

# COVER SHEET

for

## AUDITED FINANCIAL STATEMENTS

<b>A</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>7</b>	<b>7</b>	<b>0</b>	<b>8</b>	
----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	--

[illegible][illegible]

A	A	F	S
---	---	---	---

S	E	C
---	---	---

N	/	A
---	---	---

## COMPANY INFORMATION

**info@xurpas.com**

8889-6426

	N/A
--	-----

24

**2nd Monday of May**

December 31

CONTACT PERSON INFORMATION	
NAME	
PHONE	
EMAIL	
ADDRESS	
CITY	
STATE	
ZIP	
COUNTRY	

The designated contact person **MUST** be an Officer of the Corporation

**Alexander D. Corpuz**

**mar@xurpas.com**

8889-6426

N/A
-----

CONTACT PERSON'S ADDRESS	
NAME	Mr. J. H. Smith
ADDRESS	123 Main St., New York, N.Y.
CITY	New York, N.Y.
STATE	N.Y.
ZIP	10001
TELEPHONE	NY 1-2345
FAX	
E-MAIL	jsmith@ny.com
DATE	10/1/99

**Unit 804 Antel 2000 Corporate Centre, 121 Valero St., Salcedo Village, Brgy. Bel-Air, 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.



**Subject:** FW: Your BIR AFS eSubmission uploads were received

From: <[eafs@bir.gov.ph](mailto:eafs@bir.gov.ph)>

Date: Tue, Jun 15, 2021, 9:54 PM

Subject: Your BIR AFS eSubmission uploads were received

To: <[ecmblaban@gmail.com](mailto:ecmblaban@gmail.com)>

Cc: <[ESTHER@xurpas.rocks](mailto:ESTHER@xurpas.rocks)>

Hi XURPAS INC.,

**Valid files**

- EAFS219934330AFSTY122020.pdf
- EAFS219934330TCRTY122020-01.pdf
- EAFS219934330RPTTY122020.pdf
- EAFS219934330OHTY122020.pdf
- EAFS219934330TCRTY122020-02.pdf
- EAFS219934330ITRTY122020.pdf

**Invalid file**

- <None>

Transaction Code: **AFS-0-986ELKEB0M2TPVYWPM1N1VT1R0A7ADBJHJ**

Submission Date/Time: **Jun 15, 2021 09:39 PM**

Company TIN: **219-934-330**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

=====  
DISCLAIMER  
=====

This email and its attachments may be confidential and are intended solely for the use of the individual or entity to whom it is addressed.

If you are not the intended recipient of this email and its attachments, you must take no action based upon them, nor must you disseminate, distribute or copy this e-mail. Please contact the sender immediately if you believe you

have received this email in error.

E-mail transmission cannot be guaranteed to be secure or error-free. The recipient should check this email and any attachments for the presence of viruses. The Bureau of Internal Revenue does not accept liability for any errors or omissions in the contents of this message which arise as a result of e-mail transmission.



Virus-free. [www.avast.com](http://www.avast.com)

---

**“STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS”**

---

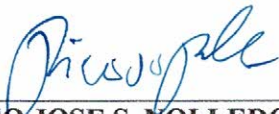
The management of **XURPAS INC.** (the “Company”) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, 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.



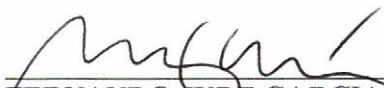
---

**NICO JOSE S. NOLLEDO**  
Chairman of the Board



---

**ALEXANDER D. CORPUZ**  
President/ Chief Finance Officer



---

**FERNANDO JUDE GARCIA**  
Treasurer/ Chief Technology Officer

Signed this JUN 16 2021

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

JUN 16 2021

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ affiant (s) exhibiting to me their Competent Evidence of Identity as follows:

NAMES	PASSPORT NO.	DATE OF ISSUANCE	PLACE OF ISSUANCES
NICO JOSE S. NOLLEDO	P3513313A	June 28, 2017	DFA MANILA
ALEXANDER D. CORPUZ	P5670777A	January 18, 2018	DFA NCR EAST
FERNANDO JUDE F. GARCIA	P3524556B	October 15, 2019	DFA NCR EAST

Doc. No. FL ;  
Page No. 12 ;  
Book No. 5 ;  
Series of 2021.

ATTY. MARIE CLAIRE D. GONZALES  
PTR No. 3242746 January 06, 2021 / 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)

## INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors  
Xurpas Inc.  
Unit 804 Antel 2000 Corporate Centre  
121 Valero St., Salcedo Village, Brgy. Bel-Air  
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, 2020 and 2019, 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, 2020 and 2019, 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 Parent 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 has deficit of ₱2,874.63 million and ₱2,929.92 million as of December 31, 2020 and 2019, respectively, and net operating cash outflow of ₱69.91 million and ₱149.59 million for the years ended December 31, 2020 and 2019, respectively. As at and for the year ended December 31, 2019, the Parent Company incurred net losses of ₱2,677.54 million and its current liabilities exceeded its current assets by ₱33.38 million. 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.



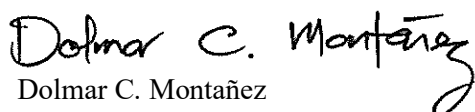
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Parent Company's ability to continue as a going concern. 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 25 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  
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. 8534336, January 4, 2021, Makati City

June 15, 2021





**XURPAS INC.****PARENT COMPANY STATEMENTS OF FINANCIAL POSITION**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 4 and 21)	<b>₱59,536,284</b>	₱130,589,983
Accounts and other receivables (Notes 5, 17 and 21)	<b>260,951,944</b>	206,954,274
Other current assets (Notes 6 and 21)	<b>6,268,559</b>	24,034,812
Total Current Assets	<b>326,756,787</b>	361,579,069
<b>Noncurrent Assets</b>		
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 7 and 21)	<b>500,000</b>	440,000
Investment in and advances to associates (Note 8)	<b>347,622,016</b>	325,537,430
Investment in subsidiaries (Note 9)	<b>68,535,991</b>	78,535,986
Property and equipment (Note 10)	<b>1,680,768</b>	3,377,679
Right-of-use asset (Note 16)	<b>—</b>	741,825
Other noncurrent assets (Note 6)	<b>14,984,460</b>	29,448,338
Total Noncurrent Assets	<b>433,323,235</b>	438,081,258
	<b>₱760,080,022</b>	₱799,660,327
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts and other payables (Notes 11, 17 and 21)	<b>₱301,219,265</b>	₱394,100,289
Lease liability (Note 16)	<b>—</b>	861,023
Total Current Liabilities	<b>301,219,265</b>	394,961,312
<b>Noncurrent Liabilities</b>		
Advances from stockholders - net of current portion (Notes 17 and 21)	<b>49,302,723</b>	54,033,333
Pension liability (Note 19)	<b>26,180,286</b>	20,038,308
Total Noncurrent Liabilities	<b>75,483,009</b>	74,071,641
Total Liabilities	<b>376,702,274</b>	469,032,953
<b>Equity</b>		
Capital stock (Note 20)	<b>193,492,586</b>	193,492,586
Additional paid-in capital (Note 20)	<b>3,577,903,563</b>	3,585,092,296
Deficit (Note 20)	<b>(2,874,632,257)</b>	(2,929,915,993)
Net unrealized loss on financial assets at FVOCI (Note 7)	<b>(44,194,956)</b>	(44,254,956)
Remeasurement loss on defined benefit plan (Note 19)	<b>(10,992,937)</b>	(7,870,216)
Equity reserve (Notes 9 and 20)	<b>(358,497,432)</b>	(358,497,432)
Treasury stock (Note 20)	<b>(99,700,819)</b>	(107,418,911)
Total Equity	<b>383,877,748</b>	330,627,374
	<b>₱760,080,022</b>	₱799,660,327

*See accompanying Notes to Parent Company Financial Statements.*



**XURPAS INC.****PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>REVENUES</b>		
Service income (Note 12)	<b>₱131,313,348</b>	₱62,627,620
Management fees (Note 17)	<b>45,131,202</b>	—
	<b>176,444,550</b>	62,627,620
<b>COST OF SERVICES</b> (Note 13)	<b>(62,803,012)</b>	(56,453,902)
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 14)	<b>(67,994,049)</b>	(2,433,758,864)
<b>FINANCE COSTS - NET</b> (Note 15)	<b>(6,779,367)</b>	(21,943,127)
<b>OTHER INCOME (CHARGES) - NET</b> (Note 15)	<b>19,175,708</b>	(227,339,497)
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>58,043,830</b>	(2,676,867,770)
<b>PROVISION FOR INCOME TAX</b> (Note 18)	<b>2,760,094</b>	668,930
<b>NET INCOME (LOSS)</b>	<b>55,283,736</b>	(2,677,536,700)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>		
Unrealized gain (loss) on financial assets at FVOCI - net of tax (Note 7)	<b>42,000</b>	(35,000)
Actuarial loss on pension liability (Note 19)	<b>(3,122,721)</b>	(5,866,137)
	<b>(3,080,721)</b>	(5,901,137)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>₱52,203,015</b>	(₱2,683,437,837)

*See accompanying Notes to Parent Company Financial Statements.*



**XURPAS INC.****PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY**

Year Ended December 31, 2020									
	Capital Stock (Note 20)	Additional Paid-in Capital (Note 20)	Retained Earnings - Appropriated (Note 20)	Retained Earnings - Unappropriated (Note 20)	Net Unrealized Loss on Financial Assets at FVOCI - net of tax (Notes 7 and 18)	Remeasurement Loss on Defined Benefit Plan (Note 19)	Equity Reserve (Notes 9 and 20)	Treasury shares (Note 20)	Total Equity
Balances at beginning 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
Reissuance of treasury shares	—	(7,188,733)	—	—	—	—	—	7,718,092	529,359
Net income	—	—	—	55,283,736	—	—	—	—	55,283,736
Other comprehensive income (loss)	—	—	—	—	42,000	(3,122,721)	—	—	(3,080,721)
Total comprehensive income (loss)	—	—	—	55,283,736	42,000	(3,122,721)	—	—	52,203,015
Effect of recognition of deferred tax asset	—	—	—	—	18,000	—	—	—	18,000
Balances at end of year	₱193,492,586	₱3,577,903,563	₱115,464,275	(₱2,990,096,532)	(₱44,194,956)	(₱10,992,937)	(₱358,497,432)	(₱99,700,819)	₱383,377,748

Year Ended December 31, 2019									
	Capital Stock (Note 20)	Additional Paid-in Capital (Note 20)	Retained Earnings - Appropriated (Note 20)	Retained Earnings - Unappropriated (Note 20)	Net Unrealized Loss on Financial Assets at FVOCI (Note 7)	Remeasurement Loss on Defined Benefit Plan (Note 19)	Equity Reserve (Notes 9 and 20)	Treasury shares (Note 20)	Total Equity
Balances at beginning of year	₱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 loss	—	—	—	—	(35,000)	(5,866,137)	—	—	(5,901,137)
Total comprehensive loss	—	—	—	(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

See accompanying Notes to Parent Company Financial Statements.



**XURPAS INC.****PARENT COMPANY STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income tax	<b>₱58,043,830</b>	<b>(₱2,676,867,770)</b>
Adjustments for:		
Provision for impairment losses (Note 14)	<b>19,899,695</b>	<b>2,361,554,478</b>
Interest expense (Notes 15 and 17)	<b>7,397,963</b>	<b>27,950,374</b>
Depreciation and amortization (Notes 13, 14 and 16)	<b>7,391,280</b>	<b>9,963,528</b>
Loss on disposal of investment in subsidiary (Notes 9 and 15)	<b>4,734,765</b>	<b>337,387,133</b>
Pension expense (gain on curtailment) (Note 19)	<b>3,019,257</b>	<b>(3,605,380)</b>
Loss (gain) on disposal of property and equipment (Notes 10 and 15)	<b>(38,068)</b>	<b>114,753</b>
Interest income (Notes 4 and 15)	<b>(618,596)</b>	<b>(6,007,247)</b>
Gain from reversal of long outstanding payables (Notes 15 and 17)	<b>(1,462,540)</b>	<b>(103,777,265)</b>
Unrealized foreign currency exchange gain	<b>(15,695,876)</b>	<b>(3,782,385)</b>
Operating income (loss) before changes in working capital	<b>82,671,710</b>	<b>(57,069,781)</b>
Decrease (increase) in:		
Accounts and other receivables - net	<b>(72,028,971)</b>	<b>(49,668,916)</b>
Other assets	<b>6,927,738</b>	<b>(6,331,400)</b>
Decrease in accounts and other payables	<b>(84,499,878)</b>	<b>(42,771,743)</b>
Net cash used in operations	<b>(66,929,401)</b>	<b>(155,841,840)</b>
Interest received	<b>618,596</b>	<b>1,485,844</b>
Dividend received (Note 9)	<b>—</b>	<b>31,153,208</b>
Interest paid	<b>(839,285)</b>	<b>(25,722,012)</b>
Income taxes paid, including creditable withholding taxes (Note 18)	<b>(2,760,094)</b>	<b>(668,930)</b>
Net cash used in operating activities	<b>(69,910,184)</b>	<b>(149,593,730)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of:		
Property and equipment (Note 10)	<b>47,397</b>	<b>1,510,149</b>
Investment in subsidiary (Note 9)	<b>—</b>	<b>501,251,674</b>
Additions to:		
Property and equipment (Notes 10 and 23)	<b>(1,072,865)</b>	<b>(356,183)</b>
Investment in subsidiaries (Note 9)	<b>—</b>	<b>(4,000,000)</b>
Net cash provided by (used in) investing activities	<b>(1,025,468)</b>	<b>498,405,640</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of:		
Lease liability (Note 16)	<b>(866,970)</b>	<b>(3,437,460)</b>
Advances from stockholders (Note 17)	<b>—</b>	<b>(95,966,667)</b>
Loans payable (Note 23)	<b>—</b>	<b>(287,709,500)</b>
Advances from stockholders (Note 17)	<b>—</b>	<b>150,000,000</b>
Net cash used in financing activities	<b>(866,970)</b>	<b>(237,113,627)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(71,802,622)</b>	<b>111,698,283</b>
<b>EFFECT OF CHANGE IN FOREIGN EXCHANGE RATE</b>	<b>748,923</b>	<b>3,782,385</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>130,589,983</b>	<b>15,109,315</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>	<b>₱59,536,284</b>	<b>₱130,589,983</b>

*See accompanying Notes to Parent Company Financial Statements.*



## XURPAS INC.

### 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 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 March 31, 2021, the Board of Directors (BOD) of the Parent Company approved the transfer of the principal place of business of the Parent Company to Unit 804 Antel 2000 Corporate Center, 121 Valero St., Salcedo Village, Brgy. Bel-Air, Makati City.

On December 2, 2014, the Parent Company's shares of stock were listed in the Philippine Stock Exchange (PSE).

The Parent Company has deficit of ₱2,874.63 million and ₱2,929.92 million as of December 31, 2020 and 2019, respectively, and net operating cash outflow of ₱69.91 million and ₱149.59 million for the years ended December 31, 2020 and 2019, respectively. As at and for the year ended December 31, 2019, the Parent Company incurred net losses of ₱2,677.54 million and its current liabilities exceeded its current assets by ₱33.38 million. 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 assessed that the Parent Company 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 which can provide another revenue source to support liquidity.

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 Group Inc.*

In 2019, the Parent Company's BOD approved the acquisition of 100% equity interest in Wavemaker US Fund Management Holdings, LLC, a venture capital management firm based in Los Angeles, California, United States of America. In 2020, the parties agreed to purchase Wavemaker Group, Inc. instead of Wavemaker US Fund Management Holdings, LLC, a limited liability company. Wavemaker Group Inc. is a fund management entity duly incorporated under the laws of Delaware, United States of America, that primarily invests in companies that focuses on high technology industries.

On September 20, 2020, the Parent Company's BOD approved the purchase of 100% of Wavemaker Group Inc. at a purchase price of approximately ₱170.00 million which shall be paid in cash upon completion of the transaction. The Stock Purchase Agreement for the said acquisition has already been signed by the Parties. Notwithstanding the execution of the definitive agreements, the Parent Company's acquisition of Wavemaker Group Inc. is conditioned on receipt of stockholders' approval. The Parent Company is also waiting for certain regulatory confirmations prior to proceeding with the



transaction. Accordingly, the trading of the Parent Company's shares with the PSE has been suspended pending receipt of the regulatory clearances.

The accompanying parent company financial statements were approved and authorized for issue by the BOD on June 15, 2021.

---

## 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, 2020 and 2019 and for the years then ended have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

The Parent Company also prepares and issues consolidated financial statements presented in compliance with PFRSs which can be obtained from the Parent Company's registered address.

### 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 amended PFRS and improvements to PFRS which were adopted beginning January 1, 2020. Adoption of these amendments did not have any significant impact on the parent company financial position or performance unless otherwise indicated.

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

The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Parent Company enter into any business combinations.

These amendments will apply on future business combinations of the Parent Company.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.



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

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *Leases, 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.

The Parent Company adopted the amendments beginning January 1, 2020. The adoption of the amendments does not have a material impact since there are no rent concessions granted to the Parent Company as a lessee.

#### Standards and Interpretation 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, 2021*

- Amendments to PFRS 9, PFRS 7, PFRS 4, *Insurance Contracts*, and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Parent Company shall also disclose information about:

- The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing the transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Parent Company is not required to restate prior periods.

- Amendments to PFRS 16, *Leases*, *COVID-19-related Rent Concessions beyond June 30, 2021*

The amendments extend the 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, 2022; and
- There is no substantive change to other terms and conditions of the lease.

The amendments are effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

The amendments are not expected to have a material impact on the Parent Company.

*Effective beginning on or after January 1, 2022*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent*





*Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

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

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

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Parent Company.

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

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Parent Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.



- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

#### *Effective beginning on or after January 1, 2023*

- Amendment to PAS 1, *Presentation of Financial Statements, Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1, Presentation of Financial Statements, to specify the requirements for classifying liabilities as current or noncurrent. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Parent Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- 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, 2023, with comparative figures required. Early application is permitted.

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

The amendments to PAS 1 require entities to disclose material accounting policies rather than significant accounting policies. The amendments provide that “Accounting policy information is material if, when considered together with other information in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.” The amendments to PFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply prospectively. Earlier application is permitted.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments provide a new definition of accounting estimates which are “monetary amounts in financial statements that are subject to measurement uncertainty.” The amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.

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

#### *Deferred effectivity*

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

The amendments address 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.

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 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 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 21).

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 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 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", "Accounts and other receivables" and "Restricted cash equivalent" under "Other current assets".

*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 profit or loss.

This category includes 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.

#### 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 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 and cash equivalents, the Parent Company 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 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.

#### *Write-off*

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. If a write-off is later recovered, the recovery is recognized in profit or loss to the extent of the carrying amount that would have been determined had no impairment loss been recognized.





*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 "Taxes payable", "Deferred output VAT" and statutory payables included in "Other payables" which are covered by other accounting standard) 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 "Taxes payable", "Deferred output VAT" and statutory payables included as "Other payables"), "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 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".

The Parent Company incurred various costs in issuing its own equity instruments. 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 (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 portion of equity against which payments to a former shareholder of a subsidiary was charged (see Note 9).

### Revenue Recognition

Revenue from contracts with customers 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. The Parent Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.



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) and Business Process Outsourcing (BPO). BPO is further subdivided into IT staffing, custom software development.

Value-Added Services (VAS) or mobile content development services pertain 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.

IT staffing is a business segment where the Parent Company 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 software development 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 software development, the Parent Company uses the output method which measures progress based on the completion of proportion of work done and requires technical determination by the IT specialists.

#### *Management fees*

The Company recognizes management fee for income received for general managerial services rendered to its related parties. Management fees are recognized over time since its customers simultaneously receives and consumes the benefits provided by the Company upon performance of the services.

For the years ended December 31, 2020 and 2019, 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

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.

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 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 statement 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.

#### Share-based Payment Transactions

Certain employees of the Parent Company 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 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 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 22 to the parent company 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.

#### 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. Information on events after the reporting period is presented in Note 18 to the parent company financial statements which pertains to the passage of CREATE bill.



---

### 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 which can provide another revenue source to support liquidity. Accordingly, the parent company financial statements are prepared on a going concern basis.

*b. 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

*c. 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 estimate 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 amounting to ₱439.59 million and ₱502.82 million as at December 31, 2020 and 2019, respectively (see Note 18).

*b. Provision for expected credit losses*

The Parent Company uses a provision matrix to calculate ECLs for accounts and other 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, including impact of COVID-19. 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.

As of December 31, 2020 and 2019, allowance for impairment loss on accounts and other receivables amounted to ₱102.82 million and ₱85.48 million, respectively (see Note 5).

*c. 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 including the impact of COVID-19.

Based on management's assessment, its nonfinancial assets are recoverable as of December 31, 2020 and 2019. The carrying values of the Company's nonfinancial assets follow:

	2020	2019
Other current assets (Note 6)	<b>₱6,268,559</b>	₱18,974,683
Investment in associates (Note 8)*	<b>325,537,430</b>	325,537,430
Investment in subsidiaries (Note 9)	<b>68,535,991</b>	78,535,986
Property and equipment (Note 10)	<b>1,680,768</b>	3,377,679
Right-of-use asset (Note 16)	—	741,825
Other noncurrent assets (Note 6)	<b>14,984,460</b>	6,770,052
	<b>₱417,007,208</b>	₱433,937,655

*\*This excludes advances to affiliate*

Allowance for impairment losses on investment in associates amounted to ₱252.02 million as of December 31, 2020 and 2019, respectively (see Note 8). Allowance for impairment losses on investment in subsidiaries amounted to ₱2,187.04 million as of December 31, 2020 and 2019, respectively (see Note 9).



#### 4. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand	<b>₱27,044</b>	₱34,170
Cash in banks	<b>59,509,240</b>	29,482,875
Cash equivalents	—	101,072,938
	<b>₱59,536,284</b>	₱130,589,983

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 ₱0.62 million and ₱1.49 million in 2020 and 2019, respectively (see Note 15).

There are no restrictions on the Parent Company's cash balances as of December 31, 2020 and 2019.

#### 5. Accounts and Other Receivables

This account consists of:

	2020	2019
Receivable from related parties (Note 17)	<b>₱317,905,523</b>	₱280,473,075
Trade receivables		
Third parties	<b>24,571,114</b>	3,837,228
Related parties (Note 17)	<b>13,241,460</b>	—
Nontrade receivable	<b>7,208,250</b>	7,595,250
Other receivables	<b>847,188</b>	526,999
	<b>363,773,535</b>	292,432,552
Less: Allowance for impairment losses	<b>102,821,591</b>	85,478,278
	<b>₱260,951,944</b>	₱206,954,274

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

Interest receivable pertains to interest on short-term advances to subsidiaries and is due and demandable.

Nontrade receivable pertains to advances to Insights Pte. Ltd., a third party, which is due and demandable.

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:

	2020	2019
Balance at beginning of year	<b>₱85,478,278</b>	₱32,691,977
Provision (Note 14)	<b>19,899,695</b>	67,346,817
Write-off and others	<b>(2,556,382)</b>	(14,560,516)
Balance at end of year	<b>₱102,821,591</b>	₱85,478,278

As of December 31, 2020 and 2019, the allowance for impairment losses pertains to:

	2020	2019
Receivable from related parties (Note 17)	<b>₱94,960,081</b>	₱79,791,828
Trade receivables	<b>653,260</b>	954,250
Nontrade receivable	<b>7,208,250</b>	4,732,200
	<b>₱102,821,591</b>	₱85,478,278

## 6. Other Assets

### Other current assets

This account consists of:

	2020	2019
Input VAT	<b>₱3,628,095</b>	₱4,855,588
Rental deposits	<b>1,348,520</b>	—
Prepaid expenses	<b>785,616</b>	710,667
Creditable withholding taxes	<b>506,328</b>	2,602,909
Deferred input VAT	—	10,805,519
Restricted cash equivalent	—	5,060,129
	<b>₱6,268,559</b>	₱24,034,812

Input VAT represents VAT imposed on the Parent Company by its suppliers for the acquired goods and services already paid (see Note 25).

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

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.

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. (“Seer”), a subsidiary. On March 6, 2020, the case was terminated in favor of Seer and the counterbond was released.



Other noncurrent assets

This account consists of:

	2020	2019
Deferred input VAT	<b>₱12,103,415</b>	₱—
Developed software	<b>2,881,045</b>	6,770,052
Advances to associate (Note 8)	—	22,084,586
Rental deposits	—	593,700
	<b>₱14,984,460</b>	<b>₱29,448,338</b>

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.

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.

The amortization expense of developed software recognized in “Depreciation and amortization” under “Cost of services” in the parent company statements of comprehensive income amounted to ₱3.89 million and ₱1.62 million in 2020 and 2019, respectively (see Note 13).

In 2020, advances to associate was reclassified under “Investment in and advances to associates” in the parent company statement of financial position.

---

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

This account consists of:

	2020	2019
Financial assets at FVOCI		
Quoted equity investment		
Club Punta Fuego	<b>₱500,000</b>	₱440,000
Unquoted equity investment	—	—
Financial assets at FVPL		
Unquoted debt investments	—	—
	<b>₱500,000</b>	<b>₱440,000</b>

The rollforward analysis of financial assets at FVOCI follow:

	2020	2019
Balance at beginning of year	<b>₱440,000</b>	₱475,000
Unrealized gain (loss) on financial assets at FVOCI	<b>42,000</b>	(35,000)
Effect of recognition of deferred tax asset (Note 18)	<b>18,000</b>	—
Balance at end of year	<b>₱500,000</b>	<b>₱440,000</b>



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

	2020	2019
Balance at beginning of year	(P44,254,956)	(P44,219,956)
Unrealized gain (loss) on financial assets at FVOCI	42,000	(35,000)
Effect of recognition of deferred tax asset (Note 18)	18,000	—
Balance at end of year	(P44,194,956)	(P44,254,956)

Unrealized gain (loss) on financial assets at FVOCI is recognized under “Other comprehensive income” in the parent company statements of comprehensive income.

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 21).

*Quoted equity investment*

Quoted equity instrument consists of investment in golf club shares.

*Unquoted equity investment*

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 P44.24 million. The Parent Company holds a 3.56% ownership of Zowdow on a fully-diluted basis. As of December 31, 2020 and 2019, the unquoted equity investment classified as financial assets at FVOCI has nil carrying amount.

*Unquoted debt investments*

The Parent Company has convertible promissory notes and bonds receivable as of December 31, 2020 and 2019:

	2020	2019
Unquoted debt investments		
MatchMe Pte. Ltd.	P52,495,000	P52,495,000
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	P—	P—

## 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 Amount	
	2020	2019	2020	2019
<b>Investment in associates</b>				
Micro Benefits Limited	<b>23.53%</b>	23.53%	<b>₱469,780,137</b>	₱469,780,137
MatchMe Pte. Ltd.	<b>29.10</b>	29.10	<b>63,577,019</b>	63,577,019
Altitude Games Pte. Ltd.	<b>21.17</b>	21.17	<b>33,008,920</b>	33,008,920
PT Sembilan Digital Investama	<b>49.00</b>	49.00	<b>10,983,350</b>	10,983,350
Altitude Games Inc.	<b>21.17</b>	21.17	<b>211,656</b>	211,656
			<b>577,561,082</b>	577,561,082
Less: Allowance for impairment loss			<b>252,023,652</b>	252,023,652
			<b>325,537,430</b>	325,537,430
Advances to associate (Note 6)			<b>22,084,586</b>	22,084,586
			<b>₱347,622,016</b>	₱347,622,016

#### *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.

In 2020, the Parent Company has not recognized additional impairment on its investment in Micro Benefits.

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

#### *MatchMe Pte. Ltd.*

In 2015 and 2018, MatchMe Pte. Ltd. ("MatchMe") acquired an aggregate of 1,547,729 ordinary shares or 29.10% interest in MatchMe, an international game development company based in Singapore, for a total consideration amounting to ₱63.58 million.





MatchMe incurred recurring losses for the past four years and attained capital deficiency position as of December 31, 2019. In 2019, 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 14).

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

*Altitude Games Pte. Ltd.*

As at December 31, 2020 and 2019, the Parent Company owns 21.17% 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, 2020 and 2019, 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 amounting to ₱0.21 million on its investment in Altitude Philippines based on recurring losses and capital deficiency position (see Note 14).

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

As at December 31, 2020 and 2019, 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	
	2020	2019	2020	2019
Art of Click Pte. Ltd	100.00%	100.00%	₱1,959,810,316	₱1,959,810,316
Storm Technologies, Inc.	51.31	51.31	202,723,635	202,723,635
Xeleb Technologies Inc.	100.00	100.00	68,085,646	68,085,646
Seer Technologies, Inc.	70.00	70.00	18,000,000	18,000,000
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
CTX Technologies Inc.	—	100.00	—	9,999,995
			2,255,575,366	2,265,575,361
Less: Allowance for impairment losses			2,187,039,375	2,187,039,375
			₱68,535,991	₱78,535,986

### 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. In 2017, there were amendments to the Share Purchase Agreement to finalize the purchase price and manner of payment from partly in cash and Xurpas shares to solely in cash. As of December 31, 2020 and 2019, the cost of investment in AOC amounted to ₱1,959.81 million. AOC is a Singaporean start-up firm established in 2011 that specializes on mobile marketing solutions for advertisers, publishers, app developers, and other operators.

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. 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 14).

On March 30, 2021, the Board of Directors of Xurpas Inc. approved the suspension of business operations of AOC.

AOC's registered office address and principal place of business is at 883 North Bridge Road #15-04 Southbank, Singapore.

### Storm Technologies, Inc. ("Storm Tech")

As of December 31, 2020 and 2019, the Parent Company's investment in Storm Tech, a human resource consultancy firm, amounted to ₱202.72 million equivalent to 51.31% equity ownership.



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 14) 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")

As of December 31, 2018, the Parent Company's investment in Xeleb Tech amounted to ₱64.09 million equivalent to 67% equity ownership. 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 in 2019 (see Note 14).

As at December 31, 2020, Xeleb Tech has yet to apply for the approval of government regulatory agencies for its dissolution.

Xeleb Technologies, Inc. was organized to primarily engage in the business of mobile content development. 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.

On June 25, 2015, the Parent Company acquired 70,000 common shares representing 70.00% stake holdings in Seer, a software consultancy and design company, at a price of ₱18.00 million.

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 14) 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 Unit 804 Antel 2000 Corporate Centre, 121 Valero St., Salcedo Village, Brgy. Bel-Air, 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 platform, which will be an open data marketplace using blockchain technology, is under development. ODX has not started commercial operations as of December 31, 2020. 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.

On March 30, 2020, the Parent Company and the other stockholder of CTX, entered into a Deed of Absolute Sale for the sale of 8,000,000 shares equivalent to 80% interest in CTX for a total amount of ₱4.00 million. On September 30, 2020, the same parties entered into another Deed of Absolute Sale for the sale of the remaining 1,999,995 shares for a total amount of ₱1.27 million. The purchase price totaling to ₱5.27 million was offset against Parent Company's payable to the same stockholder. Loss on sale of subsidiary recognized under “Other income (charges) - net” amounted to ₱4.73 million in 2020 (see Note 15).

CTX's registered office address is Unit 804 Antel 2000 Corporate Centre, 121 Valero St., Salcedo Village, Brgy. Bel-Air, Makati City.

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. The purchase resulted in a 51% ownership by the Parent Company in Yondu.

In 2019, the Parent Company collected dividend receivable amounting to ₱31.15 million which pertains to dividend declaration of Yondu in 2018.

On September 11, 2019, the board of directors of Parent Company approved the sale of 51% ownership in Yondu to Globe Telecom Inc. for a total amount of ₱501.25 million. Loss on disposal of Yondu recognized under “Other income (charges) - net” in 2019 amounted to ₱337.39 million (see Note 15).

## 10. Property and Equipment

Rollforward of this account is as follows:

2020

	IT Equipment	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Total
<b>Cost</b>					
Balance at beginning of year	₱8,403,195	₱12,222,834	₱2,603,406	₱2,552,342	₱25,781,777
Additions	1,010,067	—	62,798	—	1,072,865
Disposals	(44,782)	—	(29,821)	—	(74,603)
Balance at end of year	9,368,480	12,222,834	2,636,383	2,552,342	26,780,039

(Forward)



	IT Equipment	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Total
<b>Accumulated Depreciation and Amortization</b>					
Balance at beginning of year	₱6,622,482	₱11,825,911	₱1,857,098	₱2,098,607	₱22,404,098
Depreciation and amortization (Note 14)	1,434,561	374,335	585,400	366,151	2,760,447
Disposals	(35,453)	—	(29,821)	—	(65,274)
Balance at end of year	8,021,590	12,200,246	2,412,677	2,464,758	25,099,271
<b>Net Book Value</b>	<b>₱1,346,890</b>	<b>₱22,588</b>	<b>₱223,706</b>	<b>₱87,584</b>	<b>₱1,680,768</b>

## 2019

	IT Equipment	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Total
<b>Cost</b>					
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
<b>Accumulated Depreciation and Amortization</b>					
Balance at beginning of year	7,248,498	13,288,537	2,119,936	4,356,033	27,013,004
Depreciation and amortization (Note 14)	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
<b>Net Book Value</b>	<b>₱1,780,713</b>	<b>₱396,923</b>	<b>₱746,308</b>	<b>₱453,735</b>	<b>₱3,377,679</b>

The Parent Company disposed property and equipment with cost amounting to ₱0.07 million and ₱11.61 million in 2020 and 2019, respectively, resulting to a gain of ₱0.04 million and a loss of ₱0.11 million recognized under “Other income (charges) - net” (see Note 15).

Depreciation and amortization in 2020 and 2019 charged under “General and administrative expenses” amounted to ₱2.76 million and ₱5.38 million, respectively (see Note 14).

There was no capitalized interest as at December 31, 2020 and 2019.

There were no property and equipment pledged as collateral as at December 31, 2020 and 2019.

## 11. Accounts and Other Payables

This account consists of:

	2020	2019
Trade payables		
Related parties (Note 17)	₱92,105,601	₱79,146,783
Third parties	13,219,392	1,206,303
Advances from stockholders (Note 17)	88,901,731	103,906,873
Payable to related parties (Note 17)	73,893,919	191,013,871
Interest payable (Notes 15 and 17)	11,808,109	5,249,432
Deferred output VAT	5,081,053	761,101
Accrued expenses		
Professional fees (Note 14)	2,882,880	3,322,816
Others	123,078	48,082

(Forward)



	2020	2019
Taxes payable	<b>₱1,400,633</b>	₱2,921,928
Notes payable (Note 17)	<b>1,287,114</b>	1,360,690
Other payables (Note 17)	<b>10,515,755</b>	5,162,410
	<b>₱301,219,265</b>	₱394,100,289

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.

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.

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.

Other payables consist of payable to an employee of a subsidiary and statutory payables to SSS, Philhealth and HDMF. It also consists of provision for probable loss amounting to ₱2.5 million as of December 31, 2020. These are noninterest-bearing and are normally settled within one year.

## 12. Service Income

This account consists of:

	2020	2019
Related parties (Note 17)		
Custom software development services	<b>₱79,016,134</b>	₱46,582,907
IT staffing	<b>21,012,296</b>	—
Third parties		
Custom software development services	<b>16,223,289</b>	—
Mobile content development services	<b>15,061,629</b>	16,044,713
	<b>₱131,313,348</b>	₱62,627,620

## 13. Cost of Services

This account consists of:

	2020	2019
Salaries, wages and employee benefits	<b>₱34,009,704</b>	₱38,963,036
Outsourced services (Note 17)	<b>21,836,971</b>	11,321,145
Depreciation and amortization (Note 6)	<b>3,889,008</b>	1,620,412
Web hosting	<b>1,743,119</b>	2,354,892
Rent (Note 16)	<b>871,661</b>	641,395
Segment fee and network costs	<b>211,750</b>	1,118,488
(Forward)		



	2020	2019
Utilities	₱175,976	₱415,484
Commissions	64,823	2,551
Prizes and winnings	—	16,499
	<b>₱62,803,012</b>	<b>₱56,453,902</b>

#### 14. General and Administrative Expenses

This account consists of:

	2020	2019
Provision for impairment losses (Notes 5, 8 and 9)	<b>₱19,899,695</b>	₱2,361,554,478
Salaries, wages and employee benefits	<b>17,633,978</b>	16,312,397
Professional fees	<b>14,419,689</b>	32,898,205
Depreciation and amortization (Note 10 and 16)	<b>3,502,272</b>	8,343,116
Directors' fees (Note 17)	<b>2,670,000</b>	2,080,000
Taxes and licenses	<b>2,095,594</b>	3,011,387
Dues and subscription	<b>480,199</b>	577,839
Entertainment, amusement and recreation	<b>345,785</b>	115,474
Advertising and promotions	<b>326,048</b>	490,859
Outsourced services (Note 17)	<b>295,941</b>	6,081,815
Repairs and maintenance	<b>229,167</b>	49,583
Transportation and travel	<b>196,795</b>	959,621
Communication	<b>159,029</b>	188,935
Seminars and trainings	<b>98,058</b>	54,499
Rent (Note 16)	<b>96,851</b>	71,266
Office supplies	<b>59,549</b>	65,205
Utilities	<b>17,372</b>	40,752
Miscellaneous	<b>5,468,027</b>	863,433
	<b>₱67,994,049</b>	<b>₱2,433,758,864</b>

Miscellaneous expense include penalties and other provision for probable losses.

#### 15. Finance Costs and Other Income (Charges)

Finance costs - net consists of:

	2020	2019
Interest expense (Notes 11 and 17)	<b>(₱7,397,963)</b>	(₱27,950,374)
Interest income (Notes 4 and 17)	<b>618,596</b>	6,007,247
	<b>(₱6,779,367)</b>	<b>(₱21,943,127)</b>



Other income (charges) - net consists of:

	2020	2019
Foreign exchange gains - net	<b>₱15,697,749</b>	₱3,445,484
Gain from reversal of long outstanding payables (Note 17)	<b>1,462,540</b>	103,777,265
Gain (loss) on disposal of property and equipment (Note 10)	<b>38,068</b>	(114,753)
Bank charges	<b>(223,161)</b>	(5,880,076)
Loss on disposal of investment in subsidiary (Note 9)	<b>(4,734,765)</b>	(337,387,133)
Other income	<b>6,935,277</b>	8,819,716
	<b>₱19,175,708</b>	(₱227,339,497)

Other income includes allocated overhead costs to ODX amounted to ₱6.89 million in 2020.

## 16. 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, 2017 and terminated on March 21, 2020. The applicable rate per month is ₱0.27 million and a corresponding annual increase of 4.00%.

In March 2020, the Company renewed its lease contract for a period of one (1) year which commenced on April 1, 2020 and terminated 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 renewed a non-cancellable lease contract with Gervel, Inc. for the 4th floor office space 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, 2020 and 2019, the future minimum lease payments under non-cancellable operating leases within one year amounted to ₱0.99 million and ₱0.87 million, respectively.





Set out below is the carrying amount of right-of-use asset recognized and its movement during the year:

	2020	2019
<b>Cost</b>		
Balance at beginning and end of year	<b>₱8,901,896</b>	₱8,901,896
<b>Accumulated Depreciation</b>		
Balance at beginning of year	<b>8,160,071</b>	5,192,773
Depreciation (Note 14)	<b>741,825</b>	2,967,298
Balance at end of year	<b>8,901,896</b>	8,160,071
<b>Net Book Value</b>	<b>₱—</b>	₱741,825

The rollforward analysis of lease liability follows:

	2020	2019
Balance at beginning of year	<b>₱861,023</b>	₱4,102,104
Accretion of interest	<b>5,947</b>	196,379
Payments	<b>(866,970)</b>	(3,437,460)
Balance at end of year	<b>₱—</b>	₱861,023

The following are the amounts recognized in the parent company statement of comprehensive income:

	2020	2019
Depreciation expense of right-of-use asset	<b>₱741,825</b>	₱2,967,298
Accretion of interest expense on lease liability	<b>5,947</b>	196,379
Rent expense charged on short-term lease under:		
Cost of services (Note 13)	<b>871,661</b>	641,395
General and administrative expenses (Note 14)	<b>96,851</b>	71,266
	<b>₱1,716,284</b>	₱3,876,338

## 17. Related Party Transactions

The Parent Company, in the normal course 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 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. 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, 2020 and 2019 follow:

			Outstanding Balance					
			Amount/Volume		2020		2019	
Terms	Conditions		2020	2019	Receivables (Note 5)	Payables (Note 11)	Receivables (Note 5)	Payables (Note 11)
<b>Subsidiaries</b>								
Notes payable (a)	Noninterest-bearing	Unsecured	P–	P–	P–	P1,287,114	P–	P1,360,690
Service revenue (b-c)	Noninterest-bearing	with impairment	29,037,268	–	12,804,660	–	–	–
Management services (d)	Noninterest-bearing	Unsecured, with impairment	44,741,202	–	15,142,587	–	–	–
Outsourced services (e-i)	Noninterest-bearing	Unsecured	12,524,917	11,487,668	–	92,105,601	–	82,985,516
Advances (j)	Noninterest-bearing	with impairment	39,553,843	39,770,445	173,264,090	25,789,489	151,539,375	17,231,539
Advances (k-l)	Noninterest-bearing	Unsecured	–	14,550,456	–	51,675,405	–	168,071,539
Advances (m)	Interest-bearing	with impairment	–	25,450,000	108,250,000	–	108,250,000	–
Interest (m)	Noninterest-bearing	with impairment	–	4,521,403	10,305,798	–	10,305,798	–
<b>Associates</b>								
Advances (a)	Noninterest-bearing	Unsecured, with impairment	565,146	4,569,441	10,943,048	–	10,377,902	–
<b>Stockholders</b>								
Payable to directors and officers (a-b, d)	Interest-bearing	Unsecured	–	150,000,000	–	138,086,776	–	147,822,533
Interest (a-b)	Noninterest-bearing	Unsecured	7,392,016	10,393,385	–	11,808,109	–	5,249,432
Payable to directors and officers (c, e)	Noninterest-bearing	Unsecured	2,670,000	2,080,000	–	2,187,000	–	11,871,995
Advances (f)	Noninterest-bearing	Unsecured	–	117,678	–	117,678	–	117,678
<b>Affiliate</b>								
Management services (a)	Noninterest-bearing	Unsecured, no impairment	390,000	–	436,800	–	–	–
Advances (c)	Noninterest-bearing	Unsecured, no impairment	1,063,017	–	–	755,283	–	–
					P331,146,983	P323,812,455	P280,473,075	P434,710,922

The significant transactions with related parties follow:

**Subsidiaries:**

- On September 15, 2017, the Parent Company issued a promissory note to AOC amounting to US\$1,350,000 or P67.40 million.

As at December 31, 2020 and 2019, the Parent Company has outstanding payable to AOC amounting to P1.29 million and P1.36 million, respectively (see Note 11).

- In 2020, the Parent Company entered into service agreements with its subsidiaries, XEI and Seer, wherein the former will provide talents and resources to develop and implement the various projects of XEI and Seer. In relation to this, outstanding trade receivable and total service income recognized as of and for the year ended December 31, 2020 amounted to P12.80 million and P20.62 million, respectively (see Note 12).
- In 2020, the Parent Company entered into a service agreement with CTX for the research and development services. Total service revenue recognized in relation to this transaction amounted to P8.02 million.



- d. In 2020, the Parent Company entered into agreements with its subsidiaries, XEI, Seer, and ODX wherein the Parent Company agreed to perform financial, legal, human resources, sales and marketing support, administrative support and technical services for a fee. In relation to this, the Parent Company has outstanding receivable amounting to ₱15.14 million as of December 31, 2020 and recognized management fees revenue in 2020 amounting to ₱44.74 million.
- e. 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 income (charges) - net” in 2019 (see Note 15).

As at December 31, 2020 and 2019, the Parent Company has an outstanding payable to Xeleb amounting to ₱44.31 million presented under “Accounts and other payables” (see Note 11).

- f. In 2019, 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 in 2019 (see Note 13).

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 income (charges) - net” (see Note 15).

As at December 31, 2020 and 2019, the Parent Company has an outstanding payable to Xeleb Technologies amounting to ₱29.31 million and ₱30.38 million, respectively, presented under “Accounts and other payables” (see Note 11).

- g. The Parent Company availed software development services from Xurpas Enterprise. Total outsourced services recognized by the Parent Company under “Cost of Services” amounted to ₱12.52 million and ₱3.70 million in 2020 and 2019, respectively (see Note 13).

As at December 31, 2020 and 2019, the Parent Company has an outstanding payable to Xurpas Enterprise amounting to ₱18.49 million and ₱4.46 million, respectively, presented under “Accounts and other payables” (see Note 11).

- h. In 2019, 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 (see Note 13).
- i. In 2019, 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 (see Note 14).

As at December 31, 2020 and 2019, the Parent Company has an outstanding payable to AOC amounting to nil and ₱13.91 million, respectively.

- j. Advances to subsidiaries include payments to and in behalf of Xurpas Enterprise, AOC, Seer, ODX, Xeleb and Xeleb Technologies for their operational expenditures. Total outstanding advances amounted to ₱173.26 million and ₱151.54 million as at December 31, 2020 and 2019, respectively. The Parent Company recognized allowance for impairment loss amounting to ₱66.09 million and ₱57.27 million as of December 31, 2020 and 2019, respectively.



The Parent Company has advances to Xurpas Enterprise amounting to ₱19.28 million and ₱17.23 million as at December 31, 2020 and 2019, respectively, for the reimbursements of expenses incurred in relation to the cost of manpower of AOC (see Note 11).

In 2020, the Parent Company collected receivable on behalf of Seer amounting to ₱6.51 million which was recognized by the parent under “Other payables” (see Note 11).

- k. 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 2020 and 2019, service revenue recognized in relation to the service agreement amounted to ₱61.83 million and ₱46.58 million, respectively.

Total advances extended by ODX to the Parent Company as of December 31, 2020 and 2019 amounted to ₱33.22 million and ₱153.45 million, respectively (see Note 11).

- l. As at December 31, 2020 and 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.
- m. As of December 31, 2020 and 2019, advances to subsidiaries include short-term, interest-bearing loans to Storm Tech. Total outstanding advances amounted to ₱108.25 million as at December 31, 2020 and 2019. These are subject to interest rate of 3.75% to 8.00% per annum. In 2020, the BOD of the Parent Company approved to waive all loan interests of Storm Tech starting January 1, 2020.

Interest income earned for the year ended December 31, 2020 and 2019 from the advances to Storm Tech amounted to nil and ₱9.92 million, respectively. The Parent Company recognized allowance for impairment loss amounting to ₱23.63 million and ₱19.06 million as of December 31, 2020 and 2019, respectively.

As at December 31, 2020 and 2019, outstanding interest receivable amounted to ₱10.31 million (see Note 5).

Associates:

- a. Advances to associates include payments to and in behalf of Altitude Games, Ninelives and MatchMe for their operational expenditures. Total outstanding advances amounted to ₱10.94 million and ₱10.38 million as at December 31, 2020 and 2019, respectively. The Parent Company recognized allowance for impairment loss amounting to ₱5.23 million and ₱3.45 million as of December 31, 2020 and 2019, respectively (see Note 8).

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. In 2020 and 2019, the Parent Company recognized interest expense amounting to ₱4.59 million and ₱5.78 million, respectively (see Note 15). As at December 31, 2020 and 2019, outstanding loans and interest payable amounted to ₱88.78 million and ₱9.26 million, respectively, and ₱93.91 million and ₱4.67 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 2020 and 2019, the Parent Company recognized interest expense amounting to ₱2.81 million and ₱4.61 million,



- c. respectively, under “Other income (charges) - net” in its parent company statements of comprehensive income (see Note 15).

As at December 31, 2020 and 2019, outstanding loans and interest payable pertaining to this transaction amounted to ₱49.31 million and ₱2.55 million, respectively, and ₱54.03 million and ₱0.58 million, respectively (see Note 11).

- d. 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, 2020 and 2019, outstanding payable pertaining to this transaction amounted to nil and ₱10.00 million, respectively.
- e. In March and September 2020, the Parent Company sold its 100% ownership in CTX to Mr. Garcia, a stockholder, for a total amount of ₱5.27 million which was offset against the advances from the stockholder (see Note 9).
- f. Payable to directors and officers also pertain to directors’ fees amounting to ₱2.67 million and ₱2.08 million in 2018 and 2019, respectively (see Note 14).

Outstanding payable amounted to ₱2.19 million and ₱1.87 million as at December 31, 2020 and 2019, respectively (see Note 11).

- g. 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.

**Affiliate:**

- a. The Parent Company entered into an agreement with CTX wherein the Parent Company agreed to perform financial, legal, human resources, sales and marketing support, administrative support and technical services for a fee. In relation to this, outstanding trade receivable and total service income recognized as at and for the year ended December 31, 2020 amounted to ₱0.44 million and ₱0.39 million, respectively (see Note 5).

Advances from affiliate pertain to payments made by CTX to the Parent Company for operational purposes subject to future liquidation. Outstanding payable as at December 31, 2020 amounted to ₱0.76 million (see Note 11).

**Key management compensation**

Compensation of key management personnel amounted to ₱10.24 million and ₱3.35 million in 2020 and 2019, 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:

	2020	2019
Short-term employee benefits	<b>₱8,790,358</b>	₱6,690,358
Post-employment benefits	<b>1,452,198</b>	(3,342,207)*
	<b>₱10,242,556</b>	₱3,348,151

\*includes gain on curtailment on defined benefit plan



## 18. Income Tax

Provision for income tax consists of the following:

	2020	2019
Current	<b>₱2,641,492</b>	₱371,799
Final	<b>118,602</b>	297,131
	<b>₱2,760,094</b>	<b>₱668,930</b>

The current provision for income tax expense represents MCIT.

The component of Parent Company's net deferred taxes are as follows:

	2020	2019
Deferred tax assets on:		
NOLCO	<b>₱4,563,294</b>	₱—
Unrealized loss on financial assets at FVOCI	<b>18,000</b>	—
	<b>4,581,294</b>	—
Deferred tax liabilities on:		
Unrealized foreign exchange gain	<b>4,563,294</b>	—
Unrealized gain on financial assets at FVOCI	<b>18,000</b>	—
	<b>4,581,294</b>	—
Net deferred tax assets	<b>₱—</b>	<b>₱—</b>

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:

	2020	2019
NOLCO	<b>₱238,637,927</b>	₱334,451,492
Allowance for impairment losses	<b>102,821,591</b>	85,478,277
Accrued expenses	<b>81,272,650</b>	71,092,558
Pension liability	<b>13,843,698</b>	10,824,441
MCIT	<b>3,013,290</b>	371,799
Unrealized foreign exchange loss	—	484,896
Net lease liability	—	119,198
	<b>₱439,589,156</b>	<b>₱502,822,661</b>

Below are the remaining amounts of the deductible temporary differences related to items recorded under other comprehensive income for which no deferred tax assets are recognized:

	2020	2019
Net unrealized loss on financial assets as FVOCI	<b>₱44,194,956</b>	₱44,254,956
Remeasurement loss on defined benefit plan	<b>10,992,937</b>	7,870,216
	<b>₱55,187,893</b>	<b>₱52,125,172</b>



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
2020	₱2,641,492	₱—	₱2,641,492	2023
2019	371,799	—	371,799	2022
	<b>₱3,013,291</b>	<b>₱—</b>	<b>₱3,013,291</b>	

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	End	Year of Expiration
2019	₱102,178,835	₱—	₱102,178,835	2022
2018	232,272,657	(80,602,586)	151,670,071	2021
	<b>₱334,451,492</b>	<b>(₱80,602,586)</b>	<b>₱253,848,906</b>	

The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in the parent company statements of comprehensive income follows:

	2020	2019
Statutory income tax	<b>₱17,413,149</b>	(₱803,060,331)
Tax effects of:		
Nondeductible expenses	<b>2,534,929</b>	833,082,147
Interest income already subjected to final tax	<b>(66,976)</b>	(148,622)
Change in unrecognized deferred tax assets	<b>(17,121,008)</b>	(29,204,264)
Effective income tax	<b>₱2,760,094</b>	₱668,930

#### Corporate Recovery and Tax Incentives for Enterprises Act

On March 26, 2021, President Rodrigo Duterte signed into law the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company.

- Effective July 1, 2020, RCIT rate is reduced from 30.00% to 25.00% for domestic corporations.
- MCIT rate reduced from 2.00% to 1.00% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30.00% RCIT / 2.00% MCIT) for financial reporting purposes.



Applying the provisions of the CREATE Act, the Company would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020

- Based on the provisions of Revenue Regulations (RR) No. 05-2021 dated April 08, 2021 issued by the BIR, the prorated MCIT rate of the Company for CY2020 is 1.5%. This will result in lower provision for current income tax for the year ended December 31, 2020, and higher creditable withholding taxes as of December 31, 2020 by ₱0.66 million. The revised amounts will be reflected in the Company's 2020 annual income tax return. However, for financial reporting purposes, the changes will only be recognized in the 2021 financial statements.
- There is no impact in the recognized provision for deferred tax for the year then ended December 31, 2020 since no deferred tax assets were recognized in excess of the recognized deferred tax liabilities during the year.

## 19. 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:

	2020	2019
Current service cost	<b>₱1,909,135</b>	₱1,377,388
Interest cost on benefit obligation	<b>1,110,122</b>	952,610
Past service cost - curtailment	—	(5,935,378)
	<b>₱3,019,257</b>	(₱3,605,380)

Changes in the present value of the defined benefit obligation follow:

	2020	2019
Balance at beginning of year	<b>₱20,038,308</b>	₱17,777,551
Current service cost	<b>1,909,135</b>	1,377,388
Interest cost on benefit obligation	<b>1,110,122</b>	952,610
Past service cost - curtailment	—	(5,935,378)
Actuarial loss	<b>3,122,721</b>	5,866,137
Balance at end of year	<b>₱26,180,286</b>	₱20,038,308





Actuarial loss on defined benefit obligation recorded under “Remeasurement loss on defined benefit plan” in the parent company statements of changes in equity is as follows:

	2020	2019
Balance at beginning of year	<b>₱7,870,216</b>	₱2,004,079
Actuarial loss	<b>3,122,721</b>	5,866,137
Balance at end of year	<b>₱10,992,937</b>	₱7,870,216

The assumptions used to determine pension benefits of the Parent Company are as follows:

	2020	2019
Discount rate	<b>4.05%</b>	5.54%
Salary projection rate	<b>5.00%</b>	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)	
		2020	2019
Discount rate	(+) 1.0%	<b>(₱3,577,562)</b>	(₱2,701,946)
	(-) 1.0%	<b>4,335,872</b>	3,256,475
Salary increase rate	(+) 1.0%	<b>₱4,248,188</b>	₱3,240,967
	(-) 1.0%	<b>(3,579,122)</b>	(2,738,351)

The weighted average duration of defined benefit obligation at the end of the reporting period is 15.1 years and 14.9 years in 2020 and 2019, respectively.

Shown below is the maturity analysis of the retirement benefit payments up to ten years:

	2020	2019
Less than 1 year	<b>₱1,852,961</b>	₱1,968,771
More than 1 year to 5 years	—	—
More than 5 years to 10 years	<b>11,765,289</b>	6,109,940
	<b>₱13,618,250</b>	₱8,078,711

## 20. Equity

The details of the Parent Company’s capital stock follow:

	2020	2019
Authorized shares	<b>5,000,000,000</b>	5,000,000,000
Par value per share	<b>₱0.10</b>	₱0.10
Issued shares	<b>1,934,925,852</b>	1,934,925,852
Treasury shares	<b>62,128,975</b>	63,095,642
Value of shares issued	<b>₱193,492,586</b>	₱193,492,586
Value of treasury shares	<b>(₱99,700,819)</b>	(₱107,418,911)



The Parent Company is a corporation and shall have a perpetual existence unless its Articles of Incorporation provides otherwise.

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:

	Number of shares registered	Issue/offer price	Date of approval	2020	2019
				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	24	26

The balance of additional paid-in capital (APIC) as of December 31, 2020 and 2019 represents the excess of the subscription price over paid-up capital.

In 2020 and 2019, APIC reduced as a result of reissuance of treasury shares by the amount of ₱7.19 million and ₱6.98 million, respectively.

#### Retained Earnings

##### Appropriations

Appropriated retained earnings which relates to buyback program of common shares in 2016 amounted to ₱115.46 million as of December 31, 2020 and 2019.

##### Dividend declaration

The Parent Company has no dividend declarations made in 2020 and 2019.

#### Equity Reserve

In 2017, a reserve amounting to ₱358.50 million was recognized for the payment resulting from amendments in the purchase price and the acquisition of the Parent Company's own shares related the acquisition of AOC.

#### 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.

On July 24, 2020, the Parent Company issued 966,667 shares taken from its treasury shares for a price of ₱0.57 per share.

As of December 31, 2020 and 2019, the Parent Company has 62,128,975 and 63,095,642 treasury shares amounting to ₱99.70 million and ₱107.42 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, 2020, the Plan has been on hold for approval of SEC and PSE.



### Capital Management

The primary objective of the Parent Company's capital management is to improve its credit rating and capital ratios in order to support its business operations 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:

	2020	2019
Capital stock	<b>₱193,492,586</b>	₱193,492,586
Additional paid-in capital	<b>3,577,903,563</b>	3,585,092,296
Deficit	<b>(2,874,632,257)</b>	(2,929,915,993)
	<b>₱896,763,892</b>	₱848,668,889

The Parent Company is subject to certain capital requirement as a listed entity. The Parent Company regards its equity as its primary source of capital. No changes were made in the capital management policies in 2020 and 2019.

---

## 21. 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 and cash equivalents, accounts and other receivables, rental deposit, restricted cash equivalent, accounts and other payables (excluding "Taxes payable", "Deferred output VAT" and statutory payables included as "Other payables") - 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 3.26% and 5.27% in 2020 and 2019, respectively.



The fair values and carrying values of financial assets at FVOCI and advances from stockholders are as follows:

	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial asset</b>				
Financial assets at fair value through other comprehensive income	<b>₱500,000</b>	<b>₱500,000</b>	₱440,000	₱440,000
<b>Financial liability</b>				
Advances from stockholders	<b>138,204,454</b>	<b>136,158,143</b>	157,940,206	151,858,113

#### 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

Quoted FVOCI instruments amounting to ₱0.50 million and ₱0.44 million as of December 31, 2020 and 2019 were classified under Level 2 (see Note 7).

As at December 31, 2020 and 2019, there have been no reclassifications from Level 1 to Level 2 or 3 categories.

#### Financial Risk Management and Objectives and Policies

The Parent Company's principal financial instruments comprise of cash and cash equivalents, accounts and other receivables, financial assets at FVOCI, and accounts and other payables (excluding accrued expenses, taxes payable, deferred output VAT and statutory payables) 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 2020.

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 in banks, cash equivalents and accounts and other receivables. Credit risk management involves monitoring its exposure to credit risk on a continuous basis.



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, 2020 and 2019.

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 1.57% to 41.06% that resulted in the ECL of ₱19.90 million and ₱44.52 million as of December 31, 2020 and 2019, respectively. The Parent Company's credit risk exposure on its accounts and other receivables using provision matrix are as follows (amounts in millions):

### **December 31, 2020**

	Trade receivables					Total	Receivable from related parties	Nontrade Receivable
	Current	< 30 days	30-60 days	61-90 days	> 90 days			
ECL rate	1.57%	9.81%	19.23%	31.00%	41.06%		0-100%	100%
Estimated total gross carrying amount at default	₱21.33	₱1.61	₱13.63	₱—	₱1.25	₱37.82	₱317.45	₱7.21
ECL	₱0.29	₱0.01	₱0.04	₱—	₱0.32	₱0.65	₱94.96	₱7.21

### **December 31, 2019**

	Trade receivables					Total	Receivable from related parties	Nontrade Receivable
	Current	< 30 days	30-60 days	61-91 days	> 90 days			
ECL rate	1.79%	13.05%	100%	40.19%	50.89%		0-100%	60%
Estimated total gross carrying amount at default	₱1.37	₱0.49	₱7.21	₱0.23	₱1.27	₱3.84	₱280.47	₱7.60
ECL	₱0.02	₱0.06	₱7.21	₱0.09	₱0.65	₱0.95	₱79.79	₱4.73

The credit quality of the financial assets was determined as follows:

Cash in banks, cash equivalents and restricted cash equivalent under other current assets - 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.

### ***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, 2020 and 2019 based on contractual undiscounted payments:

**December 31, 2020**

	<1 year	>1 to <5 years	>5 years	Total
<b>Financial Assets</b>				
Cash in banks and cash equivalents	₱59,509,240	₱—	₱—	₱59,509,240
Accounts and other receivables				
Receivable from related parties	317,905,523	—	—	317,905,523
Trade receivables - net	37,159,314	—	—	37,159,314
Notes receivable	7,208,250	—	—	7,208,250
Other receivables	847,188	—	—	847,188
Other current assets				
Rental deposits	1,348,520	—	—	1,348,520
Financial assets at FVOCI	—	500,000	—	500,000
<b>Total undiscounted financial assets</b>	<b>423,978,035</b>	<b>500,000</b>	<b>—</b>	<b>424,478,035</b>
<b>Financial Liabilities</b>				
Accounts and other payables				
Trade payables	105,324,993	—	—	105,324,993
Advances from stockholders	88,901,731	52,891,015	—	141,792,746
Payable to related parties	73,893,919	—	—	73,893,919
Interest payable	11,808,109	—	—	11,808,109
Other payable	10,426,453	—	—	10,426,453
Accrued expenses	3,005,958	—	—	3,005,958
Notes payable	1,287,114	—	—	1,287,114
<b>Total undiscounted financial liabilities</b>	<b>294,648,277</b>	<b>52,891,015</b>	<b>—</b>	<b>347,539,293</b>
<b>Liquidity gap</b>	<b>₱129,329,758</b>	<b>(₱52,391,015)</b>	<b>₱—</b>	<b>₱76,938,742</b>

**December 31, 2019**

	<1 year	>1 to <5 years	>5 years	Total
<b>Financial Assets</b>				
Cash in banks and cash equivalents	₱130,555,813	₱—	₱—	₱130,555,813
Accounts and other receivables				
Receivable from related parties	280,473,075	—	—	280,473,075
Trade receivables - net	2,882,978	—	—	2,882,978
Nontrade receivable	7,595,250	—	—	7,595,250
Other receivables	526,999	—	—	526,999
Other current assets				
Restricted cash equivalent	5,060,129	—	—	5,060,129
Rental deposits	593,700	—	—	593,700
Financial assets at FVOCI	—	440,000	—	440,000
<b>Total undiscounted financial assets</b>	<b>10,692,198,600</b>	<b>440,000</b>	<b>—</b>	<b>10,703,198,600</b>
<b>Financial Liabilities</b>				
Accounts and other payables				
Trade payables	80,353,086	—	—	80,353,086
Advances from stockholders	103,906,873	60,945,899	—	164,852,772
Payable to related parties	191,013,871	—	—	191,013,871
Interest payable	5,249,432	—	—	5,249,432
Accrued expenses	3,370,898	—	—	3,370,898
Notes payable	1,360,690	—	—	1,360,690
Other payables	5,102,675	—	—	5,102,675
Lease liability	866,970	—	—	866,970
<b>Total undiscounted financial liabilities</b>	<b>391,224,495</b>	<b>60,945,899</b>	<b>—</b>	<b>452,170,394</b>
<b>Liquidity gap</b>	<b>₱37,417,699</b>	<b>(₱60,505,899)</b>	<b>₱—</b>	<b>(₱24,042,450)</b>



### 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, 2020 and 2019. The applicable exchange rates were US\$1.00 to ₱48.02 and S\$1.00 to ₱36.12 in 2020 and US\$1.00 to ₱50.74 and S\$1.00 to ₱37.49 in 2019.

	2020		2019	
	Original Currency	Peso equivalent	USD	Peso equivalent
<b>Asset</b>				
Cash in bank (USD)	347,204	₱16,678,295	1,953	₱99,121
<b>Liabilities</b>				
Accounts and other payables				
Payable to related party(USD)	691,487	33,216,279	4,067,422	206,397,253
Payable to related party (SGD)	385,164	13,912,121	–	–
Advances from stockholders (USD)	1,848,282	88,784,053	1,850,601	93,906,878
Notes payable (USD)	26,815	1,287,114	26,815	1,360,690
		137,199,567	5,944,838	301,664,821
<b>Net foreign currency denominated financial instruments</b>		<b>(₱120,521,272)</b>		<b>(₱301,565,700)</b>

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 Parent Company's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Parent Company's equity.

	2020		2019	
	+1%	-1%	+1%	-1%
USD	(₱1,067,088)	₱1,065,115	(₱5,997,617)	₱5,888,153
SGD	(139,121)	(139,121)	–	–

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, 2020 and 2019, the Parent Company has minimal exposure in equity price risk since the Parent Company's financial asset at FVOCI amounted only to ₱0.50 million and ₱0.44 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.

## 22. Segment Reporting

The Parent Company's operating business 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.



In 2020, the industry segments where the Parent Company operates follow:

- Mobile consumer services - includes VAS and mobile content development
- Enterprise services - includes custom software development and IT staff augmentation

The comparative information in 2019 has been restated to reflect the change in industry segments as the measure used by the Chief Operations Officer in allocating resources.

The following tables regarding business segment revenue and profit information:

	<b>2020</b>		
	<b>Mobile Consumer Services</b>	<b>Enterprise Services</b>	<b>Total</b>
Revenues	<b>₱15,061,628</b>	<b>₱161,382,922</b>	<b>₱176,444,550</b>
Cost and expenses	<b>(26,470,182)</b>	<b>(104,326,879)</b>	<b>(130,797,061)</b>
Finance cost and other income	<b>2,883,458</b>	<b>9,512,883</b>	<b>12,396,341</b>
Income before income tax	<b>(8,525,096)</b>	<b>66,568,926</b>	<b>58,043,830</b>
Provision for income tax	<b>(405,384)</b>	<b>3,165,478</b>	<b>2,760,094</b>
Net income	<b>(₱8,119,712)</b>	<b>₱63,403,448</b>	<b>₱55,283,736</b>

	<b>2019</b>		
	<b>Mobile Consumer Services</b>	<b>Enterprise Services</b>	<b>Total</b>
Revenues	<b>₱16,044,713</b>	<b>₱46,582,907</b>	<b>₱62,627,620</b>
Cost and expenses	<b>(2,469,299,352)</b>	<b>(20,913,414)</b>	<b>(2,490,212,766)</b>
Finance cost and other income	<b>(249,282,624)</b>	<b>—</b>	<b>(249,282,624)</b>
Income before income tax	<b>(2,702,537,263)</b>	<b>25,669,493</b>	<b>(2,676,867,770)</b>
Provision for income tax	<b>668,930</b>	<b>—</b>	<b>668,930</b>
Net income	<b>(₱2,703,206,193)</b>	<b>₱25,669,493</b>	<b>(₱2,677,536,700)</b>

The following tables present business segment assets and liabilities:

	<b>2020</b>		
	<b>Mobile Consumer Services</b>	<b>Enterprise Services</b>	<b>Total</b>
<b>Segment assets</b>	<b>₱90,543,794</b>	<b>₱669,536,228</b>	<b>₱760,080,022</b>
<b>Segment liabilities</b>	<b>₱230,395,275</b>	<b>₱146,306,999</b>	<b>₱376,702,274</b>

	<b>2019</b>		
	<b>Mobile Consumer Services</b>	<b>Enterprise Services</b>	<b>Total</b>
Segment assets	<b>₱204,502,801</b>	<b>₱595,157,526</b>	<b>₱799,660,327</b>
Segment liabilities	<b>₱294,201,444</b>	<b>₱174,831,509</b>	<b>₱469,032,953</b>





## 23. Notes to Parent Company Statements of Cash Flows

Disclosed below is the rollforward of liabilities under financing activities:

	January 1, 2020	Cash flows	Non-cash changes	December 31, 2020
Lease liability	₱861,023	(₱866,970)	₱5,947	₱—
Advances from stockholders	157,940,206	—	(19,735,752)	138,204,454
<b>Total liabilities from financing activities</b>	<b>₱158,801,229</b>	<b>(₱866,970)</b>	<b>(₱19,729,805)</b>	<b>₱138,204,454</b>

	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
<b>Total liabilities from financing activities</b>	<b>₱392,028,488</b>	<b>(₱237,113,627)</b>	<b>₱3,886,368</b>	<b>(₱158,801,229)</b>

The noncash investing and financing activity of the Parent Company are as follows:

- Unrealized gain on foreign exchange revaluation of advances from stockholders amounted to ₱5.01 million and ₱3.43 million in 2020 and 2019, respectively.
- The Parent Company sold its 100% ownership in CTX to a stockholder for ₱5.01 million which was offset against advances from stockholders in 2020.
- Unrealized gain on financial assets at FVOCI amounted to ₱42,000 and ₱35,000 in 2020 and 2019, respectively. In 2020, net unrealized loss on financial assets at FVOCI decreased by ₱18,000 as a result of the recognition of deferred tax asset.
- Additions to property and equipment with outstanding trade payables amounted to nil and ₱0.45 million as of December 31, 2020 and 2019, respectively.

## 24. Other Matter

### COVID-19 Outbreak

The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures throughout the country starting March 16, 2020 have caused disruptions to the Company's business activities. While there are recent signs of increased market activity with the easing of quarantine measures in key areas in the Philippines as of June 15, 2021, management believes that the impact of COVID-19 situation moving forward remains fluid and evolving, and therefore, it is difficult to quantify its impact to the financial position, performance and cash flow of the Group subsequent to December 31, 2020.

The Company continues to abide by and comply with all rules and regulations issued by the government in relation to the COVID-19 pandemic. In line with applicable rules and regulations, the said risks are mitigated by business continuity strategies set in place by the Company. Measures currently undertaken by the Company to mitigate the risks of COVID-19 pandemic on its operations include work-from-home arrangements, proper and frequent sanitation of office premises, cancellation of large group meetings in person, an internal ban on foreign business travel, and the practice of social distancing through remote communication, and full use of digital technology for different aspects of the operations, wherever applicable and useful, among others.



## 25. 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 2020:

### Value-added tax

#### *Output VAT*

The Parent Company is a VAT-registered company with VAT output tax declaration based on the net receipts on sales of services as follows:

	Net Sales/Receipts	Output VAT
Taxable sales	₱37,936,405	₱4,552,368
Zero-rated sale	102,212,197	—
	₱140,148,602	₱4,552,368

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.

#### *Input VAT*

Details of the Parent Company's input VAT follow:

Input tax carried over from previous period	₱4,855,588
Current year's domestic purchases/payments for:	
Domestic purchase of services	2,371,734
Domestic purchases of goods other than capital goods	820,498
Purchase of capital goods not exceeding ₱1 million	122,317
Amortization of deferred input tax on capital goods exceeding ₱1 million from previous year	10,326
	8,180,463
Application against output VAT	(4,552,368)
Balance at end of year	₱3,628,095

### 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, 2020.

Details consist of the following:

Documentary stamp tax	₱1,782,002
Municipal permits and licenses	255,080
Community tax certificate	6,822
BIR annual registration	500
Others	51,190
	₱2,095,594



Withholding Taxes

Details of withholding taxes for 2020 are as follow:

Withholding taxes on compensation and benefits	₱8,080,086
<u>Expanded withholding taxes</u>	<u>1,181,309</u>
	<u>₱9,261,395</u>

Tax Contingencies

The Parent Company is currently involved in assessment for national taxes for taxable year 2017 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 Parent Company's financial position and results of operations. The information required under PAS 37 is not disclosed on the ground that it may prejudice the outcome of the assessments.

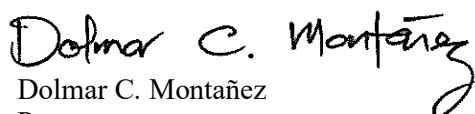


## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and Board of Directors  
Xurpas Inc.  
Unit 804 Antel 2000 Corporate Centre  
121 Valero St., Salcedo Village, Brgy. Bel-Air  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of Xurpas Inc. (the Parent Company) as at December 31, 2020 and 2019 and for the years then ended, and have issued our report thereon dated June 15, 2021. Our audits were made for the purpose of forming an opinion on the basic parent company financial statements taken as a whole. The Supplementary Schedule of Retained Earnings Available for Dividend Declaration are the responsibility of the Parent Company's management. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic parent company financial statements. This has been subjected to the auditing procedures applied in the audit of the basic parent company financial statements and, in our opinion, fairly states, in all material respects, the financial information required to be set forth therein in relation to the basic parent company 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. 8534336, January 4, 2021, Makati City

June 15, 2021



**XURPAS INC.****SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE  
FOR DIVIDEND DECLARATION**

Unappropriated Retained Earnings, beginning	(P3,045,380,268)
Less adjustments:	
Adjustment due to adoption of PFRS 16	271,300
Unrealized foreign exchange gain -net (except those attributable to Cash and Cash Equivalents)	(3,858,245)
Impairment loss	2,524,541,305
Unappropriated Retained Earnings, as adjusted, beginning	(524,425,908)
Net Income (Loss) based on the face of Audited Financial Statements	55,283,736
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)	(14,946,953)
Fair value adjustment (M2M gains)	—
Movement of allowance for impairment loss	17,343,313
Net Income Actual/Realized	57,680,096
Less: Other adjustments	
Adjustment due to adoption of PFRS 16 deemed realized	(271,300)
Dividend declarations during the period	—
Reversal of appropriation for share buy-back transactions	—
Reversal of appropriation for dividend declaration	—
Appropriations during the year	—
	(271,300)
Unappropriated retained earnings, end available for dividend distribution	P—