approved the decrease in the par value of the capital stock from ₱1.00 per share to ₱0.10 per share. Accordingly, the Parent Company applied for an Amended Articles of Incorporation to decrease the par value of the capital stock. Thus, the Parent Company cancelled all the previously issued stock certificates and reissued new stock certificates to all stockholders effecting the 10-to-1 stock split.

Initial Public Offering (IPO)
On November 12, 2014, PSE approved the 344.00 million common shares at an offer price of ₱3.97 per share (₱ 1,365.68 million) for the IPO of the Parent Company.

On November 13, 2014, the SEC granted the Parent Company permit to sell or offer its securities which consists of 1,720.00 million common shares.

The Parent Company was publicly listed on December 2, 2014.

As at December 31, 2014, ₱172.00 million of the ₱500.00 million authorized capital stock has been subscribed and issued, ₱122.55 million of which was issued through stock dividend declaration and the rest was paid in cash. The excess of subscription price over paid-up capital was recognized as APIC. The Parent Company incurred transaction costs incidental to the IPO amounting to ₱111.56 million and ₱7.35 million which were charged to "Additional paid-in capital" in the consolidated statements of financial position and "General and administrative expense" in the consolidated statements of comprehensive income, respectively.

Overnight Top-Up Placement
On April 9, 2016, the Parent Company issued and subscribed 77.70 million shares with par value of ₱0.10 for a total consideration of ₱1,243.20 million or ₱16.00 per share. The excess of subscription price over paid-up capital was recognized in APIC. The Parent Company incurred transaction costs incidental to the share issuance amounting to ₱44.82 million which were charged to "Additional paid-in capital" in the consolidated statements of financial position.

Installment Payment in Shares
On November 11, 2016, the Parent Company issued 69,939,486 common shares to the Sellers of AOC as payment of the upfront consideration in relation to the acquisition of 100% stakeholding in AOC (see Note 23). The excess of subscription price over paid-up capital amounting to ₱932.79 million was recognized as APIC.

On March 2, 2018, the Parent Company issued 67,285,706 common shares by way of block sale to implement the amendments in the share purchase agreement (see Note 23). The shares were issued at ₱3.80 per share.

Retained Earnings
Appropriations
On November 9, 2016, the BOD of the Parent Company approved the appropriation of unrestricted retained earnings for the buyback of its common shares up to the extent of the total allotment amounting to ₱170.00 million subject to the prevailing market price at the time of the share buyback.

On March 27, 2017, the BOD of the Parent Company approved the termination of the Buy-back Program adopted last November 9, 2016 appropriating an aggregate of ₱170.00 million. A total of ₱88.82 million has been used as of March 31, 2017. Accordingly, the balance of ₱81.18 million previously allocated for the Buy-back Program shall be released from such appropriations.

Dividends declaration
On May 10, 2016, the Parent Company's BOD approved the declaration of cash dividends of approximately ₱0.048 per share, or the aggregate amount of ₱86.27 million out of the Parent Company's unrestricted retained earnings for distribution to its stockholders of record as at May 31, 2016 and payable to stockholders on June 23, 2016.

Equity Reserve
In 2016, the Parent Company purchased additional shares from noncontrolling interests of Xeleb, Xeleb Tech and Storm. The transactions were accounted as an equity transaction since there was no change in control. The movements within equity are accounted for as follows:

	Consideration paid	Carrying value of noncontrolling interests	Difference recognized within Equity
Xeleb Technologies Inc.	₱45,000,000	₱3,506,647	(₱41,493,353)
Storm Technologies Inc.	10,002,330	2,382,396	(7,619,934)
Xeleb Inc.	1,650,000	7,038,398	5,388,398
	₱56,652,330	₱12,927,441	(₱43,724,889)

In 2017, a reserve amounting to ₱358.50 million was recognized for the payment resulting from amendments in the Share Purchase Agreement with Allix and the acquisition of the Parent Company's own shares (see Note 23).

Treasury Stock
On November 9, 2016, the BOD of the Parent Company approved the buyback of its common shares up to the extent of the total allotment amounting to ₱170.00 million subject to the prevailing market price at the time of the

buyback. The Parent Company commenced the program on November 14, 2016 and will end upon full usage of the approved allotment, or as otherwise may be directed by the BOD, subject to an appropriate disclosure to the SEC and PSE. As at December 31, 2016, treasury stocks acquired totaled to 10,687,400 shares and 8,532,900 shares, respectively, which amounted to ₱71.51 million.

In January and February 2017, the Parent Company acquired 2,154,500 shares for ₱17.30 million.

On March 27, 2017, the BOD of the Parent Company approved the termination of the buyback program adopted in 2016. Treasury stocks acquired under this program totaled to 10,687,400 shares amounting to ₱88.82 million.

On July 18, 2017, the Parent Company reacquired 53,298,242 common shares from Allix for a total amount US$532,983 or ₱26.65 million (see Note 23).

Employee Stock Option Plan

The Parent Company's BOD, on January 20, 2016, and the stockholders, on May 11, 2016, approved the Employee Stock Option Plan (the Plan) of the Parent Company. Full time and regular employees of the Parent Company and those deemed qualified by the Compensation and Remuneration Committee from the names recommended by the Executive Committee are eligible to participate in the Plan. As at March 31, 2019, the Plan has been filed with and is pending approval of the SEC and PSE.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The Group's sources of capital follow:

	June 30 2020 (Unaudited)	December 31, 2019 (Audited)
Capital stock	**₱193,492,585**	₱193,492,585
Additional paid-in capital	**3,585,092,298**	3,585,092,298
	₱3,778,584,883	₱3,778,584,883

The Group is not subject to externally-imposed capital requirements. The Group regards its equity as its primary source of capital. No changes were made in the capital management policies as at June 30, 2020 and December 31, 2019.

24. **Loss Per Share**

Basic loss per share for the six-month periods ended June 30, 2020 and 2019 were computed as follows:

	For the six-month period ended		For the three-month period ended	
	June 30, 2019 (Unaudited)	June 30, 2018 (Unaudited)	**June 30, 2019 (Unaudited)**	June 30, 2018 (Unaudited)
Net income (loss) attributable to the equity holders of the Parent Company	**(₱43,745,642)**	(₱118,284,342)	**(₱23,699,700)**	(₱47,676,765)
Weighted average number of outstanding shares	**1,870,940,210**	1,871,130,514	**1,870,940,210**	1,871,130,514
Basic loss per share	**(₱0.02)**	(₱0.06)	**(₱0.01)**	(₱0.03)
Diluted loss per share	**(₱0.02)**	(₱0.06)	**(₱0.01)**	(₱0.03)

Loss per share is calculated using the consolidated net loss attributable to the equity holders of the Parent Company divided by weighted average number of shares

25. **Financial Instruments**

Fair Value Information

The methods and assumptions used by the Group in estimating fair value of the financial instruments are as follows:

- Cash, accounts and other receivables (except for advances to employees which are subject to liquidation), refundable deposits under other current assets, cash bond under other noncurrent assets, accounts and other payables (excluding "Taxes payable", "Deferred output VAT", and provision relating to PSA and statutory payables included as "Others"), loans payable, liability on written put option, payable to former shareholders of a subsidiary, dividends payable and finance lease liability under other current liabilities - Carrying amounts approximate fair values due to the relatively short-term maturities of these instruments, except for cash bond under other noncurrent assets. The difference between carrying amount and fair value is immaterial.

- Financial assets at FVOCI - Fair value is based on quoted prices published in the market.

- Financial assets at FVOCI (unquoted equity investments) - Fair values are based on the latest selling price available.

- Financial assets at FVPL (unquoted debt investments) - Fair values are based on the comparable prices adjusted for specific market factors such as nature, industry, location and market recovery rates.

- Nontrade payable - Fair values are determined using prices in such transaction which still approximate the fair values at yearend.

The fair value of financial assets at FVOCI amounting to ₱0.48 million approximate their carrying value.

Fair Value Hierarchy

The Group uses the following three-level hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Cash, accounts and other receivables, refundable deposits under other current assets, cash bond under other noncurrent assets, accounts and other payables (excluding "Taxes payable", "Deferred output VAT", and statutory payables included as "Others"), loans payable, liability on written put option, payable to former shareholders of a subsidiary, dividends payable and finance lease liability under other current liabilities were classified under Level 3. The fair value of these financial instruments is determined by discounting future cash flows using the applicable rates of similar types of instruments plus certain spread.

Quoted financial assets at FVOCI amounting to ₱0.44 million as at June 30, 2020 and December 31, 2019 were classified under Level 2 (see Note 8).

Unquoted financial assets at FVOCI amounting to nil as at June 30, 2020 and December 31, 2019 were classified under Level 3 (see Note 8).

As at June 30, 2020 and December 31, 2019, there have been no reclassifications from Level 1 to Level 2 or 3 categories.

Financial Risk Management and Objectives and Policies

The Group's financial instruments comprise cash, financial assets at FVPL, accounts and other receivables, financial assets at FVOCI, refundable deposits under other current assets, cash bond under other noncurrent assets, accounts and other payables (excluding taxes payable, deferred output VAT, customer's deposit and statutory payables), loans payable, liability on written put option, contingent liability and finance lease liability under other current liabilities, which arise directly from operations. The main purpose of these financial instruments is to finance the Group's operations and to earn additional income on excess funds.

Exposure to credit risk, liquidity risk and foreign currency risk arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

There were no changes in the Group's risk management objectives and policies in 2020 and 2019.

The Group's risk management policies are summarized below:

Credit Risk
Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation.

The Group's credit risk is primarily attributable to cash (excluding "cash on hand") and receivables. To manage credit risk, the Group monitors its exposure to credit risk on a continuous basis.

The Group entered into an agreement with GTI, wherein the former will provide mobile consumer products and services and mobile enterprise services to the latter in accordance with the service order and description specified in the service level agreement among the parties involved. The mobile consumer products and services include creation and development of mobile electronic content for delivery to GTI and distribution to GTI's mobile phone subscribers. Mobile enterprise services, on the other hand, includes development and maintenance of its own platforms which host and enable mobile subscribers to access or use GTI's mobile content products.

The Group has concentration of credit risk with receivable from GTI, its largest customer, representing 0% and 46% of its total trade receivables as at June 30, 2020 and December 31, 2019, respectively (see Note 6). Recent economic condition and market segment of GTI shows its continuing growth and success.

The Group's maximum exposure to credit risk is equal to the carrying values of its financial assets as at June 30, 2020 and December 31, 2019.

The credit quality of the financial assets was determined as follows:

Cash in banks, financial assets at FVPL, financial assets at FVOCI and other assets - based on the nature of the counterparty and the Group's rating procedure. These are held by counterparty banks with minimal risk of bankruptcy and are therefore classified as high grade.

Accounts and other receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to three defaults in payment; and low grade pertains to receivables with more than three defaults in payment.

Unquoted AFS financial assets are unrated.

Liquidity Risk
Liquidity risk is the risk that the Group will be unable to meet its obligations as they fall due. The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirement, finance capital expenditures and service maturing debts. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds and available short-term and long term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD.

The maturity profile of the Group's financial assets and financial liabilities at June 30, 2020 and December 31, 2019 are based on contractual undiscounted payments.

As at June 30, 2020 and December 31, 2019, the Group's financial assets and financial liabilities have a maturity of less than one year.

26. Segment Reporting

The industry segments where the Group operates follow:

- Mobile consumer services - includes airtime management, content development and management and marketing and advertising solutions
- Enterprise services - includes platform development and customization, system integration, mobile platform consultancy services, management of off-the-shelf application and social media related services. This also includes IT staff augmentation and various enterprise solutions-based services to telecommunication companies and other companies for network and applications development
- Other services – includes consultancy services in the field of human resource management, trading in general, sourcing for and supplying of goods to import and export goods

The following tables regarding business segment revenue and profit information for the six-month periods ended June 30, 2020 and 2019:

2020 (Unaudited)

	Mobile consumer services	**Enterprise service**	**Other services**	**Intersegment Adjustments**	**Consolidated**
INCOME					
Service income	**₱15,622,999**	**₱37,363,049**	**₱4,601,304**	**(₱12,636,369)**	**₱44,950,983**
Sale of goods	**–**	**–**	**21,719,611**	**–**	**21,719,611**
	15,622,999	**37,363,049**	**26,320,915**	**(12,636,369)**	**66,670,594**
COST AND EXPENSES	**(47,571,611)**	**(31,201,248)**	**(38,825,610)**	**(3,035,168)**	**(120,633,637)**
Equity in net earnings of associates	**–**	**–**	**–**	**4,648,778**	**4,648,778**
Other charges – net	**(7,525,692)**	**(99,205)**	**(678,460)**	**7,190,375**	**(1,112,982)**
	(39,474,304)	**6,062,596**	**(13,183,155)**	**(3,832,384)**	**(50,427,247)**
Provision for (benefit from) income tax	**(110,704)**	**(280)**	**(2,302)**	**1,974,025**	**1,860,739**
Net income (loss)	**(₱39,585,008)**	**₱6,062,316**	**(₱13,185,457)**	**(₱1,858,357)**	**(₱48,566,508)**
Net loss attributable to:					
Equity holders of Xurpas Inc.					**(₱43,745,642)**
Noncontrolling interests					**(4,820,866)**
					(₱48,566,508)

2019 (Unaudited)

	Mobile consumer services	Enterprise service	Other services	Intersegment Adjustments	Consolidated
INCOME					
Service income	₱20,236,388	₱578,154,406	₱1,931,466	(₱10,227,250)	₱590,095,010
Sale of goods	–	–	50,052,682	–	50,052,682
	20,236,388	578,154,406	51,984,148	(10,227,250)	640,147,692
COST AND EXPENSES	(110,354,602)	(533,297,493)	(73,740,742)	243,716	(717,149,121)
Equity in net losses of associates	–	–	–	(7,527,926)	(7,527,926)
Other income	(8,896,560)	(2,626,858)	(5,016,603)	(3,734,865)	(20,274,886)
	(99,014,774)	42,230,055	(26,773,197)	(21,246,325)	(104,804,241)
Provision for (benefit from) income tax	(28,690)	(14,518,483)	(2,199)	3,996,402	(10,552,970)
Net loss	(₱99,043,464)	₱27,711,572	(₱26,775,396)	(₱17,249,923)	(₱115,357,211)
Net loss attributable to:					
Equity holders of Xurpas Inc.					(₱118,284,342)
Noncontrolling interests					2,927,131
					(₱115,357,211)

27. **Notes to Consolidated Statement of Cash Flows**

Disclosed below is the rollforward of liabilities under financing activities:

	January 1, 2020	Cash flows	Non-cash changes	Foreign exchange movement	June 30, 2020
Loans payable	₱52,130,272	(₱6,295,280)	₱–	₱–	₱45,834,992
Dividends payable	–	–	–	–	–
Total liabilities from financing activities	₱52,130,272	(₱6,295,280)	₱–	₱–	₱45,834,992

	January 1, 2019	Cash flows	Non-cash changes	Foreign exchange movement	December 31, 2019
Loans payable	₱358,741,481	(₱306,611,209)	₱–	₱–	₱52,130,272
Dividends payable	63,163,333	(299,788)	(62,863,545)	–	–
Total liabilities from financing activities	₱421,904,814	(₱306,910,997)	(₱62,863,545)	₱–	₱52,130,272

28. **Approval of Financial Statements**

The unaudited interim condensed consolidated financial statements of the Group as at June 30, 2020 and December 31, 2019 and for the six-month periods ended June 30, 2020 and 2019 were approved and authorized for issue by the BOD on August 14, 2020.

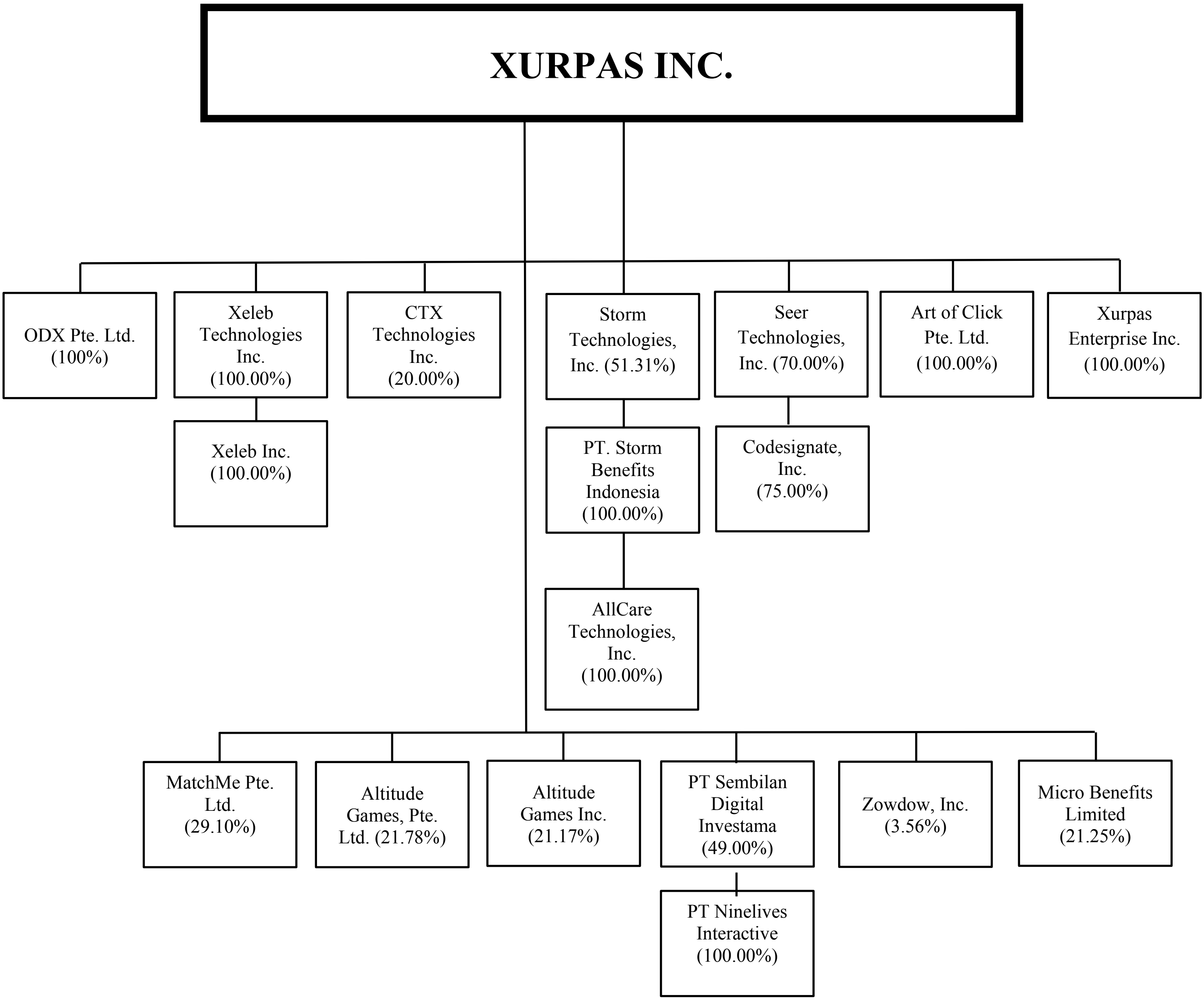
AGING OF RECEIVABLES

The aging analysis of accounts receivable as of June 30, 2020 presented per class follows:

		Days past due				
	Current	1 to 30 days	31 to 60 days	61 to 90 days	>90 days	Total
Trade receivable	**₱8,783,723**	**₱893,954**	**₱3,483,221**	**₱11,325,750**	**₱250,098,343**	**₱274,584,991**
Receivable from related parties	**10,716,544**	–	–	–	–	**10,716,544**
Advances to employees	**2,315,332**	–	–	–	–	**2,315,332**
Others	**14,797,634**	–	–	–	–	**14,797,634**
	₱36,613,233	**₱893,954**	**₱3,483,221**	**₱11,325,750**	**₱250,098,343**	**₱302,414,501**

XURPAS INC. AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES



XURPAS INC. AND SUBSIDIARIES

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS JUNE 30, 2020

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as of June 30, 2020:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2020		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing costs			✓
	Amendments to PFRS 1: Meaning of 'Effective PFRSs			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination	✓		
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2020		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments, with PFRS 4, Insurance			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Disclosures - Servicing Contracts			✓
	Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments: Classification and Movement (2010 version)	**Not early adopted**		
	Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)	**Not early adopted**		
	Financial Instruments (2014 or final version)	**Not early adopted**		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	**Not early adopted**		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation	**Not early adopted**		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2020		Adopted	Not Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*			✓
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendment to PFRS 12: Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014-2016 Cycle)			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term receivable and payables	✓		
	Amendments to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	**Not early adopted**		
PFRS 16	Leases	**Not early adopted**		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the requirements for comparative information	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2020		Adopted	Not Adopted	Not Applicable
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12-Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of servicing equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendment to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
	Amendments to PAS 19: Regional Market Issue regarding Discount Rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28	Investment in Associate and Joint Venture	✓		
	Amendments to PAS 28: Sale or Contribution of Assets			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2020		Adopted	Not Adopted	Not Applicable
	between an Investor and its Associate or Joint Venture*			
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures			✓
	Amendment to PAS 28: Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014-2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim financial reporting and segment information for total assets and liabilities	✓		
	Amendments to PAS 34: - Disclosure of information 'elsewhere in the interim financial report	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2020		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Interrelationship between PFRS 3 and PAS 40			✓
	Transfer of Investment Property			✓
PAS 40 (Amended)	Investment Property			✓
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2020		Adopted	Not Adopted	Not Applicable
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate*			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
IFRIC 23	Uncertainty over Income Tax Treatments			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

XURPAS INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

Unappropriated Retained Earnings, beginning, as restated	(₱3,048,024,408)
Less adjustments:	
Impairment loss	2,526,245,730
Fair value adjustments	–
Unappropriated Retained Earnings, as adjusted, beginning	(521,778,678)
Net Income based on the face of financial statement	(12,356,519)
Less: Non-actual/unrealized income net of tax	
Amount of provision for deferred tax during the year	–
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	–
Fair value adjustment (M2M gains)	–
Impairment loss	–
Net Income Actual/Realized	(12,356,519)
Less: Other adjustments	
Dividend declarations during the period	–
Reversal of appropriation for share buy-back transactions	–
Reversal of appropriation for dividend declaration	–
Appropriations during the year	–
	–
Unappropriated retained earnings, end available for dividend distribution	₱–

XURPAS INC. AND SUBSIDIARIES
FINANCIAL RATIOS

Financial Ratios	June 30, 2020	December 31, 2019
A. Current ratios		
Current ratios	34%	41%
Quick ratios	27%	33%
B. Debt-to-equity ratios	702%	555%
C. Asset-to-equity ratios	694%	575%
D. Interest rate coverage ratios	(948%)	(6475%)
E. Profitability ratios		
Net loss margin	(66%)	(271%)
Gross margin	(22%)	15%
Operating margin	(46%)	(256%)
Return on total assets	(6%)	(93%)
Return on equity	(40%)	(186%)

PART II--OTHER INFORMATION

There are no other information for this period not previously reported in SEC Form 17-C that needs to be reported in this section.

Item 2 – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the first half of 2020, the Group recorded total revenues of ₱66.67 million, a 90% decrease compared to the first half of 2019 which posted a revenue of ₱640.15 million. The decrease was brought about by the exclusion of revenues generated from Yondu, as it was sold back to Globe on September 2019.

The COVID-19 outbreak that the world is currently experiencing not only affected the health of people but also had severe effects to the economy and various businesses. The pandemic affected the Group as evidenced by the slowdown in operations of the enterprise segment and other services. For the second quarter of 2020, the aggregate revenue went down by 58% (from ₱47.0 million to ₱19.67 million) as compared to the first quarter. For the enterprise segment, the revenues of which decreased by 51%, a number of potential clients delayed or altogether cancelled their projects. Other services represented by Storm (with revenues decreasing by 74%), also reported that their major clients’ operations were gravely affected, thereby reducing the use of the Storm’s platform/services by their employees.

Though there are delays and cancellations in some projects under the enterprise segment, the Group remains positive and likewise sees a business opportunity amidst the pandemic. The Company intends to seize the opportunity to support various companies that want to jumpstart their digital transformation. Xurpas will continue to create and provide custom tools and solutions for these transformations using its technology capabilities and experience. The Group is also exploring potential projects both from the private and public sectors to expand clientele base. Storm continues to look for other revenue sources, in partnership with other HR technology firms, for on-selling to its client employee base.

Overall, the Group recorded a net loss of ₱48.57 million for the first half of 2020, a 58% improvement as compared to last year’s figure of ₱115.36 million.

Financial Summary

Key Financial Data In PhP Millions	For the 6 months ended June 30					
	2020		2019		Amount	%
	Amount	Percentag	Amount	Percentag	Change	Increase
Revenues						
Mobile consumer services	2.99	4%	19.07	3%	(16.08)	-84%
Enterprise services	37.36	56%	569.09	89%	(531.73)	-93%
Other services	26.32	40%	51.98	8%	(25.66)	-49%
Total Revenues	**66.67**	**100%**	**640.15**	**100%**	**(573.48)**	**-90%**
Cost of Services	61.08	92%	462.59	72%	(401.51)	-87%
Cost of Goods Sold	20.17	30%	40.08	6%	(19.91)	-50%
Gross Profit (Loss)	**(14.58)**	**-22%**	**137.47**	**21%**	**(152.05)**	**-111%**
General and Administrative Expenses	39.38	59%	214.47	34%	(175.09)	-82%
Equity in Net Losses (Earnings) of Associate	(4.65)	-7%	7.53	1%	(12.18)	-162%
Other Charges - net	1.11	2%	20.27	3%	(19.16)	-95%
Loss Before Income Tax	**(50.43)**	**-76%**	**(104.80)**	**-16%**	**54.38**	**-52%**
Provision for (Benefit from) Income Tax	(1.86)	-3%	10.55	2%	(12.41)	-118%
Net Loss	**(48.57)**	**-73%**	**(115.36)**	**-18%**	**66.79**	**-58%**
Other Comprehensive Income	14.98	22%	7.29	1%	7.69	106%
Total Comprehensive Loss	**(33.59)**	**-50%**	**(108.07)**	**-17%**	**74.49**	**-69%**

	30-Jun-20 Amount	31-Dec-19 Amount	Amount Change	% Increase (Decrease
Total Assets	661.14	713.94	(52.81)	-7%
Total Liabilities	668.83	688.05	(19.22)	-3%
Total Equity	(7.69)	25.89	(33.59)	-130%

wGroup revenues were still mainly driven by enterprise services, comprising 56% of the total revenue, compared to 89% in the 1H2019.

The blended cost of services decreased by 87% from ₱462.59 million for the six-month period ended June 30, 2019 to ₱61.08 million for the comparable period in 2020. Cost of goods sold attributable to other services was ₱20.17 million for the six-month period ended June 30, 2020 compared to ₱40.08 million in the same period in 2018, a decrease of 50% or ₱19.19 million.

The Group incurred gross loss for the period ended June 30, 2020 amounting to ₱14.58 million which corresponds to 22% gross loss margin. In comparison, for the same period last year, the Group earned gross profit amounting to ₱137.47 million and a margin of 21%.

General and administrative expenses decreased by 82%, from ₱214.47 million for the first half of 2019 to ₱39.38 million for the same period in 2020.

Overall, the decrease in the cost of services and general and administrative expenses was mainly due to the cost reduction initiatives undertaken by the Group. The deconsolidation of Yondu's expenses also contributed to the decrease given that most of the expenses were incurred by the company.

The Group also shares in the recorded net earnings of the associate companies it has invested in, which amounted to ₱4.65 million for the six-month period ended June 30, 2020; a 162% improvement from the ₱7.53 million share in net loss of the associate companies for the first half of 2019.

Loss before income tax improved by 52% from ₱104.80 million for the first half of 2019 to ₱50.43 million for the same period in 2020.

Benefit from income taxes during the first half of 2020 amounted to ₱1.86 million, while provision for income tax of ₱10.55 million was recognized in the same period in 2019. Overall, the net loss for the Group decreased from ₱115.36 million for the first half of 2019 to ₱48.57 million over the same period in 2020; a decrease of 58%.

Consolidated total assets as of June 30, 2020 amounted to ₱661.14 million, a decrease of 7% from ₱713.94 million as of December 31, 2019. Consolidated total liabilities decreased by 3% from ₱688.05 million as of December 31, 2019 to ₱668.83million on June 30, 2020, mainly due to the decrease in accounts and other payables.

The Group recorded capital deficiency as of June 30, 2020 amounting to ₱7.69 million. Note that in 2019, the Group recognized significant impairment losses of its goodwill and investment in associates as well as loss from sale of Yondu which contributed largely to the 2019 net loss. As of December 30, 2019, the Group was left with only ₱25.89 million total equity. Incurring total comprehensive loss amounting to ₱33.59 million led the Group to a capital deficiency position as of June 30, 2020.

Segment Financial Performance

For the 6-month period ended June 30, 2020 In PhP Millions	**Mobile Consumer Services**	**Enterprise Services**	**Other Services**	**Intersegment Adjustments**	**Consolidated**
Revenue from services	15.62	37.36	4.60	(12.64)	44.95
Revenue from sale of goods	-	-	21.72	-	21.72
Total Service Revenues	**15.62**	**37.36**	**26.32**	**(12.64)**	**66.67**
Operating expenses	47.57	31.20	38.83	3.04	120.63
Equity in net earnings of associates	-	-	-	(4.65)	(4.65)
Other charges (income) - net	7.53	0.10	0.68	(7.19)	1.11
Total Expenses	**55.10**	**31.30**	**39.50**	**(8.80)**	**117.10**
Operating Income (Loss)	**(39.47)**	**6.06**	**(13.18)**	**(3.83)**	**(50.43)**
Benefit from (provision for) income tax	(0.11)	(0.00)	(0.00)	1.97	1.86
Net Income (Loss)	**(39.59)**	**6.06**	**(13.19)**	**(1.86)**	**(48.57)**

For the six-month period ended June 30, 2020, mobile consumer services' revenues, operating loss and net loss prior to eliminations were ₱15.62 million, ₱39.47 million and ₱39.59 million, respectively. (Note that after intersegment adjustments, revenue for Mobile Consumer services is ₱2.99 million and net loss is ₱45.09.) Enterprise services had a net income of ₱6.06 million from revenues of ₱37.36 million. The other services segment had revenues of ₱26.32 million, ending up with an operating loss of ₱13.18 million.

Profitability

For the six-month period ended June 30, 2020 compared with the six-month period ended June 30, 2019

Revenues

The consolidated revenues of the Group for the six-month period ended June 30, 2020 amounted to ₱66.67 million, a decrease of 90% from ₱640.15 million the same period of the previous year.

The service income component of total revenues is comprised of the following segments:

Segment	Description	Subsidiaries
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing and advertising solutions integrated in mobile casual games and platforms	• Xurpas Parent Company • Art of Click
Enterprise services	Revenues derived from the provision of mobile platform solutions to corporate and government clients, information technology (IT) staff augmentation and consultancy	• Seer • Xurpas Enterprise

	services, various enterprise solutions-based services to Telcos and other companies for network, platform and applications development	• Xurpas Parent Company
Other services	Revenues derived from services related to the proprietary platform called “Flex Benefits System” and “Ace” (formerly “Kudos”) which allows employees to convert their employee benefits to other benefits which includes sale of goods	• Storm Technologies

In PhP Millions	For the 6 months ended June 30					
	2020		2019		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Enterprise services	37.36	56%	569.09	89%	(531.73)	-93%
Mobile consumer services	2.99	4%	19.07	3%	(16.08)	-84%
Other services	26.32	40%	51.98	8%	(25.66)	-49%
Total Revenues	**66.67**	**100%**	**640.15**	**100%**	**(573.48)**	**-90%**

Revenues from enterprise services (which accounts for 56% of total revenues) decreased by 93% as of June 30, 2020, to ₱37.36 million from ₱569.09 million on June 30, 2019. On the other hand, revenues from the mobile consumer services segment for the six-month period ended June 30, 2020 amounted to ₱2.99 million, a decrease of 84% from the previous year’s same period level of ₱19.07 million. This segment accounts for 4% of the total revenues. Other services booked revenues of ₱26.32 million in the first half of 2020, lower by 49% from the previous level at ₱51.98 million over the same period last year.

Expenses

In PhP Millions	For the 6 months ended June 30					
	2020		2019		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	61.08	51%	462.59	64%	(401.51)	-87%
Cost of Goods Sold	20.17	17%	40.08	6%	(19.91)	-50%
General and Administrative Expenses	39.38	32%	214.47	30%	(175.09)	-82%
Total Expenses	**120.63**	**100%**	**717.15**	**100%**	**(596.52)**	**-83%**

The Group’s consolidated expenses during the six-month period ended June 30, 2020 amounted to ₱120.63 million, an 83% decrease from the same period of the previous year at ₱717.15 million. For the first half of 2020, cost of services accounted for the bulk of expenses, totaling ₱61.08 million or 51% of the Group’s consolidated expenses. For the same period in 2019, cost of services amounted to ₱462.59 million, which comprised 64% of overall expenses.

Cost of Services

In PhP Millions	For the 6 months ended June 30					
	2020		2019		Amount Change	% Increase
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	39.19	64%	349.40	76%	(310.21)	-89%
Depreciation and amortization	10.82	18%	18.33	4%	(7.51)	-41%
Outsourced services	4.83	8%	15.76	3%	(10.93)	-69%
Others	6.25	10%	79.11	17%	(72.86)	-92%
Total Expenses	**61.08**	**100%**	**462.59**	**100%**	**(401.51)**	**-87%**

Cost of services totaling ₱61.08 million as of June 30, 2020, was mainly driven by expenses relating to salaries, wages, and employee benefits (64%), followed by Depreciation and Amortization (18%), Outsourced Services (8%) and Other expenses (10%).

Cost of Goods Sold

For six-month period ended June 30, 2020, cost of goods sold took up 17% of the Group's consolidated expenses, amounting to ₱20.17 million. This figure was a decrease of 50% from its level at ₱40.08 million on June 30, 2019. The decrease in cost of goods sold was directly attributable to the decrease in revenues of Storm Technologies.

General and Administrative Expenses

In PhP Millions	For the 6 months ended June 30					
	2020		2019		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Salaries, wages and employee benefits	19.23	49%	111.77	52%	(92.54)	-83%
Professional fees	7.81	20%	10.17	5%	(2.36)	-23%
Depreciation and amortization	4.29	11%	27.44	13%	(23.14)	-84%
Others	8.05	20%	65.10	30%	(57.05)	-88%
Total Expenses	**39.38**	**100%**	**214.47**	**100%**	**(175.09)**	**-82%**

General and administrative expenses relating to the Group's operations, for the first half of 2020 amounted to ₱39.38 million, lower by 82% compared to previous year's same period level of ₱214.47 million. Salaries, wages, and employee benefits was ₱19.23 million or 49% of the total general and administrative expenses (GAEX). The same expenses amounted to ₱111.77 million for the same period in 2019. As of June 30, 2020, Professional Fees and Others (Taxes and Licenses, Rent and Utilities among others) both incurred 20% of total GAEX.

Equity in Net Earnings of Associates

For the first half of 2020, the Group registered equity in net earnings of its associate companies amounting to ₱4.64 million vis-à-vis the equity in net loss of its associate companies incurred for the comparable period in 2020 amounting to ₱7.53 million. Equity in net earnings of Ninelives, Altitude SG and Microbenefits for the first half of 2020 amounted to ₱1.85 million, ₱1.17 million and ₱1.62 million, respectively.

Other Charges – net

For the first half of 2020, the Group recognized other net charges amounting to ₱1.11 million. This account mainly pertains to interest expense, foreign exchange gains and losses and bank charges.

Loss before Income Tax

The Group's loss before taxes for the six-month period ended June 30, 2020 was ₱50.43 million. The net loss before taxes for the Group improved by 52% or ₱54.38 million from the same period ended June 30, 2019, which posted a figure of ₱104.80 million.

Provision for (Benefit from) Income Tax

For the first half of 2020, the Group reported a Benefit from Income tax amounting to ₱1.86 million as compared to last year wherein the Group recognized provision for Income tax amounting to ₱10.55 million despite incurring a loss.

Net Loss

The Group posted a consolidated net loss of ₱48.57 million for the six-month period ended June 30, 2020, a decrease of 58% from the previous year's same period at ₱115.36 million.

Total Comprehensive Income (Loss)

As of June 30, 2020, the Group's total comprehensive loss amounted to ₱33.59 million, a decrease of 69% compared to total comprehensive loss of ₱108.07 million as at June 30, 2019.

<u>Financial Position</u>

As of June 30, 2020 compared to December 31, 2019

Assets

Cash and Cash Equivalents

The Group's consolidated cash and cash equivalents amounted to ₱99.15 million as at June 30, 2020, a net decrease of 36% or ₱54.78 million from consolidated cash of ₱153.93 million as at December 31, 2019.

Accounts and Other Receivables

The Group's consolidated accounts and other receivables amounted to ₱52.55 million and ₱37.18 million as at June 30, 2020 and December 31, 2019, respectively, representing an increase of ₱15.37 million. The increase was generally the result of higher trade receivables (from ₱273.39 million as of December 31, 2019 to ₱274.58 million on June 30, 2020) coupled with lower allowance for impairment loss from ₱263.09 million in 2019 to ₱249.86 million in 2020.

Contract Asset

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

The Group's consolidated contract asset totaled ₱9.49 million as of June 30, 2020, an increase of ₱1.20 million or 15% from its previous level on December 31, 2019 at ₱8.29 million.

Other Current Assets

The Group's consolidated other current assets totaled ₱37.78 million as of June 30, 2020, a decrease of ₱5.60 million or 13% from its previous level on December 31, 2019 at ₱4.20 million. Creditable withholding taxes, input VAT and prepaid expenses comprised majority of other current assets.

Financial assets at FVOCI

This account pertains to quoted and unquoted equity investments in Club Punta Fuego and Zowdow Inc. As at June 30, 2020, carrying value and net unrealized loss on financial assets at FVOCI recognized in the consolidated statement of financial position remained unchanged from its previous level on December 31, 2019 which amounted to ₱0.44 million and ₱44.25 million, respectively.

Investment in Associates

As of June 30, 2020, the Group's consolidated investment in associates amounted to ₱324.79 million, a 2% increase from its figure of ₱319.94 million on December 31, 2019. The breakdown of the carrying amounts of these investments are: Altitude Games Pte. Ltd. (₱25.78 million), PT Sembilan Digital Investama (₱15.64 million), CTX (₱0.20 million) and Micro Benefits Limited (₱283.17 million).

Property and Equipment

The Group's consolidated property and equipment was ₱5.29 million on June 30, 2020 vis-à-vis ₱8.76 million on December 31, 2019, or a decrease of 40%. The Group acquired property and equipment amounting to ₱0.56 million and ₱75.39 million during the six-month period ended June 30, 2020 and June 30, 2019, respectively. Depreciation expense amounted to ₱2.78 million and ₱13.94 million for the six-month periods ended June 30, 2020 and 2019, respectively.

Property and equipment consisted of leasehold improvements, leased assets, office equipment, computer and information technology equipment, furniture and fixtures and right-of-use assets.

Right-of-use Assets

This account represents the right to use office spaces and computer equipment covered by non-cancellable lease agreements with terms ranging from 1.5 to 3 years. As of March 31, 2020, the Group recorded right-of-use assets with carrying amount of ₱3.39 million. Depreciation expense from right-of-use assets amounted to ₱1.58 million.

Intangible Assets

As of June 30, 2020, intangible assets amounted to ₱90.17 million, an 11% decrease from December 31, 2019 balance of ₱101.13 million. The components are goodwill, customer relationship, developed software and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group. As of June 30, 2020, goodwill was at ₱48.22 million.
- Developed software pertains to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As of June 30, 2020, developed software net book value was at ₱34.93 million. Amortization of developed software for the six-month period ended June 30, 2020 amounted to ₱10.33 million.
- Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination. As of June 30, 2020, leasehold rights net book value was at ₱1.22 million. Amortization of leasehold rights for the six-month period ended June 30, 2020 amounted to ₱0.43 million.
- Cryptocurrencies pertain to units of Bitcoin and Ethereum held by the Group as at June 30, 2020 valued at ₱5.80 million.

Other Noncurrent Assets

Other noncurrent assets amounted to ₱38.09 million as of June 30, 2020. This figure was 7% higher than the value posted as of December 31, 2019 at ₱35.46 million. These are primarily rental, other deposits and other noncurrent assets.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables valued at ₱445.94 million as at June 30, 2020 saw an 8% (₱32.31 million) decrease from its December 31, 2019 figure of ₱478.25 million. The decrease was due to lower nontrade payables, accrued expenses, taxes payables and other payables.

The Group's accounts and other payables consisted mainly of trade payables (₱116.42 million), payable to related parties (₱102.72 million), and nontrade payables (₱51.97 million).

Loans Payable

The Group recorded ₱45.83 million in current loans on June 30, 2020 and ₱52.13 million on December 31, 2019. This was mainly attributable to the loans of the Group which are interest-bearing and short-term with different local banks and non-banks. Interest rates of said loans ranges from 4.00% to 7.60% in 2019 and 4.00% to 5.8125% in 2020.

Contract liability

Contract liabilities are obligations to transfer goods and services to customers from whom the Group has received consideration. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due. Contract liabilities are recognized as revenue when the Group performs under the contract.

The Group's consolidated contract liability as at June 30, 2020 amounted to ₱93.64 million, an increase of 38% from the December 31, 2019 figure of ₱68.05 million.

Income Tax Payable

No income tax payable was recorded as at June 30, 2020 as compared to the December 31, 2019 figure of ₱3,184.

Advances from stockholders – net of current portion

This account pertains to the loan agreement entered into by the Parent Company on April 29, 2019 with its founders amounting to ₱150.00 million, subject to 5.50% interest rate per annum payable in three (3) years from date of agreement.

Lease liabilities

Lease liabilities pertain to long-term office lease and lease for the use of Seer's IT equipment. As of June 30, 2020 and December 31, 2019, lease liabilities totaled ₱2.69 million and ₱3.81 million, respectively, a slight decrease of ₱1.12 million mainly due to rent payments. Current and non-current portions as of June 30, 2020 amounted to ₱2.55 million and ₱0.13 million, respectively.

Deferred Tax Liability - net

As of June 30, 2020, the deferred tax liability (net) was ₱5.43 million, a decrease of 22% or ₱1.52 million from ₱6.95 million as of December 31, 2019. This was primarily the deferred tax liability on fair value adjustment on intangible assets.

Pension Liability

The accrued pension of the Group was at ₱24.82 million on June 30, 2020, which was unchanged from its levels on December 31, 2019.

Capital Deficiency

Total Capital Deficiency

The Group recorded capital deficiency as of June 30, 2020 amounting to ₱7.69 million. Note that in 2019, the Group recognized significant impairment losses of its goodwill and investment in associates as well as loss from sale of Yondu which contributed largely to the 2019 net loss. As of December 30, 2019, the Group was left with only ₱25.89 million total equity. Incurring total comprehensive loss amounting to ₱33.59 million led the Group to a capital deficiency position as of June 30, 2020.

Liquidity and Capital Resources

The Group's liquidity is primarily driven by cash flows from operating activities and cash reserves. The Group knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity. The Group is current on all of its accounts. The Group has some bank debt through the Parent Company and Seer Technologies Inc. which are short term in nature. The Group is not in breach or default on any loan or other form of indebtedness.

Cash Flows

In PhP Millions	For the 6 months ended June 30	
	2020	2019
	Amount	Amount
Net cash provided by (used in) Operating Activities	(57.18)	(25.59)
Net cash provided by (used in) Investing Activities	(3.27)	(11.81)
Net cash provided by (used in) Financing Activities	(6.30)	131.18
Effect of foreign currency exchange changes in cash	11.96	6.63
Net increase (decrease) in cash	(54.78)	100.41
Cash at beginning of period	153.93	177.40
Cash at end of period	**99.15**	**277.81**

Cash Flows Used in Operating Activities

For the first half of 2020, operating loss of ₱35.73 million was coupled with the corresponding increase in account receivables and account payables resulted to ₱57.43 million net cash used in operations. Together with interest received and income taxes paid, this resulted in a net cash used in operating activities of ₱57.18 million.

Cash Flows Used in Investing Activities

The Group's consolidated cash flows used in investing activities for the first half of 2020 was ₱3.27 million compared to ₱11.81 million used in the same period of 2019. The net cash used in investing activities was mainly attributable to the acquisitions of property and equipment and changes in other noncurrent assets.

Cash Flows Used in Financing Activities

The Group's consolidated net cash flow used in financing activities for the six-month period ended June 30, 2020 was ₱6.30 million vis-à-vis ₱131.18 million provided for the six-month period ended June 30, 2019. The cash flow provided by financing activities were mainly due to payment of loans.

Capital Expenditure

The Group's capital expenditures for the six-month period ended June 30, 2020 and the year ended December 31, 2019 amounted to ₱0.56 million and ₱84.87 million, respectively.

Key Financial Data In PhP Millions	June 30, 2020 Additions	December 31, 2019 Additions
Right-of-use Assets	-	73.49
IT Equipment	0.50	10.22
Leasehold Improvements	-	1.14
Office Equipment	0.06	0.02
Furniture and Fixtures	-	-
Leased Asset	-	-
	0.56	**84.87**

Additions of right-of-use assets resulted from adoption of PFRS 16.

Key Performance Indicators

The key performance indicators disclosed below present the financial performance of the Group as a whole. These are different with those in supplemental schedule of the consolidated financial statements which were prepared only for the analysis of financial performance attributable to the Parent Company.

The following are the key performance indicators of the Group and its majority-owned subsidiaries:

In Percentage	For the 6 months period ended June 30		For the year ended December 31, 2019
	2020	2019	
Liquidity Ratios			
Current Ratio	**34%**	73%	41%
Quick Ratio	**27%**	67%	33%
Asset-to-Equity Ratio	**694%**	197%	575%
Profitability Ratios			
Net Loss Margin	**-66%**	-18%	-271%
Gross Margin	**-22%**	21%	15%
Operating Margin	**-46%**	-6%	-256%
Return on Total Assets	**-6%**	-2%	-93%
Return on Equity	**-40%**	-29%	-186%
Debt Ratios			
Debt-to-Equity Ratio	**7.02x**	0.68x	5.55x
Interest Coverage Ratio	**-9.48x**	-4.61x	-64.75x

Liquidity Ratios

Current Ratio and Quick Ratio for the six-month period ended June 30, 2020 were 34% and 27%, respectively, a decrease from their respective 41% and 33% figures during the full year of 2019. The decrease in both ratios was primarily from the significant decrease in currents assets particularly, cash and other current assets.

Asset-to-Equity Ratio

The increase in the asset-to-equity ratio from 575% on December 31, 2019 to 694% on June 30, 2020 resulted from the decrease in equity due to net loss incurred during the period.

Profitability Ratios

Profitability margins improved from December 31, 2019, due to the continuous cost-cutting initiatives of the Group. The result was an increase in Net Loss Margin (-66%), Operating Margin (-46%), Return on Total Assets (-6%) and Return on Total Equity (-41%). On the other hand, Gross Margin went down to -22% due to lower revenues earned.

Debt Ratios

Debt to Equity on June 30, 2020 was at 7.02x compared to 5.55x as of December 31, 2019. The increase in the gearing ratio was attributed to the decrease of total equity value as of June 30, 2020 compared to the previous year. Interest coverage ratio in June 30, 2020 was at -9.48x compared to -64.75x on December 31, 2019.

The manner by which the Company calculates the foregoing indicators is as follows:

Current Ratios

1. Current ratio	Current assets / Current liabilities
2. Quick ratio	(Current assets – Other current assets) / Current liabilities
Asset-to-equity Ratio	Total assets / Total equity attributable to Parent Company

Profitability Ratios

1. Net income ratio	Net income attributable to Parent Company / (Service income + Sale of goods)
2. Gross margin	((Service income + Sale of goods) – (Cost of services + Cost of goods sold)) / (Service income + Sale of goods)
3. Operating margin	Earnings before interest, tax, depreciation and amortization / (Service income + Sale of goods)
4. Return on total assets	Net income attributable to Parent Company / Average total assets
5. Return on total equity	Net income attributable to Parent Company / Average total equity attributable to the Parent Company

Debt Ratios

1. Debt-to-equity ratio	Total Liabilities / Total equity attributable to Parent Company
2. Interest coverage ratio	Earnings before interest and tax / Interest expense

Other Disclosures:

i. Liquidity. To cover its short-term funding requirements, the Group intends to use internally generated funds and available short-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD. The Group can also obtain additional advances from its stockholders, refinance its short-term loans, renew its credit lines and negotiate for longer payment terms for its payables.

ii. Events that will trigger Direct or Contingent Financial Obligation. There are no events that will trigger direct or contingent financial obligations that are material to the Group, including and default or acceleration of an obligation.

iii. Material Off-balance sheet Transactions, Arrangements, Obligations. Likewise, there were no materials off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the group with unconsolidated entities or other persons created during the reporting period.

iv. Material Commitments for Capital Expenditure. There are no material commitments for capital expenditures.

v. Material Events/ Uncertainties. There are no new trends, events, or uncertainties that are expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations. The Group's financial challenges in 2019 are being addressed through the following: continuous venture into new revenue potentials, cost cutting measures, and entry of new strategic investors.

vi. Results of Operations. There were no significant elements of income or loss that did not arise from continuing operations.

vii. Seasonality. The effects of seasonality or cyclicality on the operations of the Group's business are confined to its mobile consumer and other services segment.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned, on AUG 1 4 2020.

Issuer: **XURPAS INC.**

By:

NICO JOSE S. NOLLEDO
Chairman of the Board

ALEXANDER D. CORPUZ
President

FERNANDO JUDE F. GARCIA
Treasurer