COVER SHEET

A	2	0	0	1	1	7	7	0	8	

S.E.C. Registration No.

Company Name

XURPAS INC

Principal Office (No./Street/Barangay/City/Town/Province)

UNIT 804 ANTEL 2000
CORPORATE CENTER 121 VALERO ST
SALCEDO VILLAGE MAKATI

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	SEC	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
info@xurpas.com	**(632) 8889-6467**	**N/A**

No. of Stockholders	Annual Meeting Month/ Day	Fiscal Year Month/Day
24	**EVERY SECOND MONDAY OF MAY**	**DEC. 31**

CONTACT PERSON INFORMATION

The designated person MUST be an officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/	Mobile Nimber
ALEXANDER D. CORPUZ	mar@xurpas.com	**8889-6467**	**N/A**

Contact Person's Address

Unit 804 Antel 2000 Corporate Center, 121 Valero St., Salcedo Village, Makati City, 1227

Note: 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.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

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

1. For the fiscal year ended **December 31, 2020**

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

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

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

6. (SEC Use Only)
Industry Classification Code:

7. **Unit 804 Antel 2000 Corporate Center, 121 Valero St.**
Salcedo Village, Makati City **1227**
Address of principal office Postal Code

8. **(632) 8889-6467**
Issuer's telephone number, including area code

9. **7F Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City 1227**
Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Shares	**1,872,796,877**

As of December 31, 2020, 40.05% of Xurpas Inc.'s common shares are owned by the public.

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

Yes [**X**] No [ ]

A total of 1,797,700,660 common shares are listed in the Philippine Stock Exchange as of December 31, 2020.

12. Check whether the issuer:

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

Yes [**X**] No [ ]

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

Yes [**X**]   No [ ]

13. Aggregate market value of the voting stock held by non-affiliates as of December 31, 2020 amounted to ₱412,542,673.40. The price used for this computation is the closing price as of September 18, 2020 is ₱0.55.

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

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

Yes [**X**]   No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Any annual report to security holders;

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

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

TABLE OF CONTENTS

PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. Business

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

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

Listing with the Philippine Stock Exchange

On November 12, 2014, the Philippine Stock Exchange ("PSE") approved the initial public offering of the Company and offer of 344,000,000 common shares at an offer price of ₱3.97 per share. On December 2, 2014, the common shares of Xurpas were listed in the PSE.

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

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

Acquisitions and Investments

Altitude Games Pte. Ltd. The Company purchased 21.78% ownership in Altitude Games Pte. Ltd. in 2014, a Singaporean IT company engaged in computer game development and publishing. In 2020, Altitude accepted game development projects outsourced to it by certain offshore game publishers and launched games using blockchain.

Storm Technologies Inc. In February 2015, the Company acquired a 51% controlling stake in Storm Flex Systems, Inc. (currently registered as Storm Technologies Inc., referred herein as "**Storm**"), to enable Xurpas to expand beyond telecommunication networks and into corporations through offering human resource ("HR") technology solutions. As of date, Xurpas owns 51.31% controlling stake in Storm.

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

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

PT Sembilan Digital Investama On March 26, 2015, Xurpas acquired 49% shareholdings in PT Sembilan Digital Investama ("SDI"). The acquisition gave the Parent Company access to PT Ninelives Interactive ("Ninelives"), a mobile content and distribution company in Indonesia, which SDI owns. In 2020, clients included Hooq and Viu.

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

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

Art of Click Pte. Ltd. On October 6, 2016, Xurpas acquired 100% stake in Art of Click Pte. Ltd ("AOC"), a company registered under the laws of Singapore and engaged in the business of mobile media advertising that offers a marketing platform for advertisers. On March 30, 2020, the BOD of the Parent Company approved the suspension of business operations of AOC.

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

CTX Technologies Inc. The Company incorporated CTX Technologies Inc. in 2018. In 2020, the Company's board of directors has approved the sale of CTX to one of its principal shareholders, Mr. Fernando Jude F. Garcia.

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

The list of companies on which Xurpas has voting interest as of December 31, 2020 and 2019 are as follows:

	Percentage of Voting Interest	
	2020	**2019**
Xeleb Technologies Inc. (formerly Fluxion, Inc.)[1]	**100.00%**	**100.00%**
Storm Technologies, Inc. (formerly Storm Flex Systems, Inc.)	**51.31%**	**51.31%**
Seer Technologies Inc.	**70.00%**	**70.00%**

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

Xurpas Enterprise Inc.	**100.00%**	**100.00%**
Art of Click Pte. Ltd.	**100.00%**	**100.00%**
PT Sembilan Digital Investama	**49.00%**	**49.00%**
MatchMe Pte. Ltd.	**29.10%**	**29.10%**
Micro Benefits limited	**23.50%**	**23.50%**
Altitude Games Pte. Ltd	**21.17%**	**21.17%**
Altitude Games Inc.	**21.17%**	**21.17%**
Zowdow, Inc. (formerly Quick.ly Inc.)	**3.60%**	**3.60%**
ODX Pte. Ltd.	**100.00%**	**100.00%**
CTX Technologies Inc.	**−**	**100.00%**

PRODUCTS AND SERVICES

Mobile Consumer Services

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

Content Provider Agreements with Telcos

As of December 31, 2020, the Company is a party to content provider agreements with two (2) of the Philippines leading Telcos, namely, Smart Communications, Inc. and Globe Telecom Inc.

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

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

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

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

For the year ended December 31, 2020, the Group's total revenue and net income from its mobile consumer products business before intersegment adjustments were ₱22.00 million and ₱8.86 million, respectively, while total revenue and net loss before intersegment adjustments from its mobile consumer products business for the year ended December 31, 2019 amounted ₱68.33 million and ₱2,799.43 million, respectively.

Enterprise Services

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

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

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

For the year ended December 31, 2020, the Company's total revenue and net loss from its enterprise business before intersegment adjustments were ₱249.55 million and ₱44.91 million, respectively, while total revenue and net income before intersegment adjustments from its enterprise business were ₱861.82 million and ₱57.46 million, respectively, for the year ended December 31, 2019.

Other Services

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

For the year ended December 31, 2020, the Company's total revenue and net loss from its other services before intersegment adjustments were ₱63.77 million and ₱18.74 million, respectively. While for the year ended December 31, 2019, the Company's total revenue and net loss before intersegment adjustments from its other services were ₱97.31 million and ₱79.82 million respectively.

Blockchain Technology

In 2018, the Company announced the incorporation of its wholly owned subsidiary, ODX Pte. Ltd. ("ODX"), an entity registered in Singapore, that will allow consumers in emerging markets to access the internet for free, through sponsored data packages. ODX pre-sold tokens and the proceeds from the said sale, amounting to $4,999,960 fell short of expectations, as a result of the crash of the crypto industry in late 2018. The funds were used to start building the ODX infrastructure and for business development. In 2019, ODX started the distribution of tokens to all its investors, pre-sale purchasers, and advisors (collectively the "Token Holders"). In 2020, with limited operations, there was minimal platform development work done.

COMPETITION

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

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

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

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

KEY RISKS

Stiff Competition and fast-paced evolution of the IT industry

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

Reliance on third party transmission and distribution infrastructure

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

Short Term Agreement with Telcos

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

Ability to maximize and adapt to new technologies

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

Ability to adapt due to changes attributed to Covid-19

The Coronavirus-19 (COVID19) disease caused lockdown and/or restrictions in movement in 2020. The Company had to consider the safety of its employees and their families. The Company saw a reduction or turnover in its support staff as a result of the mobility restrictions during the pandemic. To mitigate the risks caused by the pandemic, the Company implemented work from home arrangements, maximized available online software, and relied on digital marketing. The Company had to implement changes in the marketing and delivery of its services to comply with the movement restrictions imposed by the Government. The complete shift to cloud and/or online software due to COVID-19 also increased the Company's risk on data privacy. The Company reviewed its data privacy policy and implemented new policies to ensure that data are protected notwithstanding the shift to remote work.

TRANSACTIONS WITH RELATED PARTIES

The Company has likewise secured loans from its key shareholders. See Note 19 of the Company's consolidated financial statements for transactions as of December 31, 2020.

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

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

INTELLECTUAL PROPERTY

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

Platforms

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

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

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

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

Trademarks

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

Holder	Mark	Registration Number	Date Filed	Date Registered
Xurpas Inc.	Xurpas	420017004618	May 8, 2007	August 27, 2007
Xurpas Inc.	SELFIE.PH	42014009255	July 25, 2014	June 25, 2015
Xurpas Inc.	GRAB-A-GOLD	42014009260	July 25, 2014	December 11, 2014
Xurpas Inc.	FLUXION	42014009259	July 25, 2014	December 11, 2014
Xurpas Inc.	PLAYSMART	42014009254	July 25, 2014	December 11, 2014
Xurpas Inc.	#SELFIE	42014009257	July 25, 2014	December 11, 2014
Xurpas Inc.	#TBT	42014009258	July 25, 2014	December 11, 2014
Xurpas Inc.	SWAG	42014009261	July 25, 2014	February 12, 2015
Xurpas Inc.	#FOODPORN	42014009256	July 25, 2014	December 11, 2014
Xurpas Inc.	Xurpas	42007004775	May 11, 2007	October 8, 2007
Xurpas Inc.	Balikbayan Box It	42017017366	October 26, 2017	April 12, 2018
Xurpas Inc.	Xuper Tsikot	42017017362	October 26, 2017	March 29, 2018
Xurpas Inc.	Supernova Escape	42017017365	October 26, 2017	March 29, 2018
Xurpas Inc.	Beast Mode On	42017017363	October 26, 2017	March 29, 2018
Xurpas Inc.	Kumander Kuting	42017017364	October 26, 2017	March 29, 2018
Xurpas Inc.	ODX	42018008396	May 21, 2018	May 12, 2019
Xurpas Inc.	X	42018008395	May 21, 2018	May 12, 2019

Xurpas Inc.	Makefree	42018022480	December 19, 2018	December 8, 2019
Xeleb Technologies Inc.	Xeleb	42015005359	May 19, 2015	October 19, 2015
Xeleb Technologies Inc.	Xeleb Technologies	42017003700	March 14, 2017	August 31, 2017
Xeleb Technologies Inc.	Popster	42017003704	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Jejemonster	42017003703	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Jologs	42017003699	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Jejemon	42017003702	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Super Belle	42017000346	January 11, 2017	May 4, 2017
Xeleb Technologies Inc.	Trivia Time with Kuya Kim	42016004316	April 25, 2016	December 22, 2016
Xeleb Technologies Inc.	Xeleb Live	42018003222	February 21, 2018	September 6, 2018
Xeleb Technologies Inc.	Xeleb Live	42018003220	February 21, 2018	September 6, 2018
Xeleb Technologies Inc.	Xeleb Live	42018003224	February 21, 2018	September 6, 2018
Xeleb Technologies Inc.	Xeleb Live	42018003225	February 21, 2018	September 6, 2018
Xeleb Technologies Inc.	No Verbal Elements	42018003219	February 21, 2018	September 6, 2018
Xeleb Technologies Inc.	Adventures of Kuya Kim	42017018334	November 10, 2017	May 24, 2018
Xeleb Technologies Inc.	Anne Kulit ni Mogwai	4201717358	October 26, 2017	March 29, 2018
Xeleb Technologies Inc.	Train Ubusan	42017017360	October 26, 2017	March 29, 2018
Xeleb Technologies Inc.	Erwan Youchop	42017017359	October 26, 2017	March 29, 2018

Xeleb Technologies Inc.	Anne-Galing	42015005360	May 19, 2015	November 19, 2015

REGULATION AND KEY LICENSES

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

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

- Content and Program Service
- Messaging services
- Electronic Gaming, except gambling

The Company holds a VAS License issued by the NTC valid until January 3, 2026, pursuant to which the Company is authorized to engage in all of the foregoing value-added services.

EMPLOYEES

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

The table below sets forth the breakdown of the Company's labor complement, grouped according to function, as of December 31, 2020:

Executives	3
Accounting, Finance, Human Resources and Administrative	11
Marketing	5
Technical Staff	30
Total	49

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

PLANS AND PROSPECTS

Moving forward, Xurpas aims to expand and sustain its overall business, as it continually implements reorganization to refocus the business on recurring and stable revenue stream. The Company is gearing to strengthen its enterprise business which provides services such as custom software development, cloud services, HR technology, solutions architecture and staff augmentation.

On September 2020, Xurpas has also executed an agreement for the purchase of Wavemaker Group Inc. In line with this, Xurpas foresees recovery through organic growth, and entry of Wavemaker (*once transaction has been completed*). The Company expects to earn revenues and return to profitability from the following measures:

A. Continuously venture into new projects with good revenue potential by its in-house team or the partnerships/alliances that it has recently finalized. The Company believes that the increased drive of both private companies and public entities towards digital transformation, especially in a post-COVID environment, create multiple opportunities for its enterprise business.

   Xurpas will help these companies enable their digital transformations by creating and providing custom tools and solutions to address their needs. For this purpose, the Company aims to work with other local or international technology companies with content, capabilities, and technologies consistent with the Company's over-all market strategy. It will expand their ability to both provide and distribute their products and services globally to reach new corporate customers.

B. Reach out to the brick and mortar businesses that have to launch or accelerate their digital transformation (e.g. e-commerce platforms) and/or embark on a digital marketing program to promote their services.

C. Support the government's vision of having the following:
   - Digital government: improved public service delivery powered by ICT infostructure, shared services, automated processes, and online portals.
   - Digital workforce: The Filipino labor force equipped with competencies relevant to ICT and adaptive to the future of work.
   - Digital workplace: Revolutionized workplaces using ICT to make work convenient, efficient, and more accessible for everyone.
   - Digital classrooms: Improved classrooms that are fully equipped with specialized software, computers, assistive learning devices, network connectivity, and other learning tools relevant and suitable for the student's learning needs.
   - Digital communities: Improved economic growth and social well-being through the presence of better connectivity, ICT tools and applications accessible to the public, and digitally empowered citizens.

   In this regard, the Company is currently working on leads with various local government units (LGUs) that are working on their digital communities. Xurpas also intends to start selling digital classroom solutions; and further evaluate how it will be able to take advantage of the opportunities brought about by the digital transformation initiatives of the government, a brainchild of the Department of Information and Communication Technology (DICT).

D. Continuous cost cutting measures. Even prior to the pandemic, the Company already embarked on a continuous cost reduction program that would minimize its expenses. This included reduction in salaries and wages (workforce rightsizing), rent, utilities, marketing and promotions, advertising, transportation and travel, taxes and licenses, advertising, and seminars and trainings. The current WFH arrangement of Xurpas provides another opportunity for Xurpas to further cut costs, such as rent, utilities, and the like.

E. Once transaction with Wavemaker is completed, the Company will benefit from the many synergies created by the access to the Wavemaker network, as well as both Wavemaker's financial stability and the significant proceeds expected to be generated as its funds are harvested in the medium to long term.

F. Additional revenue from the projects that Wavemaker will bring to Xurpas, specifically from the software development requirements of its investee companies. Even prior to the closing of the transaction, there are ongoing projects being done by Xurpas in this regard. It is expected that these projects will increase once the transaction is finalized.

ITEM 2. Properties

The Company does not hold any real property of material value. As of December 31, 2020, the Company has transportation, office equipment, IT equipment, furniture and fixtures, leasehold improvements and leased assets with a net book value of ₱4.25 million.

Previously, the Company held office at 7th Floor, Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City, Philippines, which is leased by the Company from Gervel, Inc.

On April 1, 2021, the Company moved its office to Unit 804 Antel 2000 Corporate Center, 121 Valero St., Salcedo Village, Makati City, 1227.

Operating Lease Commitments

a. The Parent Company has noncancellable lease contract with Gervel, Inc. for the 7th floor office space which terminated on March 31, 2020. The applicable rate per month is ₱0.27 million.

   On March 31, 2020, the lease contract was renewed for a period of one (1) year which terminated on March 31, 2021. The applicable rate per month is ₱0.33 million.

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

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

   In 2019, the Parent Company assigned the contract of lease to Xurpas Enterprise, Inc. In March 31, 2020, the contract of lease was expired and terminated.

d. The Company entered into a lease contract with Milestone Petroleum Marketing Corporation, Inc. (the "Lease Contract") for an office space in Unit 804, Antel Corporate Center, Salcedo Village, 121 Valero, Makati, 1227 (the "Office Space"). The term of the Lease Contract is two (2) years commencing on March 1, 2021 and expiring on February 28, 2023, renewable upon terms and conditions mutually agreed upon by the parties. Subsequent to the execution of the Lease Contract, Milestone Petroleum Marketing Corporation, Inc. sold the Office Space to Red Round Abacus Inc. and executed a Deed of Assignment of Lease constituting Red Round Abacus Inc. as the Company's current Lessor.

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

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

ITEM 3. Legal Proceedings

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

In 2017, Art of Click ("AoC") and Pocketmath entered into an agreement ("the IO Agreement") for the performance of advertising campaigns amounting to USD4.77 million. Pocketmath failed to pay the invoices as they fell due. Thus, on 18 February 2020, AoC was compelled to issue and serve Statutory Demand to Pocketmath for the outstanding invoices as well as accrued late payment interest, amounting to USD7,873,834.99. Pocketmath likewise failed to pay its liability as reflected in the Statutory Demand. Thereafter, AoC initiated a winding-up proceeding against Pocketmath in the Singapore High Court. After several proceedings, the parties entered into Settlement Agreement dated 1 July 2020. Pursuant to the Settlement Agreement, Pocketmath paid AoC through Xurpas Inc. USD400,000.00 divided into four equal installments, with the final amount received on September 2020.

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

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

Xurpas Inc. held a Special Stockholders' Meeting on May 7, 2020 wherein the following matters were acted upon:

Agenda 1: Approval of Minutes of Previous Meeting		
Yes	No	Abstain
98.81%	0.03%	1.16%
Resolution: "RESOLVED, that the stockholders of Xurpas Inc. approve the minutes of the Annual Stockholders' Meeting held on November 8, 2019."		

Agenda 2: Approval of the Issuance of up to 1,706,072,261 New Common Shares ("Subscription Shares") from the Unissued Authorized Capital Stock and Listing of the Subscription Shares with the Philippine Stock Exchange		
Yes	No	Abstain
98.81%	0.37%	0.81%
Resolution: "RESOLVED, that the stockholders of Xurpas Inc. approve the issuance of up to One Billion Seven Hundred Six Million Seventy Two Thousand Two Hundred Sixty One (1,706,072,261) new common shares ("Subscription Shares" from the unissued authorized capital stock and listing of the Subscription Shares with the Philippine Stock Exchange."		

Agenda 3: Election of Independent Directors			
Names	Yes	No	Abstain
Bartolome S. Silayan Jr.	98.81%	0.03%	1.16%
Imelda C. Tiongson	98.85%	0.02%	1.13%
Resolution: "**RESOLVED,** that the stockholders of Xurpas Inc. elect the following as *independent directors* of the Corporation to serve as such beginning today until their successors are elected and qualified: (1) Bartolome Silayan, Jr.; and (2) Imelda C. Tiongson."			

Agenda 4: Amendment of the By-laws to allow electronic distribution of stockholders' meeting materials, participation through remote participation or in absentia and voting in absentia.		
Yes	No	Abstain
98.72%	0.01%	1.27%

Resolution:

"**RESOLVED,** that the stockholders of Xurpas Inc. approve the amendment of its By-Laws to reflect the following matters:

- Allow electronic distribution of stockholders' Meeting materials;
- Participation through remote participation or *in absentia*; and
- Voting *in absentia.*

RESOLVED FURTHER, that the stockholders of Xurpas Inc. approve the amendment of Article II, Sections 4, 5 and 7 of the By-Laws to reflect the

foregoing; and **RESOLVED FINALLY,** that the stockholders of Xurpas Inc. authorize the Executive Committee to do all things necessary to effect the foregoing, including the processing of the amendment of the By-Laws with the Securities and Exchange Commission."

Xurpas Inc. held its 2020 Annual Stockholders' Meeting on November 27, 2020 wherein the following matters were acted upon:

Agenda 1: Approval of Minutes of Previous Meeting		
Yes	No	Abstain
100%	-	-
Resolution: "RESOLVED, that the stockholders of Xurpas Inc. approve the minutes of the Annual Stockholders' Meeting held on May 7, 2020."		

Agenda 2: Approval of the Annual Report and 2019 Audited Financial Statements		
Yes	No	Abstain
100%	-	-
Resolution: **RESOLVED**, that the stockholders of **XURPAS INC.** (the "**Corporation**") note the Corporation's Annual Report and to approve the Consolidated Audited Financial Statements of the Corporation as of December 31, 2019, as audited by SyCip Gorres Velayo & Co."		

Agenda 3: Election of Directors and Independent Directors			
Names	**Yes**	**No**	**Abstain**
Nico Jose S. Nolledo	100%	-	-
Alexander D. Corpuz	100%	-	-
Fernando Jude F. Garcia	100%	-	-
Wilfredo O. Racaza	100%	-	-
Atty. Mercedita S. Nolledo	100%	-	-
Jonathan Gerard A. Gurango	100%	-	-
Bartolome S. Silayan Jr.	100%	-	-
Imelda C. Tiongson	100%	-	-
Resolution: "**RESOLVED,** to elect the following as directors of the Corporation to serve as such beginning today until their successors are elected and qualified: Nico Jose S. Nolledo Alexander D. Corpuz Fernando Jude F. Garcia Wilfredo O. Racaza Mercedita S. Nolledo Jonathan Gerard A. Gurango (Independent Director) Bartolome S. Silayan, Jr. (Independent Director) Imelda C. Tiongson (Independent Director)"			

Agenda 4: Appointment of External Auditor		
Yes	No	Abstain
100%	-	-
Resolution: “**RESOLVED**, as endorsed by the Board of Directors, to approve the reappointment of SyCip Gorres Velayo & Co. as the Corporation’s External Auditor for the year 2020.”		

Agenda 5: Ratification of Previous Acts of the Directors and Management		
Yes	No	Abstain
100%	-	-
Resolution: “**RESOLVED**, that the stockholders of the Corporation ratify all actions of the Directors and Management for the calendar year 2019 up to October 29, 2020.”		

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

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

Xurpas' common shares were listed with the Philippine Stock Exchange, Inc. on December 2, 2014. The high and low stock prices for 2017, 2018, 2019 and the first three (3) quarters of 2020 are indicated below:

	High	**Low**
2020		
3rd Quarter	0.55	0.50
2nd Quarter	1.37	0.40
1st Quarter	0.95	0.40
2019		
4th Quarter	1.16	0.75
3rd Quarter	1.22	0.87
2nd Quarter	1.37	0.91
1st Quarter	2.33	1.09
2018		
4th Quarter	2.39	1.04
3rd Quarter	3.72	2.02
2nd Quarter	3.92	2.80
1st Quarter	5.93	3.10
2017		
4th Quarter	5.94	3.10
3rd Quarter	9.07	5.20
2nd Quarter	10.84	7.40
1st Quarter	10.50	7.09

The market capitalization of the Company's common shares as of end-2020, based on the closing price of ₱0.55/share, was approximately ₱1.03 billion versus the ₱1.44 billion the previous year[2]

The price information of Xurpas' common shares as of the close of the latest practicable trading date, September 18, 2020, is at ₱0.55/share.

Holders

There are twenty-four registered holders of common shares, as of April 30, 2021 (based on number of accounts registered with the Stock Transfer Agent).[3]

	Stockholder's Name	**Number of shares**	**Percentage to total**	**Nationality**
1.	PCD Nominee Corp. (Filipino)[4]	1,415,447,479	73.15	Filipino

[2] Xurpas has 1,872,796,877 outstanding common shares as of December 31, 2020.
[3] Based on the list of stockholders issued by BDO Unibank Inc. Stock and Investment Group, list includes PCD Nominees.
[4]PCD Nominee Corp. (Filipino) includes shares directly and indirectly owned by a) Mr. Nico Jose S. Nolledo; b) Mr. Raymond Gerard S. Racaza; and c) Mr. Fernando Jude F. Garcia. We note that a portion of shares of Messrs. Nolledo,

	PCD Nominee Corp. (Non-Filipino)	291,407,558	15.06	Others
2.	Raymond Gerard S. Racaza	174,100,010	8.99	Filipino
3.	Nelson Gatmaitan	400,000	0.02	Filipino
4.	Emilie Grace S. Nolledo	251,889	0.01	Filipino
5.	Aquilina V. Redo	6,500	0	Filipino
6.	Rogina C. Guda	6,000	0	Filipino
7.	Dahlia C. Aspillera	2,900	0	Filipino
8.	Mercedita S. Nolledo	1,060	0	Filipino
9.	Wilfredo O. Racaza	1,060	0	Filipino
10.	Roberto B. Redo	1,000	0	Filipino
11.	Shareholders' Association of the Philippines	1,000	0	Filipino
12.	Frederick D. Go	500	0	Filipino
13.	Dondi Ron R. Limgenco	111	0	Filipino
14.	Marietta V. Cabreza	100	0	Filipino
15.	Milagros P. Villanueva	100	0	Filipino
16.	Myra P. Villanueva	100	0	Filipino
17.	Myrna P. Villanueva	100	0	Filipino
18.	Philip &/or Elnora Turner	99	0	British-Indian
19.	Fernando Jude F. Garcia	10	0	Filipino
20.	Nico Jose S. Nolledo	10	0	Filipino
21.	Jonathan Gerard A. Gurango	10	0	Filipino
22.	Alvin D. Lao	10	0	Filipino
23.	Owen Nathaniel S. AUITF: Li Marcus Au	3	0	Filipino
24.	Joselito T. Bautista	1	0	Filipino
	Total	**1,881,627,610**[5]	**100%**	**Filipino**

Dividends and Dividend Policy

Information on the Company's declaration of dividends follow:

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

Racaza and Garcia are not yet listed with the Exchange, but are included in PCD Nominee Corp. (Filipino). Further, PCD Nominee Corp. (Filipino) includes treasury shares.
[5] This includes Treasury Shares under PCD Nominee Corp (Filipino).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Issuance of New Common Shares to Wavemaker Group

On May 7, 2020, the Corporation's stockholders approved the issuance and listing of up to 1,706,072,261 new common shares from its unissued authorized capital stock in favor of Frederick Manlunas, Benjamin Paul Bustamante Santos and James Buckly Jordan, with the following resolutions:

> "**RESOLVED**, that the stockholders of Xurpas Inc. approve the issuance of up to One Billion Seven Hundred Six Million Seventy Two Thousand Two Hundred Sixty One (1,706,072,261) new common shares ("**Subscription Shares**") from the unissued authorized capital stock and listing of the Subscription Shares with the Philippine Stock Exchange."

On September 20, 2020, the Board amended the previous resolutions / approvals, and approved the issuance of 1,707,001,019 common shares ("**Subscription Shares**") at a price of Php0.10 per share ("**Subscription Price**") to the following:

Subscribers	No. of Shares	Par Value	Subscription Price (PHP)
Frederick Manlunas	866,540,356	Php 0.10	86,654,035.6
Benjamin Paul Bustamante Santos	240,524,858	Php 0.10	24,052,485.8
James Buckly Jordan	264,329,044	Php 0.10	26,432,904.4
Wavemaker Partners V LP	30,547,808	Php 0.10	3,054,780.8
Wavemaker US Fund Management Holdings, LLC	305,058,953	Php 0.10	30,505,895.3
Total	**1,707,001,019**		**170,700,101.9**

In the approval made by the Board on September 20, 2020, the distribution of the shares to be issued has been identified. Moreover, there was a minor increase in the number of shares to be issued to the Subscribers.

On September 20, 2020, the Corporation and the Subscribers executed the Subscription Agreement.

Considering the minor changes in the number of shares to be issued and the inclusion of corporate entities as Subscribers, the Corporation will secure the ratification from the stockholders on the issuance and listing of the Subscription Shares.

The Subscription Shares will be taken from the Corporation's unissued authorized capital stock.

Description of the Subscription Shares

The Corporation will issue new common shares to the Subscribers from the unissued authorized capital stock. There are no special rights attached to the shares to be issued to the Subscribers. Similar to all other holder of common shares, each holder of common share shall be entitled to such dividends as may be declared by the Board and on the basis of the outstanding stock held by them. The Board is authorized to declare dividends that shall be declared and paid out of the Corporation's unrestricted retained earnings. A cash dividend declaration does not require any further approval from the stockholders. A stock dividend approval shall require the further approval of the stockholders representing at least 2/3 of the Corporation's outstanding capital stock.

Each common share entitles the holders to one vote. At each meeting of the stockholders, each stockholder entitled to vote on a particular question or matter involved shall be entitled to vote for each share of stock standing in his name in the books of the Corporation as of record date. Voting shall be in accordance with the voting procedure described below.

Under the Corporation's articles of incorporation, holders of common stock have waived their pre-emptive right. There is no provision in the Corporation's amended articles of incorporation or by-laws that would delay, defer or prevent a change in control of the Corporation.

Transaction

On September 20, 2020, the Board approved two (2) transactions:

(a) Purchase of 100% of Wavemaker Group Inc.; and
(b) Issuance of 47.68% common shares to the Subscribers.

The Subscription Price will be paid by the Subscribers in cash and will be due on or before December 31, 2020. The issuance of the Subscription Shares will be subject to certain conditions, one of which is securing stockholders' approval on the listing of the Subscription Shares with the Philippine Stock Exchange.

Corporate Structure

The Corporate Structure of the Corporation before and after the transaction will be as follows:

Principal Shareholders	Before		After	
	Number of Shares	%	Number of Shares	%
Nico Jose S. Nolledo	322,226,622	17.20%	322,226,622	9.00%
Fernando Jude F. Garcia	375,073,960	20.03%	375,073,960	10.48%
Raymond Gerard S. Racaza	375,765,960	20.06%	375,765,960	10.50%
Wavemaker Labs Pte. Ltd[6]	47,099,950	2.51%	47,099,950	1.32%
Frederick Manlunas			866,540,356	24.21%
Benjamin Paul Bustamante Santos			240,524,858	6.72%
James Buckly Jordan			264,329,044	7.38%
Wavemaker Partners V LP[7]			30,547,808	0.85%
Wavemaker US Fund Management Holdings, LLC[8]			305,058,953	8.52%
Others[9]	752,630,385	40.19%	752,630,385	21.02%
Total	**1,872,796,877**	**100%**	**3,579,797,896**	**100%**

Upon issuance of the Xurpas Shares in favor of the Subscribers, Xurpas Shares held by the public will be at 20.95%.

Use of Proceeds

The proceeds from the issuance of the Subscription Shares will be used by the Corporation to purchase 100% of Wavemaker Group Inc. which owns the following fund management entities:

a) 56.50% of the membership interests of Siemer Ventures, LLC;
b) 63.67% of the membership interests of Wavemaker Partners, LLC;
c) 95.00% of the membership interests of WMP GP V, LLC;
d) 100% of the Manager Units of Wavemaker Global Select, LLC;
e) 95% of the membership interests of Wavemaker Management, LLC.

The purchase price for 100% of Wavemaker Group Inc. is at Php170,700,101.90.

The listing of the Subscription Shares with the Philippine Stock Exchange will be discussed in another stockholders' meeting to be conducted by Xurpas.

---

6 Frederick Manlunas and Benjamin Paul Bustamante Santos are authorized directors of Wavemaker Labs Pte. Ltd. Benjamin Paul Bustamante Santos owns 50,000 Ordinary Shares, which translates to 16.67% ownership of Wavemaker Labs Pte. Ltd.

7 WMP GP V, LLC is the GP of Wavemaker Partners V LP. As such, Wavemaker Partners V LP is controlled by Frederick Manlunas, Benjamin Paul Bustamante Santos and James Buckly Jordan.

8 Wavemaker US Fund Management Holdings, LLC is owned by the following: 67% by Frederick Manlunas, 23% by James Buckly Jordan, and 10% by Benjamin Paul Bustamante Santos.

9 Includes shares of other directors.

Other terms

See below other material information provided in the agreement executed between the parties.

1. The Subscribers have waived their dividend rights in the event that there is any income or return in favor of Xurpas for a period of twelve months from completion of all post-closing deliverables, which shall be no later than December 31, 2020. This will ensure that the new Subscribers do not immediately benefit from any of the existing business of the Corporation that may cause any disadvantage to the current / public shareholders.

2. Xurpas has a commitment to the Subscribers to list the shares with the Exchange within one (1) year from completion of all post-closing deliverables, which shall be on a date no later than December 31, 2020. Nico Jose S. Nolledo and Fernando Jude F. Garcia will do a share-swap for a certain number of listed shares in their name in exchange of the unlisted Xurpas shares issued to the Subscribers in the event the new shares will not be listed with the Exchange within the 1-year period.

Status

As of date, the Subscription Shares have <u>not</u> been issued to the Subscribers.

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

In 2020, the COVID-19 pandemic continued to affect not only the health of people but also the operations of various companies, including Xurpas. The pandemic affected the Group's operations evidenced by the slowdown in operations in the second quarter, of the enterprise segment and other services, as clients either cancelled or delayed projects. Despite this setback, there was an improvement in the succeeding quarters, as the Group remains optimistic that operations can further improve, continuing to provide services to companies who want to jumpstart their digital transformation. Xurpas likewise remains positive given the business opportunities provided by its affiliates through the launching of new products and establishing partnerships with other technology companies.

Summary

Key Financial Data In PhP Millions	For the year ended December 31					
	2020		2019		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentag		
Revenues						
Mobile consumer services	22.00	12%	19.92	2%	2.08	10%
Enterprise services	88.24	51%	854.73	88%	(766.50)	-90%
Other services	63.77	37%	97.31	10%	(33.54)	-34%
Total Revenues	**174.01**	**100%**	**971.96**	**100%**	**(797.95)**	**-82%**
Cost of Services	127.19	73%	742.19	76%	(615.00)	-83%
Cost of Goods Sold	38.01	22%	83.28	9%	(45.27)	-54%
Gross Profit	**8.81**	**5%**	**146.49**	**15%**	**(137.68)**	**-94%**
General and Administrative Expenses	119.85	69%	2,204.42	227%	(2,084.57)	-95%
Equity in Net Losses of Associates	7.75	4%	33.29	3%	(25.54)	-77%
Finance Costs	9.98	6%	38.04	4%	(28.06)	-74%
Other Charges (Income) - net	(55.23)	-32%	479.94	49%	(535.17)	-112%
Loss Before Income Tax	**(73.54)**	**-42%**	**(2,609.21)**	**-268%**	**2,535.67**	**-97%**
Provision for (Benefit from) Income Tax	(4.72)	-3%	26.15	3%	(30.87)	-118%
Net Loss	**(68.82)**	**-40%**	**(2,635.36)**	**-271%**	**2,566.54**	**-97%**
Other Comprehensive Income	36.03	21%	8.39	1%	27.64	329%
Total Comprehensive Loss	**(32.79)**	**-19%**	**(2,626.97)**	**-270%**	**2,594.18**	**-99%**

	31-Dec-20 Amount	31-Dec-19 Amount	Amount Change	% Increase (Decrease)
Total Assets	617.06	713.94	(96.88)	-14%
Total Liabilities	612.41	688.05	(75.64)	-11%
Total Equity	4.65	25.89	(21.24)	-82%

In 2020, the Group generated revenue of ₱174.01 million which was 82% lower than 2019 revenue of ₱971.96 million. Likewise, net loss also went down by 97% from ₱2,635.36 million in 2019 to ₱68.82 million in 2020. The enterprise segment generated majority of revenue with 51% contribution or ₱88.24 million, followed by other revenues and mobile consumer services which generated 37% and 12% respectively. It should be noted that the revenue generated by the enterprise services was significantly higher in 2019, given that it still included revenues that came from Yondu. Excluding revenues generated from Yondu, the Group's revenue increased from ₱182.96 million in 2019 to ₱174.01 million in 2020.

The aggregate cost of services of the Group decreased from ₱742.19 million in 2019 to ₱127.19 million in 2020 or 83% decline. The drop in the cost of sales was mostly due to lower salaries and wages, web hosting, and outsourced services resulting from the company's cost cutting measures. The Cost of Goods Sold attributable to other services provided by Storm Technologies Inc. was ₱38.01

million in 2020, a decrease of 54% from 2019 COGS of ₱83.28 million; due to lower sales for Storm in 2020.

The Group's general and administrative expenses significantly went down from ₱2,204.42 million in 2019 to ₱119.85 million in 2020 or 95% decrease. GAEX in 2019 was high due to the provision for impairment loss and provision for liquidation costs totaling to ₱1,923.42 million. Other GAEX items such as salaries and wages, rent, utilities, marketing and promotions, advertising, transportation and travel, taxes and licenses, advertising, and seminars and trainings decreased as part of the cost cutting measure implemented by the Company.

The Group recorded a 77% decline for the equity in net losses from ₱33.29 million in 2019 to ₱7.75 million in 2020. The finance costs incurred by the Group was ₱9.98 million and ₱38.04 million in 2020 and 2019, respectively. Lower finance cost was mainly due to lower interest expense paid for outstanding loans from local banks and non-banks.

For the year ended December 31, 2020, the Group generated other income amounting to ₱55.23 million as compared to the other charges it incurred in 2019 amounting to ₱479.94 million. Higher charges were incurred in 2019 due to the loss on sale of Yondu recognized in 2019 amounting to ₱478.95 million.

In 2020, the Group reported a Benefit from Income tax amounting to ₱4.72 million as compared to last year wherein the Group recognized provision for Income tax amounting to ₱26.15 million despite incurring a loss.

The total comprehensive loss of the Group was ₱32.79 million in 2020, which was 99% lower than 2019 figure of ₱2,629.97 million.

The Group's total assets in 2020 amounted to ₱617.06 million, a decrease of 14% from 2019 recorded total assets of ₱713.94 million. The decline in assets were mostly due to lower current assets, namely, cash. Total liabilities likewise decreased from ₱688.05 million in 2019 to ₱612.41 million as a result mainly of lower trade payables. Lastly, the Group's total equity went down from ₱25.89 million in 2019 to ₱4.65 million in 2020.

Segment Financial Performance

For the year ended December 31, 2020 In PhP Millions	**Mobile Consumer Services**	**Enterprise Services**	**Other Services**	**Intersegment Adjustments**	**Consolidated**
Revenue from services	22.00	249.55	11.12	(161.32)	121.36
Revenue from sale of goods	-	-	52.65	-	52.65
Total Service Revenues	**22.00**	**249.55**	**63.77**	**(161.32)**	**174.01**
Cost and expenses	44.58	314.15	83.32	(157.00)	285.05
Equity in net losses of associates	-	-	-	7.75	7.75
Finance cost and other charges (income)	(31.23)	(21.74)	(1.20)	8.92	(45.25)
Total Expenses	**13.34**	**292.41**	**82.13**	**(140.33)**	**247.55**
Operating Income (Loss)	**8.66**	**(42.86)**	**(18.35)**	**(20.98)**	**(73.54)**
Benefit from (provision for) income tax	0.21	(2.05)	(0.38)	6.95	4.72
Net Income (Loss)	**8.86**	**(44.91)**	**(18.74)**	**(14.03)**	**(68.82)**

In 2020, the mobile consumer services posted revenue, operating income, and net income of ₱22.00 million, ₱8.66 million, and ₱8.86 million respectively. Enterprise services had an operating loss of

₱42.86 million and net loss of ₱44.91 million from revenues of ₱249.55 million. Likewise, the other services segment did not have a positive contribution to the Group.

Profitability

For the twelve-month period ended December 31, 2020, compared with the twelve-month period ended December 31, 2019.

Revenues

The consolidated service revenues of the Group for the year ended December 31, 2020, amounted to ₱174.01 million, a decrease of 82% from ₱971.96 million for the year ended December 31, 2019.

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

Segment	Description	Subsidiaries
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing.	• Xurpas Parent Company
Enterprise services	Revenues derived from the provision of mobile platform solutions to corporate and government clients, information technology (IT) staff augmentation and consultancy services, various enterprise solutions-based services to Telcos and other companies for network, platform and applications development	• Seer • Xurpas Enterprise • Xurpas Parent Company
Other services	Revenues derived from services related to the proprietary platform called "Flex Benefits System" and "Ace" (formerly "Kudos") which allows employees to convert their employee benefits to other benefits which includes sale of goods; subscriptions offering HMO and other pre-need employee benefits to small teams and freelancers.	• Storm Technologies

In PhP Millions	For the year ended December 31					
	2020		2019		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Revenues						
Enterprise services	88.24	51%	854.73	88%	(766.49)	-90%
Mobile consumer services	22.00	13%	19.92	2%	2.08	10%
Other services	63.77	37%	97.31	10%	(33.54)	-34%
Total Revenues	**174.01**	**100%**	**971.96**	**100%**	**(797.95)**	**-82%**

Revenues from enterprise services (which accounted for 51% of total revenues) decreased by 90% in 2020, to ₱88.24 million from ₱854.73 million in 2019. Other services generated 37% of total revenue or ₱63.77 million, a 34% drop from its ₱97.31 million figure in 2019. Lastly, the mobile consumer services generated ₱22.00 million or 13% of the total revenue. This figure was 10% higher than 2019 revenue of ₱19.92 million.

Expenses

In PhP Millions	For the year ended December 31					
	2020		2019		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	127.19	45%	742.19	24%	(615.00)	-83%
Cost of Goods Sold	38.01	13%	83.28	3%	(45.27)	-54%
General and Administrative Expenses	119.85	42%	2,204.42	73%	(2,084.57)	-95%
Total Expenses	**285.05**	**100%**	**3,029.89**	**100%**	**(2,744.84)**	**-91%**

The Group's consolidated expenses in 2020 amounted to ₱285.05 million, a 91% decrease from previous year's ₱3,029.89 million. Bulk of the expenses came from cost of services and GAEX which contributed 45% and 42% respectively, followed by cost of goods sold at 13%. Decline in overall expenses was a result of the company's continuing cost reduction efforts.

Cost of Services

In PhP Millions	For the year ended December 31					
	2020		2019		Amount Change	% Increase (Decrease)
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	70.50	55%	539.04	73%	(468.54)	-87%
Depreciation and amortization	22.73	18%	32.87	4%	(10.14)	-31%
Outsourced services	20.98	16%	27.79	4%	(6.81)	-25%
Others	12.98	11%	142.49	20%	(129.52)	-91%
Total Expenses	**127.19**	**100%**	**742.19**	**100%**	**(615.00)**	**-83%**

Cost of Services in 2020 was ₱127.19 million, an 83% decline from previous year's figure of ₱742.19 million. It is composed of Salaries and Wages which incurred expenses of ₱70.50 million (55%) followed by depreciation and amortization (18%), outsourced services (16%), and Others (11%).

Cost of Goods Sold

Cost of Goods Sold made up 13% of the Group's total consolidated expenses. This figure decreased by 54% from its 2019 level of ₱83.28 million to ₱38.01 million in 2020. The cost of goods sold is directly attributable to the operations of Storm Technologies.

General and Administrative Expenses

In PhP Millions	For the year ended December 31					
	2020		2019		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Salaries, wages and employee benefits	39.62	33%	107.48	5%	(67.86)	-63%
Professional fees	24.06	20%	42.26	2%	(18.20)	-43%
Provision for impairment loss	16.03	13%	1,923.42	87%	(1,907.39)	-99%
Depreciation and amortization	6.84	6%	43.77	2%	(36.93)	-84%
Others	33.30	28%	87.50	4%	(54.20)	-62%
Total Expenses	**119.85**	**100%**	**2,204.42**	**100%**	**(2,084.57)**	**-95%**

In 2020, the general and administrative expenses of the Group's operations amounted ₱119.85 million, which was significantly lower than the GAEX posted in 2019 which amounted to ₱2,204.42

million. This included provision for impairment losses on goodwill, investment in associates, receivables and other current assets. In this regard, it should be noted that provision for impairment loss during the year is already net of Art of Click's recovered receivable from Pocketmath amounting to $400,000

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

Equity in Net Loss of Associates

The equity of the Group in the net loss of its associate companies for the period ended December 31, 2020, amounted to ₱7.75 million.

Finance Costs

The Group posted finance costs of ₱38.04 million in 2019 and ₱9.98 million in 2020. The 74% decrease was a result of lower interests paid to loans borrowed from local banks and non-banks.

Other Charges (Income) – net

As of December 31, 2020, the Group recorded other income of ₱55.23 million as compared to ₱479.94 million other charges posted in 2019. Other income mainly consists of gain from derecognition of long-outstanding payables, penalties earned from late payments and gain on sale of subsidiary (CTX). Higher charges were incurred in 2019 due to the loss on sale of Yondu recognized in 2019 amounting to ₱478.95 million.

Loss before Income Tax

The Group's loss before income taxes for the year ended December 31, 2020, was ₱73.54 million, a 97% decrease from previous year's ₱2,609.21 million.

Provision for (Benefit from) Income Tax

In 2020, the Group reported a Benefit from income tax amounting to ₱4.72 million as compared to last year wherein the Group recognized provision for Income tax amounting to ₱26.15 million despite incurring a loss.

Net Loss

The Group posted a consolidated net loss of ₱68.82 million in 2020, a 97% decrease from the previous year's net loss of ₱2,635.36 million.

Other Comprehensive Income (Loss)

In 2020, the Group's other comprehensive income increased to ₱36.03 million from 2019 figure of ₱8.39 million. The ₱27.64 million increase was mostly due to the revaluation of cryptocurrency.

Total Comprehensive Loss

The Group's total comprehensive loss decreased by 99% in 2020 (from ₱2,626.97 million in 2019 to ₱32.79 million in 2020).

Financial Position

As of December 31, 2020, compared to December 31, 2019.

Assets

Cash and Cash Equivalent

The Group's consolidated cash amounted to ₱67.74 million for the twelve-month period ended December 31, 2020, a net decrease of 56% or ₱86.19 million from consolidated cash of ₱153.93 million as of December 31, 2019.

Accounts and Other Receivables

The Group's consolidated accounts and other receivables amounted to ₱70.29 million and ₱37.18 million as of December 31, 2020, and December 31, 2019, respectively. The increase was generally the result of lower allowance for impairment loss (from ₱263.09 million in 2019 to ₱22.34 million in 2020).

Contract Assets

A contract asset is the right to consideration in exchange for goods and services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. As of December 31, 2020, contract assets amounted to ₱5.00 million or 40% lower than 2019 figure of ₱8.29 million.

Other Current Assets

The Group's consolidated other current assets in 2020 totaled ₱22.80 million, a 48% decrease from 2019 figure of ₱44.20 million. It was mostly comprised of creditable withholding tax and input VAT.

Financial Assets at FVOCI

As of December 31, 2020, and 2019, carrying value and net unrealized loss on financial assets at FVOCI recognized in the consolidated statement of financial position amounted to ₱0.50 million and ₱0.44 million, respectively.

Investment in and advances to associates

In 2020, the Group's consolidated investment in associates amounted to ₱318.46 million, an decrease of ₱1.47 million compared to the 2019 figure of ₱319.94 million. The breakdown of the carrying amounts of these investments are as follows: Micro Benefits Limited (₱282.02 million), Altitude Games Pte. Ltd. (₱20.92 million), and SDI (₱15.52 million). During the year, the Group also reclassified its advances to associate amounting to ₱22.08 million.

Property and Equipment

The Group's consolidated property and equipment was ₱4.25 million as of December 31, 2020. It decreased by ₱4.51 million or 51% as compared to 2019 which amounted to ₱8.76 million. Property and equipment consisted mainly of leasehold improvements, IT equipment, furniture and fixtures and office equipment.

Intangible Assets

As of December 31, 2020, intangible assets amounted to ₱87.84 million, a 13% decrease from 2019 balance of ₱101.13 million. The components are goodwill, customer relationship, developed software, and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of subsidiaries acquired by the Group. As of December 31, 2020, goodwill was at ₱48.22 million.
- Developed software pertain to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As of December 31, 2020, net book value of developed software was ₱14.16 million. Movements in developed software are accounted for as follows: (1) Additions during the year amounting to ₱96,332, (2) Amortization during the year amounting to ₱21.89 million and (3) Impairment amounting to ₱9.23 million. The impairment incurred resulted from the suspension of operations of AoC.
- Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination. As of December 31, 2020, net book value of leasehold rights was nil.
- Cryptocurrencies pertain to units of Bitcoin and Ether held by the Group as of December 31, 2020, which amounted to ₱25.46 million.

Other Noncurrent Assets

In 2020, other noncurrent assets amounted to ₱18.10 million which decreased by 49% from the previous year's figure of ₱35.46 million.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables was valued at ₱462.33 million as of December 31, 2020. It decreased by ₱15.92 million or 3% from 2019 balance of ₱478.25 million mainly due to the decline in trade payables, payable to third parties and accrued expenses.

Loan Payable

The Group recorded ₱41.71 million worth of current loans (short term and interest bearing) as of December 31, 2020. This was a ₱10.42 million decrease from 2019 loan payable of ₱52.13 million. The loans pertain to that of Storm Technologies and Seer Technologies.

Contract Liabilities

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

In 2020 and 2019, the Group's contract liabilities were ₱32.26 million and ₱68.05 million respectively.

Income Tax Payable

For 2020, the Group's consolidated income tax payable was nil vis-à-vis 2019 figure of ₱3,184.

Advances from stockholders – net of current portion

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

Pension Liability

The accrued pension of the Group was ₱26.82 million in 2020 compared to ₱24.82 million as of December 31, 2019, or an 8% increase.

Equity

Total Equity

As of December 31, 2020, the Group's total equity was at ₱4.65 million, an 82% decrease from 2019 equity of ₱25.89 million. Lower equity was mainly due to the increase in deficit brought about by the incurred net loss of the Group.

Liquidity and Capital Resources

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

Cash Flows

	For the year ended December 31	
	2020	**2019**
In PhP Millions	**Amount**	**Amount**
Net cash used in Operating Activities	(74.42)	(116.21)
Net cash provided by (used in) Investing Activities	(2.42)	366.19
Net cash used in Financing Activities	(12.53)	(281.25)
Effect of foreign currency exchange changes in cash	3.19	7.80
Net decrease in cash	(86.19)	(23.47)
Cash at beginning of period	153.93	177.40
Cash at end of period	**67.74**	**153.93**

Cash Flows from Operating Activities

For the year ended December 31, 2020, operating loss before changes in working capital of ₱18.15 million coupled with the corresponding changes in trade receivables, other current assets, contract assets, trade payables and contract liability resulted to ₱66.21 million cash used in operations. Together with interest received, interest paid, and income taxes paid, net cash used in operating activities totaled ₱74.42 million.

Cash Flows from Investing Activities

Cash used in investing activities in 2020 was ₱2.42 million while cash provided in investing activities in 2019 amounted to ₱366.19 million. The net cash used in investing activities was mainly attributable to the cash of disposed subsidiary, and acquisition of property and equipment and intangible assets.

Cash Flows from Financing Activities

The consolidated net cash used in financing activities for the year 2020 was ₱12.53 million while net cash provided by financing activities for the year 2019 was ₱281.25 million. Net cash was mainly used to pay off loan payables and a portion of lease liabilities.

Capital Expenditure

The Group's capital expenditures amounted to ₱1.24 million and ₱14.78 million in 2020 and 2019, respectively.

Key Financial Data **In PhP Millions**	**December 31, 2020** **Additions**	**December 31, 2019** **Additions**
Right-of-use Assets	-	4.61
IT Equipment	1.17	9.01
Leasehold Improvements	-	0.75
Office Equipment	0.07	0.21
Furnitures and Fixtures	-	0.19
	1.24	**14.78**

Key Performance Indicators

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

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

In Percentage	For the years ended December 31		
	2020	2019	2018
Liquidity Ratios			
Current Ratio	**31%**	41%	69%
Quick Ratio	**27%**	33%	64%
Asset-to-Equity Ratio	**613%**	575%	183%
Profitability Ratios			
Net Loss Margin	**-34%**	-271%	-62%
Gross Margin	**5%**	15%	9%
Operating Margin	**-19%**	-256%	-46%
Return on Total Assets	**-9%**	-93%	-14%
Return on Equity	**-53%**	-186%	-22%
Debt Ratios			
Debt-to-Equity Ratio	**6.09x**	5.55x	0.550x
Interest Coverage Ratio	**-5.92x**	-64.75x	-20.45x

Liquidity Ratios

The current ratio and quick ratio of the Group was at 31% and 27% in 2020, respectively, and 41% and 33% in 2019, respectively. The decrease in both ratios was mainly due to the decline in both current assets and current liabilities.

Asset-to-Equity Ratio

In 2020, the Asset-to-Equity ratio of the Group increased to 613% from 575% of 2019. The increase was mostly because of the increase in deficit, reducing total equity.

Profitability Ratios

Excluding Gross Margin, the Group's profitable ratios improved in 2020 in comparison to 2019 ratios. Net loss margin was at (34%), operating margin was (19%), return on total assets (9%), and return on equity (53%). Gross margin on the other hand went down to 5% in 2020 from 15% in 2019.

Debt Ratios

For 2020, the Debt-to-Equity ratio increased from 5.55x in 2019 to 6.09x which can be attributed to lower total equity due to recurring net loss posted by the Group. The interest coverage ratio improved in 2020 to -5.92x from -64.75x in 2019.

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

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

5. Return on total equity	$\dfrac{\text{Net income attributable to Parent Company}}{\text{Average total equity attributable to the Parent Company}}$

Other Disclosures:

i. Liquidity. To cover its short-term funding requirements, the Group intends to use internally generated funds, obtain additional advances from its stockholders, and negotiate for longer payment terms for its payables.

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

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

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

i. Material Events/ Uncertainties. There are no new trends, events, or uncertainties that are expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations. The Group's financial challenges in 2021 are being addressed through the following: developing aggressive lead generation via digital marketing; forging alliances to enhance distribution and cross selling opportunities; and building competency in talent solution business.

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

iii. Seasonality. The Group is subject to the seasonality of revenue realization due to Storm's Flexible Benefits Program. Historically, Storm's sales tend to increase in the second half of the year as observed from its customer behavior to likely avail their converted benefits towards the end of the year.

\

For the year ended December 31, 2019 compared with the year ended December 31, 2018

Summary

Php Millions	2019	2018	2017	2016	2015	2014	2019vs2018	2018vs2017	2017vs2016	2016vs2015	2015vs2014
Revenues	971.96	1,242.19	2,103.57	1,947.14	898.37	378.32	-22%	-41%	8%	117%	137%
Gross Profit	146.49	109.59	0.15	803.43	513.87	264.45	34%	-83%	19%	56%	94%
Income (Loss) before Income Tax	(2,609.21)	(667.13)	122.04	379.10	331.10	239.14	291%	-647%	-68%	14%	38%
Net Income (Loss)	(2,635.36)	(811.64)	102.57	264.84	229.62	190.72	225%	-891%	-61%	15%	20%
Revenues											
Mobile Consumer Services	19.92	270.85	1,336.54	1,239.92	576.06	309.37	-93%	-80%	8%	115%	86%
Enterprise Services	854.73	875.61	667.60	653.14	243.14	68.95	-2%	31%	2%	168%	253%
Other Services	97.31	95.72	99.44	54.07	78.87	-	2%	-4%	84%	-31%	n.a

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

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

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

Key Financial Data In PhP Millions	For the year ended December 31					
	2019		2018		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentag		
Revenues						
Mobile consumer services	19.92	2%	270.86	22%	(250.94)	-93%
Enterprise services	854.73	88%	875.61	70%	(20.88)	-2%
Other services	97.31	10%	95.72	8%	1.59	2%
Total Revenues	**971.96**	**100%**	**1,242.19**	**100%**	**(270.23)**	**-22%**
Cost of Services	742.19	76%	1,062.87	86%	(320.68)	-30%
Cost of Goods Sold	83.28	9%	69.73	6%	13.55	19%
Gross Profit	**146.49**	**15%**	**109.59**	**9%**	**36.90**	**34%**
General and Administrative Expenses	2,204.42	227%	701.04	56%	1,503.38	214%
Equity in Net Losses of Associates	33.29	3%	52.99	4%	(19.70)	-37%
Finance Costs	38.04	4%	30.66	2%	7.38	24%
Other Charges (Income) - net	479.94	49%	(7.98)	-1%	487.92	-6114%
Loss Before Income Tax	**(2,609.21)**	**-268%**	**(667.13)**	**-54%**	**(1,942.08)**	**291%**
Provision for Income Tax	26.15	3%	144.51	12%	(118.36)	-82%
Net Loss	**(2,635.36)**	**-271%**	**(811.64)**	**-65%**	**(1,823.72)**	**225%**
Other Comprehensive Income	8.39	1%	8.27	1%	0.12	1%
Total Comprehensive Loss	**(2,626.97)**	**-270%**	**(803.37)**	**-65%**	**(1,823.60)**	**227%**

	31-Dec-19 Amount	31-Dec-18 Amount	Amount Change	% Increase (Decrease)
Total Assets	713.94	4,966.57	(4,252.63)	-86%
Total Liabilities	688.05	1,499.98	(811.93)	-54%
Total Equity	25.89	3,466.58	(3,440.69)	-99%

Financial Summary

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

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

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

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

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

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

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

Segment Financial Performance

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

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

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

Profitability

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

Revenues

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

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

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

**Until September 2019.*

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

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

Expenses

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

The Group's consolidated expenses in 2019 amounted to ₱3,029.90 million, a 65% increase from previous year's ₱1,833.65 million. Bulk of the expenses came from the general and administrative expenses which contributed 73%, followed by cost of services at 24% and cost of goods sold at 3%. The Group's general and administrative expenses increased from ₱701.04 million in 2018 to ₱2,204.42 million in 2019 or 214% increase. Higher provision for impairment loss was the main contributing factor for the ₱1,503.38 million increase in 2019 GAEX. Should impairment be excluded, proforma GAEX in 2019 went down from ₱390.11 million in 2018 to ₱281.01 million or 28% decrease.

Cost of Services

In PhP Millions	For the year ended December 31					
	2019		2018		Amount Change	% Increase (Decrease)
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	537.15	72%	724.50	68%	(187.35)	-26%
Segment fee and network costs	88.66	12%	43.26	4%	45.40	105%
Depreciation and amortization	32.87	4%	39.32	4%	(6.45)	-16%
Others	83.51	12%	255.80	24%	(172.29)	-67%
Total Expenses	**742.19**	**100%**	**1,062.87**	**100%**	**(320.68)**	**-30%**

Cost of services totaling ₱742.19 million in 2019 (a 30% decrease from ₱1,062.87 million in 2018) was mainly comprised (1) Salaries, wages and employee benefits, (2) Segment fee and network costs, and (3) Depreciation and amortization, which accounted for 72%, 12% and 4% respectively. The decrease in total COS was a result of lower outsourced services, web hosting and royalties.

General and Administrative Expenses

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

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

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

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

Equity in Net Loss of Associates

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

Finance Costs

The Group recorded finance costs of ₱38.04 million and ₱30.66 million in 2019 and 2018 respectively. Finance costs pertains to the interest expense on loans payable to local banks and non-banks.

Other Charges – net

In 2019, the Group recorded other charges amounting to ₱479.94 million. This account mainly consists of loss on sale of subsidiary (Yondu), bank charges, foreign exchange loss, loss on retirement and disposal of property and equipment and loss from sale of cryptocurrencies totaling to ₱486.31 million, partially offset by unrealized gain on revaluation of cryptocurrencies, and other income.

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

Loss before Income Tax

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

Provision for Income Tax

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

Net Loss

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

Total Comprehensive Loss

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

Financial Position

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

Assets

Cash and Cash Equivalent

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

Accounts and Other Receivables

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

Contract Assets

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

Other Current Assets

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

Financial Assets at FVOCI

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

Investment in Associates

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

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

Property and Equipment

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

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

Intangible Assets

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

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of subsidiaries acquired by the Group. As of December 31, 2019, goodwill was at ₱48.22 million. Decrease in goodwill was driven by the following: (1) Impairment of goodwill for investments in AOC, Storm and Seer amounting to ₱1,956.25 million; and (2) Disposal through deconsolidation of Yondu amounting to ₱540.15 million.
- Customer relationship pertains to Yondu's noncontractual and contractual agreements with GTI, its major customer, which are expected to generate revenues for the Group in subsequent periods. The Group derecognized its customer relationship amounting to ₱1,077.81 million as a result of disposal through deconsolidation of Yondu.
- Developed software pertain to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As of December 31, 2019, net book value of developed software

was ₱45.18 million. Movements in developed software are accounted for as follows: (1) Additions during the year amounting to ₱2.52 million; (2) Amortization during the year amounting to ₱30.74 million; and (3) Disposal of developed software through deconsolidation of Yondu with net book value totaling to ₱47.68 million.

- Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination. As of December 31, 2019, net book value of leasehold rights was ₱1.64 million. Movements in leasehold rights are accounted for as follows: (1) Amortization during the year amounting to ₱1.90 million; and (2) Disposal of leasehold rights through deconsolidation of Yondu with net book value amounting to ₱6.99 million.
- Cryptocurrencies pertain to units of Bitcoin and Ether held by the Group as of December 31, 2019 which amounted to ₱6.08million.

Right-of-use Asset

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

Pension Asset

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

Deferred Tax Assets – Net

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

Other Noncurrent Assets

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

Liabilities

Accounts and Other Payables

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

Loan Payable

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

Contract Liabilities

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

Income Tax Payable

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

Lease liabilities

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

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

Other Current Liabilities

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

Advances from stockholders – net of current portion

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

Deferred Tax Liability

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

Pension Liability

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

Equity

Total Equity

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

Liquidity and Capital Resources

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

Cash Flows

	For the year ended December 31	
	2019	2018
In PhP Millions	**Amount**	**Amount**
Net cash used in Operating Activities	(116.21)	(186.02)
Net cash provided by (used in) Investing Activities	366.19	(102.43)
Net cash provided by (used in) Financing Activities	(281.25)	236.19
Effect of foreign currency exchange changes in cash	7.80	14.40
Net decrease in cash	(23.47)	(37.86)
Cash at beginning of period	177.40	215.25
Cash at end of period	**153.93**	**177.40**

Cash Flows from Operating Activities

For the year ended December 31, 2019, operating loss before changes in working capital of ₱28.4 million coupled with the corresponding changes in working capital resulted to ₱53.32 million net cash used in operations. Together with interest received, interest paid and income taxes paid, net cash used in operating activities totaled ₱116.21 million.

Cash Flows from Investing Activities

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

Cash Flows from Financing Activities

The consolidated net cash used in financing activities for the year 2019 was ₱281.25 million while net cash provided by financing activities for the year 2018 was ₱236.19 million. Net cash was mainly used to pay off creditors.

Capital Expenditure

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

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

Key Performance Indicators

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

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

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

Liquidity Ratios

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

Asset-to-Equity Ratio

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

Profitability Ratios

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

Debt Ratios

For 2019, the Debt-to-Equity ratio increased from 0.55x in 2018 to 5.55x which can be attributed to increase in deficit, reducing total equity. The interest coverage ratio further declined in 2019 to -64.75x from -20.45x because of the big drop in earnings before interest and tax expense and higher interest expense in 2019 as compared to 2018.

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

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

Other Disclosures:

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

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

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

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

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

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

xi. Seasonality. The Group is subject to the seasonality of revenue realization due to Storm's Flexible Benefits Program. Historically, Storm's sales tend to increase in the second half of the year as observed from its customer behavior to likely avail their converted benefits towards the end of the year.

ITEM 7. Financial Statements

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

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

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

Independent Public Accountants, External Audit Fees and Services

The consolidated financial statements of the Group as of December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 were audited by SGV & Co., independent auditors, in accordance with Philippine Standards on Auditing (PSA).

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

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

The aggregate fees billed for each of the last two calendar years for professional services rendered by the external auditor were ₱2.13 million and ₱ 2.34 million for 2019 and 2020, respectively. The audit fees for 2021 are estimated to be at ₱2.57 million. Services rendered include the audit of the financial statements and supplementary schedules for submission to SEC, tax consultancy and assistance in the preparation of annual income tax returns.

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

ITEM 9. Directors and Executive Officers of the Issuer

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

The overall management and supervision of the Company is undertaken by the Board. The Board is composed of eight (8) members, three of whom are independent directors. The term of a director is one year from date of election and until their successors are elected and qualified.

As of December 31, 2020, the composition of the Company's Board is as follows:

Name	Age	Citizenship	Position	Year Position was Assumed
Nico Jose S. Nolledo	44	Filipino	Chairman	2001
Alexander D. Corpuz	54	Filipino	Director, President, Chief Information Officer and Chief Finance Officer[10]	2019
Fernando Jude F. Garcia	47	Filipino	Director, Treasurer and Chief Technology Officer	2001
Mercedita S. Nolledo	80	Filipino	Director	2001
Wilfredo O. Racaza	72	Filipino	Director	2001
Jonathan Gerard A. Gurango	63	Filipino	Independent Director	2014
Imelda C. Tiongson	52	Filipino	Independent Director	2020
Bartolome S. Silayan, Jr.	53	Filipino	Independent Director	2020

Each of the Company's directors was elected to the Board during the Company's annual stockholders' meeting held on November 27, 2020. Each director shall remain in office until the next annual meeting of the stockholders of the Company or his or her removal or resignation as may be allowed under law.

The table below sets forth the Company's executive officers in addition to its executive directors listed above as of December 31, 2020:

Name	Age	Citizenship	Position
Mark S. Gorriceta	43	Filipino	Corporate Secretary, Chief Legal Officer and Chief Officer

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

Nico Jose S. Nolledo, Filipino, 44, has been the Chairman and Director of the Corporation since 2001. He is the first Filipino Entrepreneur chosen by the Endeavour network. He is also the Ernst and Young's 2015 Philippine Entrepreneur of the year and was chosen as one of The Outstanding Young Men ("TOYM") in the Philippines in 2015. Mr. Nolledo holds a Bachelor of Science degree in Management from Ateneo de Manila University.

Alexander D. Corpuz, Filipino, 54, was appointed as Director and President of the Corporation effective February 1, 2019. He has also been the Corporation's Chief Finance Officer since 2014 and

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

Chief Information Officer since 2018. Mr. Corpuz has 30 years of experience in the field of finance, ten years of which was in investment and commercial banking. He was Vice President of Bank of America in 2001, before serving as CFO for Liberty Telecoms, Information Gateway, Mañosa Group of Companies and Hatchd Inc. Mr. Corpuz holds a Bachelor of Science in Business Administration degree from University of the Philippines, Diliman, Cum Laude. He obtained his Masters in Business Management from the Asian Institute of Management, Makati City. He is a member of the Financial Executives Institute of the Philippines (FINEX).

Fernando Jude F. Garcia, Filipino, 47, has been the Chief Technology Officer and Director of the Corporation since 2001. He was also appointed as Treasurer effective February 1, 2019. He also served as Corporate Secretary of the Corporation until December 2014. He created the Corporation's Griffin Platform, the mobile consumer content gateway and platform for all of the Corporation's mobile consumer content products and services. He also created the Corporation's modular middleware system that can easily integrate with any modern billing gateway. He is the chief engineer responsible for the Corporation's software architecture and systems integration. Examples of such systems and protocols are the following: SMS (CIMD2/EMI-UCP/SMPP), MMS (EIAF/MM7), Voice Services (SIP), Billing/IN (Diameter/UCIP/ParlayX2.1), Security (IPSEC), Publish-subscribe Systems and Video Streaming (RTMP/HLS) and blockchain technology (BTC/ETH). He is also responsible for architecting the Corporation's fully Cloud-based system infrastructure. Before founding the Corporation, he was a software developer in iAyala. Mr. Garcia holds a Bachelor of Science degree in Applied Physics from the University of the Philippines in Diliman, Quezon City.

Wilfredo O. Racaza, Filipino, 72, has been a Director of the Corporation since 2001.Mr. Racaza has 49 years of marketing and finance experience under his belt. He was the head of New Business Development in Mobil Oil Philippines for 15 years. He previously worked as an insurance executive in Manulife Financial Philippines for 33 years. He is a Registered Financial Consultant (Graduated Cum Laude in May 2015). He has garnered numerous accolades and multiple awards such as Branch of the Year recognitions and consistent agency sales awards. He has been a consistent awardee in the General Agents and Managers Association (GAMA) of the Philippines from 2003 to Present. Mr. Racaza holds a Bachelor of Science in Commerce Degree Major in Accountancy from Xavier University-Ateneo de Cagayan in Cagayan de Oro City.

Mercedita S. Nolledo, 80, Filipino, has been a Director of the Corporation since 2001. Atty. Nolledo is currently a director of Bank of the Philippine Islands, BPI Family Savings Bank, Anvaya Golf and Nature Club, Inc., and Michigan Holdings, Inc. She is the Chairman of BPI Investment Management Corporation. She is currently an independent director of D&L Industries, Inc. She is a member of the Board of Trustees of Ayala Foundation, Inc. and BPI Foundation, Inc. She has served as a director of Cebu Holdings, Inc. from 1993 to 2006 and of Ayala Corporation from 2004 to 2010. Atty. Nolledo was formerly Corporate Secretary and General Counsel of the Ayala Group of Companies and the Senior Managing Director of the Ayala Corporation. She served as Executive Vice President, director and Corporate Secretary of Ayala Land, Inc. and as the firm's Treasurer. Atty. Nolledo placed second in the Certified Public Accountant exams in 1960 and also placed second in the 1965 bar exams. She holds a Bachelor of Science degree in Business Administration, magna cum laude, from the University of Philippines. Atty. Nolledo holds a Bachelor of Laws degree, cum laude, from the University of the Philippines.

Jonathan Gerard A. Gurango, 63, Filipino, has been an independent director of the Corporation since 2014. Mr. Gurango has a solid track record in forming and running successful software companies. He founded Match Data Systems (MDS) in Seattle, USA in 1987, MDS Philippines in 1991, and MDS Australia in 1996. In 1999, he sold MDS to Great Plains Software, which was acquired by Microsoft in 2001. Mr. Gurango served as the Asia Pacific Regional Director for Microsoft Business Solutions, before he left in 2003 to form Gurango Software. In 2007, he was inducted into the Hall of Fame for Microsoft's Most Valuable Professionals, in recognition of his mastery of software technology and business. In 2006, the Philippine Center for Entrepreneurship acknowledged him as one of the country's Ten Most Inspiring Technopreneurs. In addition to leading Gurango Software as the most successful Microsoft Dynamics partner in the Philippines, he has co-founded several other software start-ups such as SPRING.ph, and was the President of the Philippine Software Industry Association from 2013 to 2014. He is presently a director of Gurango Software Corporation, Kation Technologies, Inc., CodersGuild.net, Inc., Servio Technologies Inc. and APPPS Partners, Inc. Mr. Gurango studied Industrial Engineering at the University of the Philippines, Diliman, Quezon City. He also studied Electrical Engineering at the University of Washington, Seattle, Washington, USA.

Imelda C. Tiongson, 52, Filipino, has been an Independent Director of the Corporation since May 7, 2020. She is currently the President of Opal Portfolio Investments (SPV-AMC) Inc. She is also a new independent director of Pru Life U.K. In addition, she is also involved in several organizations; Trustee of the Institute of Corporate Directors (ICD) and Head of Technology Governance Committee, Vice Chairwoman of the Governance Committee of the Management Association of the Philippines, Trustee of Fintech Alliance.ph and Head of Techno Ethics and Trustee of Fintech Philippines Association. She is also a lecturer of various organizations namely; ICD, Ateneo Graduate School of Business - Center for Continuing Education and International Finance Corporation (*an entity affiliated with the World Bank Group*).

She previously worked as a Senior Lending Officer in National Australia Bank and as Senior Vice President of Philippine National Bank with an aggregate total of 22 years. She was also a Director of Vitarich Corporation and a Board Advisor of East Asia Power Corporation as Creditor-nominee.

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

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

Bartolome Silayan Jr., 53, Filipino has been an independent director of the Corporation since May 7, 2020. He is currently the President of Phoenix One Knowledge Solutions Inc. (“Phoenix One”), a technology corporate training and solutions company which he started in 2005. He is also the President of Cafisglobal Inc, a boutique software services company serving clients in Australia. Prior to Phoenix One, he also founded Mind Stream Inc. in 2001, the franchise holder of NIIT, the largest technology education company from India. Before he became an entrepreneur, he was the Philippine Country Head of The Pillsbury Company in 1997. He worked in Hongkong and China in 1994 as Marketing Manager for the Quaker Oats company handling the Gatorade brand. He finished BS Business Management from Ateneo de Manila University and obtained his MBA from Northwestern University’s Kellogg school of management.

Mark S. Gorriceta, 43, Filipino, has been the Corporate Secretary and Chief Legal Officer of the Corporation since 2014. He was also appointed as Chief Compliance Officer of the Corporation in 2018. Atty. Gorriceta has been in the practice of law for sixteen years. He acts as legal counsel to several other listed companies, its subsidiaries or affiliates. Atty. Gorriceta also serves as Chief Legal Counsel and/or Corporate Secretary to several leading online and tech companies in the Philippines. He is the Managing Partner and head of the Corporate Group of Gorriceta Africa Cauton & Saavedra. A member of the Philippine Bar since 2005, he holds a Bachelor of Arts, Political Science degree from the Ateneo de Manila University. He also attended certificate courses in Finance at the Asian Institute of Management in Makati City. Atty. Gorriceta is a faculty member of the Ateneo de Manila University’s Center for Continuing Education. He teaches Mergers & Acquisitions for the Advanced Module Diploma Course in Corporate Finance.

Significant Employees

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

Family Relationships

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

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

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

Involvement in Certain Legal Proceedings

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

ITEM 10. Executive Compensation

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

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

Name	Position	Estimated Salary	Bonus	Other	Total
Alexander D. Corpuz	President, Chief Finance Officer & Chief Information Officer				
Fernando Jude F. Garcia	Treasurer & Chief Technology Officer				

Total	2021 (Projected)	₱8,800,000.00	N/A	N/A	₱8,800,000.00
	2020	₱8,790,358.00	N/A	N/A	₱8,790,358.00
	2019	₱6,690,358.00	N/A	N/A	₱6,690,358.00

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

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

<u>Compensation of Directors</u>

Standard Arrangements

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

Other Arrangements

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

<u>Employment Contracts with Executive Officers</u>

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

Warrants and Options Held by the Executive Officers and Directors

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

ITEM 11. Security Ownership of Certain Beneficial Owners and Management

Security ownership of certain record and beneficial owners

As of April 30, 2021, the Company is not aware of any person who is directly or indirectly the record or beneficial owner of more than 5% of the Company's capital stock except as set forth below:

Title of Class	Name and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares and Nature of Ownership (Direct or Indirect)	Percent of Class[11]
Common	**Nico Jose S. Nolledo** Chairman and Chief Executive Officer	Nico Jose S. Nolledo	Filipino	322,226,622 (Direct and Indirect)	17.21%
Common	**Raymond Gerard S. Racaza** President and Chief Operating Officer	Raymond Gerard S. Racaza	Filipino	375,765,960 (Direct)	20.06%
Common	**Fernando Jude F. Garcia** Chief Technology Officer	Fernando Jude F. Garcia	Filipino	375,073,960 (Direct)	20.03%
Common	**PCD Nominee Corp.**	PCD participants acting for themselves and for their customers[12]	Filipino	544,269,330 (Direct)	29.06%
Common	**PCD Nominee Corp.**	PCD participants acting for themselves and for their customers[13]	Non-Filipino	205,137,845 (Direct)	10.95%

As of April 30, 2021, 15.56% of the outstanding shares of the Company are held by non-Filipino.

Security ownership of directors and management as of May 30, 2021

As of May 30, 2021, the Company's directors and executive officers own the following number of shares:

[11] Total Outstanding Shares as of July 31, 2020 is at 1,872,796,877

[12] Each beneficial owner of shares through a PCD participant is the beneficial owner to the extent of the number of shares in his account with the PCD participant. The Company has no record relating to the power to decide how the shares held by PCD are to be voted.

[13] Id.

Title of Class	Name of Owner and Position	Citizenship	No. of Shares and Nature of Ownership (Direct or Indirect)	Percent of Class
Common	**Nico Jose S. Nolledo** Chairman	Filipino	322,226,622 (Direct and Indirect)	17.21%
Common	**Alexander D. Corpuz** Director, President and Chief Information Officer	Filipino	1,000 (Direct)	0.00%
Common	**Fernando Jude F. Garcia** Director, Chief Technology Officer and Treasurer	Filipino	375,073,960 (Direct)	20.03%
Common	**Mercedita S. Nolledo** Director	Filipino	2,378,338 (Direct)	0.13%
Common	**Wilfredo O. Racaza** Director	Filipino	1,060 (Direct)	Nil
Common	**Jonathan Gerard A. Gurango** Independent Director	Filipino	169,399 (Direct)	0.01%
Common	**Imelda C. Tiongson** Independent Director	Filipino	1,000 (Direct)	Nil
Common	**Bartolome S. Silayan, Jr.** Independent Director	Filipino	2,000 (Direct)	Nil
Total (Directors and Officers as a Group)			699,853,379	37.39%

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

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

Changes in Control

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

ITEM 12. Certain Relationships and Related Transactions

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

PART IV – CORPORATE GOVERNANCE

ITEM 13. Corporate Governance.

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

ITEM 14.

SUSTAINABILITY REPORT

Contextual Information

Company Details	
Name of Organization	Xurpas Inc.
Location of Headquarters	Unit 804 Antel 2000 Corporate Center 121 Valero St., Salcedo Village, Makati City
Location of Operations	Salcedo Village, Makati City
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Xurpas Inc. and Subsidiaries
Business Model, including Primary Activities, Brands, Products, and Services	Develop, produce, sell, buy or otherwise deal in products, goods or services in connection with the transmission, receiving, or exchange of voice, data, video or any form or kind of communication
Reporting Period	December 31, 2020
Highest Ranking Person responsible for this report	Alexander D. Corpuz

BRIEF ON THE COMPANY

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

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

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

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

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

MATERIALITY ASSESSMENT AND REPORTING PRACTICES

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

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

The COVID-19 outbreak that the world is still currently experiencing not only affected the health of people but also had severe effects to the economy and various businesses. The pandemic has affected the Company in terms of economic and social aspects evidenced by the slowdown in operations during the second quarter of 2020 and work from home set up brought about by the government imposed lockdown in the country. Despite the obstacles brought by the pandemic, the Company was able to sustain its operations as it took advantage of the opportunity to provide quality digital transformation services to its clients.

In terms of working conditions, the Company adhered to the health protocols to primarily stop the spread of the disease and make sure that its affected stakeholders, specifically employees, are safe. It has implemented work from home arrangements and provided financial and mental support to employees who have been afflicted by COVID. In addition to this, the company has taken measures to protect employees who needed to report personally in the office. This included contact tracing, temperature checks, sanitizing materials (such as alcohol and sanitizing mats), and regular disinfection of the office.

This Sustainability Report has been prepared in reference to the globally accepted framework report namely, the Global Reporting Initiative (GRI) standards. The GRI standard covers the economic, environment and social impacts. This is the Company's second Sustainability Report since its inception covering the period of January 2020 to December 2020. Aside from that, this report identifies how the Company's operations contribute to the UN Sustainable Development Goals.

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

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	219,519,207	Php
Direct economic value distributed:		
a. Operating costs	89,326,755	Php
b. Employee wages and benefits	115,489,180	Php
c. Payments to suppliers, other operating costs	27,329,322	Php
d. Dividends given to stockholders and interest payments to loan providers	10,628,192	Php
e. Taxes given to government	9,317,382	Php
f. Investments to community (e.g. donations, CSR)	198,457	Php
Direct economic value retained:	(32,770,081)	Php

What is the impact and where does it occur? What is the organization's involvement in the impact	Which stakeholders are affected?	Management Approach
The Economic Performance of the Company impacts the business as a whole. Being profitable and having healthy liquidity stance result to strong business operations and provides opportunities for expansion and growth.	All stakeholders	As can be measured through its annual reports and financial statements, the Company assures all stakeholders to provide quality services for customers through continuous research and development that bring forth positive economic performance.
What are the Risk/s Identified?		
Internal Risks: Loss of customers, management risk, and financial risk **External Risks:** Regulatory risks, Stiff competition in the IT industry, and product obsolescence brought about by ever changing and upgrade of various technology solutions		To address these risks, Xurpas banks on the quality services that it provides its customers backed up by its management expertise and technological know-how.
What are the Opportunity/ies Identified?		
The pandemic that the world faces presently brings about realization on the importance of digital transformation across all businesses regardless of size. Limiting people's movement to their respective homes brought about a big demand for goods and services to become available online. Hence, the increase for the demand of digital transformation.		The continuous relationship building to its clientele base (new and existing) and other technology company opens up opportunities to grow the business not only in the local market but the international market as well. Also, these relationships provide information of relevant trends that may improve the offered services that may result to increased economic performance.

Climate-related risks and opportunities

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

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	87.12	%

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

<u>Anti-corruption</u>

<u>Training on Anti-corruption Policies and Procedures</u>

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

<table>
<tr><th>What is the impact and where does it occur? What is the organization's involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management Approach</th></tr>
<tr><td>The Company through its BOD and employees are duty-bound to apply high ethical standards, taking into account the interest of all stakeholders. This results to positive and trustworthy image for the Company.</td><td>All Stakeholders</td><td rowspan="5">The Company has established anti-corruption policy available to all stakeholders The Company expects everyone involved in the business to act in good faith at all times. For violations of this policy committed by employees, the Human Resources Department shall monitor, evaluate and impose the necessary penalties in the company's website.</td></tr>
<tr><th>What are the Risk/s Identified?</th><th></th></tr>
<tr><td>The organization's employees are exposed to the risk of seeking financial and material advantages from its dealings with clients, suppliers, and the government.</td><td>Employees</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th><th></th></tr>
<tr><td>Being regarded as an honest and professional business partner would strengthen relationships to customers and suppliers. This will help the company sustain its operations in the long run and support future plans for growth.</td><td>All Stakeholders</td></tr>
</table>

Incidents of Corruption

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

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Incidents of Corruption inside and outside the Company has a negative impact for the overall business operation and is not tolerated as a way of practice.	Employees	The Company has established anti-corruption policy available to all stakeholders The Company expects everyone involved in the business to act in good faith at all times. For violations of this policy committed by employees, the Human Resources Department shall monitor, evaluate and impose the necessary penalties in the company's website.
What are the Risk/s Identified?		
Employees are exposed to the risk of seeking financial and material advantages from its dealings with clients, suppliers, and the government.		
What are the Opportunity/ies Identified?		
Having no incidents of corruption and promoting an honest business environment for all stakeholders can be beneficial to the Company. It will give a positive image and be regarded as a trustworthy business partner to its customers and suppliers. This will help the company sustain its operations in the long run and support future plan for growth.	All Stakeholders	

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	-	GJ
Energy consumption (gasoline)	-	GJ
Energy consumption (LPG)	-	GJ
Energy consumption (diesel)	-	GJ
Energy consumption (electricity)	44,115.58	kWh

Reduction of energy consumption

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

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Reduction of energy consumption is being encouraged throughout the Company as it reduce utility expenses at the same time help the environment. Reducing energy consumption is seen to be a solution to minimize the emission of greenhouse gases in the atmosphere causing climate change.	Employees	As part of the Company's initiative to minimize expenses, employees are expected to act responsible and professionally in terms of incurring expenses. Employees are encouraged conserve energy whenever possible (e.g. making sure that lights and aircon in the conference rooms are turned off when not in use).
What are the Risk/s Identified?		
Instability of prices for fuel and other energy resources.	Suppliers and Employees	Given that the identified risk is an external factor in which the Company does not have control over. Hence, employees are encouraged conserve energy whenever possible.
What are the Opportunity/ies Identified?		
Given the work from home set up, the Company is able to reduce energy consumption in the office. The savings on electricity can be utilized for business expansion or projects involving employee welfare.	Stockholders and Employees	Employees are encouraged to save electricity whenever possible either in the office or at their own homes.

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	-	Cubic meters
Water consumption	230.00	Cubic meters
Water recycled and reused	-	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Like energy conservation, the Company encourages its employees to be mindful of their water consumption as it results to lower utility costs. Managing water resource properly maintains healthy aquatic environment, minimize water pollution and protects drinking water resources, etc.	Employees and Community	As part of the Company's initiative to minimize the expenses, employees are expected to act responsible and professionally in terms of incurring expenses. Employees are encouraged to be mindful in using water (e.g. All water faucets in the office should be turned off when not in use).
What are the Risk/s Identified?		
Shortage of water supply brought about by natural occurrence namely, drought.	Suppliers and Employees	Given that the identified risk is an external factor in which the Company does not have control over, the management encourages mindfulness to its employees in water usage.
What are the Opportunity/ies Identified?		
Given the work from home set up, the Company is able to reduce energy consumption in the office. The savings on water consumption can be utilized for business expansion or projects involving employee welfare.	Stockholders and Employees	Employees are encouraged to conserve water whenever possible either in the office or at their own homes.

<u>Materials used by the organization</u>

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

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management Approach</th></tr>
<tr><td>The Company is engaged in software development and other IT solutions thus the main operations don’t usually consume materials that may affect the services’ pricing and availability.</td><td>Customers and Suppliers</td><td>The Company ensures that its systems (hardware and software) are upgraded and in good condition. It also encourages recycling habits for other departments who utilizes consumable materials such as paper, office supplies, etc.</td></tr>
<tr><th>What are the Risk/s Identified?</th><th></th><th></th></tr>
<tr><td>No identifiable risk in relation to sourcing materials that may have a big impact to the operations of the Company and the environment.</td><td rowspan="3">Not Applicable</td><td rowspan="3">Not Applicable</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>No identifiable opportunity in relation to sourcing materials that may have a big impact to the operations of the Company and the environment.</td></tr>
</table>

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

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

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management Approach</th></tr>
<tr><td>The property that is being leased by the Company is not within, or adjacent to any protected areas and areas of high biodiversity value outside protected areas.</td><td rowspan="5">Not Applicable</td><td rowspan="5">Not Applicable</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>No risk identified since the Company’s office is not located near protected areas of areas of high biodiversity.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>No identifiable opportunity in relation to impact/involvement to the ecosystem and areas of high biodiversity.</td></tr>
</table>

Environmental impact management

Air Emissions

GHG

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

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

Air pollutants

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

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

<u>Solid and Hazardous Wastes</u>

<u>Solid Waste</u>

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

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

Hazardous Waste

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

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

Effluents

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

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

Environmental compliance

Non-compliance with Environmental Laws and Regulations

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

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
As an Information Technology company, we identify that our main contribution to sustainability is providing digital transformation with our technical capabilities. Though the effects of digital transformation to the environment and society is indirect, the Company, nevertheless complies with the environmental laws and regulations.	Customers, Employees, and Stockholders	Through its own way, the Company tries to contribute to sustainable development by providing digital transformation to customers. This results to increased efficiency resulting to less consumption of natural resources. Moreover, policies on conserving energy and water in the workplace is encouraged not only to lessen utility cost but also minimize help conserve natural resources.
What are the Risk/s Identified?		
The Company complies with environmental laws and regulations hence, it does not identify any risk in relation to the topic.	Not Applicable	
What are the Opportunity/ies Identified?		
The IT industry in which the Company operates in seen to be a driver for sustainability. By optimizing business processes though digitization, businesses can operate more efficiently at the same time minimize the consumption of natural resources.	Customers	The Company ensures to deliver quality and efficient solutions to its clients.

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees		
a. Number of female employees	50	#
b. Number of male employees	57	#
Attrition rate	14	%
Ratio of lowest paid employee against minimum wage	-	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	6	3
PhilHealth	Y	9	3
Pag-ibig	Y	3	2
Parental leaves	Y	1	-
Vacation leaves	Y	43	50
Sick leaves	Y	40	45
Medical benefits (aside from PhilHealth))	Y	53	20
Housing assistance (aside from Pag-ibig)	N	-	-
Retirement fund (aside from SSS)	Y	-	-
Further education support	N	-	-
Company stock options	Y	4	3
Telecommuting	Y	35	30
Flexible-working Hours	Y	40	45
(Others)		-	-

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>Human resource plays a vital role for the Company’s success. A mechanism for employee participation was developed to create a symbiotic environment, realize the company’s goals and participate in its corporate governance processes.</td><td rowspan="5">The Company is committed to continually review its incentive programs that rewards its employees for their contribution to achieve the Company’s goals. During the pandemic, the Company offered additional financial support to employees affected by the disease through employee loans. Moreover, through HR, employee engagements have been done online to check up on the employees and even had an online Christmas party to uplift their spirits.</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>Increasing attrition rate and employee dissatisfaction.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>Having a competitive compensation package provides the opportunity to retain talented employees & increase employee satisfaction. It can also attract potential talents that may contribute to the Company’s success.</td></tr>
</table>

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	84	hours
b. Male employees	432	hours
Average training hours provided to employees		
a. Female employees	1.68	hours/employee
b. Male employees	8	hours/employee

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

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	-	%
Number of consultations conducted with employees concerning employee-related policies	5	#

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>In terms of Labor-Management Relations, the Company does not deal with any labor unions. The Company does not identify any impact of this topic to the business operations, etc.</td><td rowspan="5">Even though employees are not represented by any labor union, the Company still aims to provide a work environment that is safe and healthy. It also works providing an inclusive feeling where employees feel that their contribution to achieve set goals is important and is recognized.</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>No risk identified regarding this topic.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>With the absence of any labor group paves the way to efficient business dealings to all stakeholders.</td></tr>
</table>

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	50	%
% of male workers in the workforce	57	%
Number of employees from indigenous communities and/or vulnerable sector*	2	#

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

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Xurpas Inc. is committed to fair employment practices without prejudice to gender, age, religion, etc. The Company respects all of its employees and strives to protect them from all forms of harassment or any other inhumane treatments. Fostering a work environment that is inclusive and open to all affects the efficiency of the Company in delivering quality services.	Through the Company's policies on safe and healthy work environment, it ensures that the fair employment practices are implemented.
What are the Risk/s Identified?	
Given the strict implementation of its policies on inclusivity and equality among its employees, the Company cannot identify any risk in relation to the topic.	
What are the Opportunity/ies Identified?	
Promotion of the diverse and equal employment opportunity in terms of employee management allows better synergy in the workplace. When problems arise and people work on it together, it may result to finding fast and creative solutions.	

Workplace Conditions, Labor Standards, and Human Rights
Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	205,440	Man-hours
No. of work-related injuries	-	#
No. of work-related fatalities	-	#
No. of work related ill-health	-	#
No. of safety drills	1	#

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>The Company ensures that the physical, emotional and mental well-being of its employees are well taken care of. The health, safety and welfare of its employees and members of community are of vital importance through which human and operational efficiencies are achieved. It also ensures the Company’s competitiveness to strive amidst stiff competition in the industry.</td><td rowspan="6">The Company complies with the regulations of the Department of Labor and Employment (DOLE) including the occupational health and safety standards. The Company also promotes a work-life balance for its employees with its flexible working hours and it has established programs to engage employees and check on their overall well-being.

Given the situation brought about by COVID-19, the company ensures its employees’ health and safety by implementing work from home set up and providing financial aids to help those affected by the disease. Further, the Company made sure to create a safe and healthy work environment for employees who go to the office by disinfecting the space from time to time. Employees were told to fill up the contact tracing, get temperature checks and were seated apart to maintain social distancing.</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>Given the strict implementation of its policies on inclusivity and equality among its employees, the Company cannot identify any risk in relation to the topic.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>Having a safe and healthy workplace promotes a conducive and productive environment.</td></tr>
</table>

Labor Laws and Human Rights

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

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

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

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

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

None

Do you consider the following sustainability topics when accrediting suppliers?

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

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

Relationship with Community

Significant Impacts on Local Communities

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

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

Customer Management

Customer Satisfaction

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

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

Health and Safety

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

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

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company has not encountered health and safety issues from customers given the services provided consist of software development and other IT solutions.	It has implemented the necessary health and safety measures during the pandemic through WFH arrangements and protocols for those employees who were required to report personally in the office.
What are the Risk/s Identified?	
No identifiable risks in relation to this topic.	
What are the Opportunity/ies Identified?	
No identifiable opportunities in relation to this topic.	

Marketing and labelling

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

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

<table>
<tr><th>What is the impact and where does it occur? What is the organization's involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>The Company ensures that it delivers what it promises through its marketing channels. The marketing and sales team constantly updates product offerings and provides feedback for any customer-related concerns.</td><td rowspan="5">The Company is committed to practicing ethical and responsible marketing. It discourages misleading and dishonest marketing and advertising activities that may result to customer dissatisfaction or reputational risks.</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>Misleading unethical marketing practices poses a risk of loss of customer and revenue. It also risks the Company's image.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>Having an honest marketing practice can be beneficial to the Company. It will give a positive image and be regarded as a trustworthy business partner to its customers and suppliers. This will help the company sustain its operations in the long run and support future plan for growth.</td></tr>
</table>

Customer privacy

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

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

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

Data Security

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

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

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Software Development and Other IT-Related Services	**Gender Equality and Reduced Inequalities** (The Company is committed to fair employment practices without prejudice to gender, age, religion, etc. It also ensures that the physical, mental and emotional well-being of the employees are taken care of through its policy and employee engagement programs.	No identifiable negative impact of contribution.	The Company sees no negative impact of hiring talents regardless of their backgrounds and differences. In fact, it welcomes a diverse workforce who can produce a synergy that can contribute to the Company's growth and sustainability.
	Decent work and Economic Growth (The Company provides a safe and healthy work environment for its employees. It abides by the DOLE's safety standards. Moreover, the Company provides full and productive employment for all especially the young professionals. It also follows strict health and safety protocols in the office to make sure employees don't get infected by COVID-19. Work from Home arrangements were implemented to help stop the spread of disease and make sure that employees are safe in the comfort their own homes while working.)	No identifiable negative impact of contribution.	
	Industry, Innovation and Infrastructure (Through the services and expertise it provides, the Company is promoting digital transformation for all kinds of companies across all sectors. Upgrading systems result to increased productivity and efficiency. It also promotes inclusivity and sustainable industrialization.	Breach of Data and Customer Privacy.	The Company complies with Data Privacy Act and only discloses customers' data as required by the law and/or as stated in the contract. Aside from that, it also enforces strict internal data precautions.

	Peace, Justice and Strong Institutions (The Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs including acquisitions and financial standing. It values transparency and accountability since it recognizes the importance of regular communication to the stakeholders.	No identifiable negative impact of contribution.	
	Ensure healthy lives and promote well-being for all at all ages (Part of the company's employee benefits is to provide HMOs which provides financial aid in case that employees will be inflicted by some illness.)	No identifiable negative impact of contribution.	

PART V - EXHIBITS AND SCHEDULES

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

(a) Exhibits – See accompanying Index to Exhibits

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

(b) Reports on SEC Form 17-C

Xurpas Inc. (the "**Company**") filed the following reports on SEC Form 17-C were filed in 2020 and the first two (2) quarters of 2021:

DATE FILED	ITEMS REPORTED
January 10, 2020	The Company submitted a Certification that the Corporation has adopted the leading practices and principles of good corporate governance in its Revised Manual on Corporate Governance approved and adopted on May 30, 2017.
January 14, 2020	The Company submitted the following disclosures: a. PSE Disclosure Form 17-12 or List of Top 100 Stockholders b. PSE Disclosure Form POR-1 or Public Ownership Report
January 27, 2020	The Board of Directors of the Company approved to move the date of the Special Stockholders' Meeting from February 19, 2020 to March 4, 2020.
January 27, 2020	The Company submitted its Definitive Information Statement for the Special Stockholders' Meeting.
February 11, 2020	The Board of Directors of the Company approved to move the date of the Special Stockholders' Meeting from March 4, 2020 to March 24, 2020 and amended PSE Disclosure Form No. 7-1 or the Notice of Special Stockholders' Meeting.
February 14, 2020	The Definitive Information Statement was amended to incorporate the comments of the SEC.
March 16, 2020	The Company responded to the SEC Memorandum issued on March 12, 2020 regarding Covid-19. As a technology company which has the capability to provide and/or deliver its services remotely, the Company expects limited interruptions in its operations.
March 16, 2020	The Company amended the Notice of Special Stockholders' Meeting to indefinitely postpone meeting originally the scheduled on March 24, 2020.
March 30, 2020	The Company amended the Notice of Special Stockholders' Meeting to hold the meeting on May 7, 2020. The said Special Stockholders' Meeting shall also be conducted virtually.
March 30, 2020	The Company submitted PSE Disclosure Form No. 4-4 or Amendments to By-Laws to allow the following: a. Distribution of meeting materials via electronic means; b. Participation of stockholders in meetings through remote communication or in absentia; and

	c. Voting in absentia.
March 30, 2020	The Company submitted PSE Disclosure Form No. 4-30 or Material Information / Transactions to announce the decision of the Board to suspend the business operations of its wholly owned subsidiary in Singapore, Art of Click Pte. Ltd. The Board also approved the sale of 80% of the shares of CTX Technologies Inc. to Mr. Fernando Jude F. Garcia.
March 30, 2020	The Company submitted PSE Disclosure Form 4-32 or Reply to Exchange's Query requesting for additional information on Art of Click Pte. Ltd and CTX Technologies Inc.
March 31, 2020	The Company submitted PSE Disclosure Form 4-2 or the Acquisition / Disposition of Shares of Another Corporation which reflects the sale of 80% of CTX Technologies Inc. to Mr. Fernando Jude F. Garcia.
March 31, 2020	The Company submitted an amendment to PSE Disclosure Form 4-32 to provide additional information requested by the Exchange regarding its recent disclosures on Art of Click and CTX Technologies Inc.
April 2, 2020	The Company amended the Definitive Information Statement to reflect that the meeting will be conducted on May 7, 2020 via http://ssmlivestream.xurpas.com.
April 2, 2020	The Company amended the Notice of Special Stockholders' Meeting to hold the meeting on May 7, 2020 via http://ssmlivestream.xurpas.com.
April 3, 2020	The Company submitted PSE Disclosure Form 17-3 or the Request for Extension to File SEC Form 17-A.
April 3, 2020	The Company submitted PSE Disclosure Form 17-4 or the Request for Extension to File SEC Form 17-Q.
April 3, 2020	The Company approved the postponement of the Annual Stockholders' Meeting to 3rd Quarter of 2020.
April 13, 2020	In compliance with SEC Notice dated April 3, 2020, the disclosure on the Postponement of Annual Stockholders' Meeting was amended to include SEC Form 17-C and the Secretary's Certificate reciting the resolution of the Board postponing the Annual Stockholders' Meeting.
April 13, 2020	The Company amended PSE Disclosure Form 17-3 or the Request for Extension to File SEC Form 17-A or Annual Report to include SEC Form 17-LC.
April 13, 2020	The Company amended PSE Disclosure Form 17-4 or the Request for Extension to File SEC Form 17-Q or Quarterly Report to include SEC Form 17-LC.
April 13, 2020	The Company submitted the following: a. PSE Disclosure Form POR-1 - Public Ownership Report; b. PSE Disclosure Form 17-12 - the List of Top 100 Stockholders.
May 7, 2020	The Company submitted PSE Disclosure Form 4-8 or Change in Directors and/or Officers to disclose the election of Mr. Bartolome Silayan Jr. and Ms. Imelda C. Tiongson as independent directors.

May 7, 2020	PSE Disclosure Form 4-4 was amended to reflect the date of stockholders' approval to the amendments to By-Laws.
May 7, 2020	The Company disclosed the Results of the Special Stockholders' Meeting. The following matters were approved during the meeting: 1. Approval of Minutes of the Special Stockholders' Meeting held on November 8, 2019; 2. Approval on the issuance of up to 1,706,072,261 New Common Shares from the unissued authorized capital stock and listing of the Subscription Shares with the PSE; 3. Election of Mr. Bartolome Silayan, Jr. and Ms. Imelda C. Tiongson as Independent Directors; and 4. Amendment of By-Laws to reflect the following: (a) allow electronic distribution of stockholders' meeting materials; (b) participation through remote participation or in absentia; and (c) voting in absentia.
May 8, 2020	The Company submitted PSE Disclosure Form 4-30 or Material Information / Transactions to provide for new Board Committee Memberships.
May 8, 2020	The Company disclosed the Change in Directors and / or Officers to show the election of Mr. Bartolome Silayan, Jr. and Ms. Imelda C. Tiongson.
May 8, 2020	The Company submitted PSE Disclosure Form 4-4 or Amendments to By-Laws to include SEC Form 17-C.
May 8, 2020	The Company submitted PSE Disclosure Form 4-24 or Results of the Special Stockholders' Meeting to include SEC Form 17-C.
May 8, 2020	The Company submitted PSE Disclosure Form 4-30 or Material Information / Transaction to include SEC Form 17-C.
May 29, 2020	The Company submitted the Amended General Information Sheet of Xurpas Inc. which reflects the election of its independent directors, Ms. Imelda C. Tiongson and Mr. Bartolome S. Silayan Jr.
July 14, 2020	The Company submitted the following reports: (a) List of Top 100 Stockholders (b) Public Ownership Report
July 24, 2020	The Board approved the following: (a) Approval of the 2019 Audited Financial Statements; (b) Approval of the 2020 First Quarter Financial Report; (c) Approval of the Integrated Annual Corporate Governance Report; (d) Appointment of Lead Independent Director; (e) Discussion on 2020 Annual Stockholders' Meeting (f) Issuance of Xurpas Shares to certain employees (g) Endorsement of External Auditor
July 24, 2020	The Board approved the issuance of 966,667 Xurpas Shares to certain Xurpas Employees. Transfer price will be set at current trading price. The shares will be taken from Xurpas Inc.'s treasury shares and executed through

	the facilities of the Exchange. On July 24, 2020, the transfer of the said shares was executed through the facilities of the Exchange. Transfer price is at Php0.57 per share.
August 11, 2020	On August 11, 2020, the Board of Xurpas approved the following: 1. Unaudited Consolidated Financial Statements of the Company and its subsidiaries for the period ended June 30, 2020; and 2. Postponement of the 2020 Stockholders' Meeting. The Board likewise approved to conduct an electronic meeting, instead of a physical meeting.
September 6, 2020	On September 6, 2020, the Board of Directors (the "**Board**") of Xurpas Inc. (the "**Company**") approved the postponement of the 2020 Annual Stockholders' Meeting from October 21, 2020 to November 13, 2020. Th Company announced that it will conduct its 2020 Annual Stockholders' Meeting on November 13, 2020, 9:00 AM to give Management more time to prepare for the meeting. The meeting will also be conducted via videoconference.
September 20, 2020	The following matters were approved: 1. Acquisition of Wavemaker Group Inc. 2. Issuance of new Xurpas Shares to Frederick Manlunas, Benjamin Paul Bustamante Santos, James Buckly Jordan, Wavemaker Partners V LP and Wavemaker US Fund Management Holdings, LLC 3. Sale of 20% of CTX Technologies Inc. to Mr. Fernando Jude F. Garcia
October 9, 2020	Xurpas Board approved to move the Record Date.
October 12, 2020	Xurpas submitted the List of Top 100 Stockholders.
October 13, 2020	Xurpas submitted the Public Ownership Report.
October 29, 2020	Xurpas submitted a copy of the Notice of Meeting with revised Agenda for the 2020 Annual Stockholders' Meeting
November 10, 2020	On November 10, 2020, the Board approved the following: (a) Unaudited Consolidated Financial Statements of Xurpas Inc. and its subsidiaries for the period ended September 30, 2020 ("Report"). The Audit Committee endorsed the Report to the Board of Directors. The Board approved the Report and delegated to Management the finalization of the same. (b) Board Risk Oversight Committee Charter.

November 27, 2020	Xurpas submitted the Results of Annual Stockholders' Meeting: 1. **Approval of Minutes of Previous Meeting held on May 7, 2020** "RESOLVED, that the stockholders of Xurpas Inc. approve the minutes of the Special Stockholders' Meeting held on May 7, 2020." 2. **Approval of the 2019 Consolidated Audited Financial Statements** "RESOLVED, that the stockholders of Xurpas Inc. (the "Corporation") note the Corporation's Annual Report and to approve the Consolidated Audited Financial Statements of the Corporation as of December 31, 2019, as audited by SyCip Gorres Velayo & Co." 3. **Election of Directors and Independent Directors** "RESOLVED, to elect the following as directors of the Corporation to serve as such beginning today until their successors are elected and qualified: • Nico Jose S. Nolledo • Alexander D. Corpuz • Fernando Jude F. Garcia • Wilfredo O. Racaza • Mercedita S. Nolledo • Jonathan Gerard A. Gurango (Independent Director) • Bartolome S. Silayan, Jr. (Independent Director) • Imelda C. Tiongson (Independent Director)" 4. **Appointment of External Auditor** "RESOLVED, as endorsed by the Audit Committee of Xurpas Inc, to approve the appointment of SyCip Gorres Velayo & Co. as the Corporation's External Auditor for the year 2020." 5. **Ratification of previous acts of directors and management** "RESOLVED, that the stockholders of Xurpas Inc. ratify all actions of the Directors and Management for the calendar year 2019 up to October 29, 2020."
November 27, 2020	Xurpas also submitted the Results of Organizational Meeting identifying the officers, and composition of the committees.
January 8, 2021	Pursuant to the Company's Manual of Corporate Governance, Xurpas submitted the Attendance of Directors in board meetings held during the calendar year 2020.
January 14, 2021	Xurpas submitted its Public Ownership Report.

January 15, 2021	Xurpas submitted its List of Top 100 Stockholders.
February 16, 2021	The board of directors of Xurpas Inc. approved the Corporation's transfer of principal office to Unit 804 Antel 2000 Corporate Center, 121 Valero St., Salcedo Village, Makati City, 1227 effective March 31, 2021.
April 14, 2021	Xurpas submitted its Public Ownership Report.
April 14, 2021	Xurpas submitted its List of Top 100 Stockholders.
April 26, 2021	The Board of Directors of Xurpas Inc. approved to postpone the 2021 Annual Stockholders' Meeting to August 11, 2021, Wednesday.

INDEX TO EXHIBITS

Form 17-A

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

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

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned thereunto duly authorized, in the City of PASIG CITY on JUN 16 2021.

By:

ALEXANDER D. CORPUZ
President/ Chief Finance Officer

FERNANDO JUDE F. GARCIA
Treasurer/ Chief Technology Officer

ESTRELITA B. LABAN
Finance Controller

MARK S. GORRICETA
Corporate Secretary

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

SUBSCRIBED AND SWORN to before me this JUN 16 2021 affiant(s) exhibiting to me his/their Competent Evidence of Identity, as follows:

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

Doc. No. 57;
Page No. 12;
Book No. 5;
Series of 2021.

ATTY. MARIEL CLAIRE D. GONZALES
PTR No. 5242746 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)6960988/6990...
Appointment No. 147 (2019-2020)

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	2	0	0	1	1	7	7	0	8	

C O M P A N Y   N A M E

XURPAS INC. AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
ACFS	SEC	N/A

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

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
24	2nd Monday of May	December 31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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.*

"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS"

The management of **XURPAS INC. AND SUBSIDIARIES** (the "Group") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

NICO JOSE S. NOLLEDO
Chairman of the Board

ALEXANDER D. 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. 55;
Page No. 12;
Book No. 5;
Series of 2021.

ATTY. MARIEL CLAIRE D. GONZALES
PTR No. 5242746 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)

SGV
Building a better working world

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Xurpas Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements, which indicates that the Group incurred net losses of ₱68.82 million, ₱2,635.36 million and ₱811.64 million, and net operating cash outflows of ₱74.42 million, ₱116.21 million and ₱186.02 million for the years ended December 31, 2020, 2019 and 2018, respectively. As of December 31, 2020 and 2019, the Group's current liabilities exceeded its current assets by ₱370.47 million and ₱357.60 million, respectively. As stated in Note 1, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Impairment testing of goodwill and investments in associates

The Group has goodwill arising from business combinations and has investments in associates. Under PFRSs, the Group is required to annually test the amount of goodwill for impairment while an investment in associate is tested for impairment when indicators exist that the investment may be impaired. The impairment tests are significant to our audit because the balance of goodwill and investments in associates as of December 31, 2020 is material to the consolidated financial statements. In addition, management's assessment process requires significant judgement and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions as impacted by the COVID-19 pandemic, specifically discount rates, growth rates, earnings before interest, taxes, depreciation and amortization (EBITDA) margins and capital expenditures.

The Group's disclosures about goodwill are included in Notes 3 and 11 while the disclosures about investments in associates are included in Note 9 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the methodologies and the assumptions used in the impairment testing analyses for goodwill and investment in associate. These assumptions include discount rates, growth rates, EBITDA margins and capital expenditures. We compared the key assumptions used, such as growth rates, EBITDA margins and capital expenditures against the historical performance of the subsidiaries and associate and other relevant external data, taking into consideration the impact associated with the COVID-19 pandemic. We tested the parameters used in the determination of the discount rates against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill and investment in associate.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2020 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) for the year ended December 31, 2020, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
SEC Accreditation No. 1561-AR-1 (Group A),
January 31, 2019 valid until January 30, 2022
Tax Identification No. 925-713-249
BIR Accreditation No. 08-001998-119-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8534336, January 4, 2021, Makati City

June 15, 2021

XURPAS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 27)	**₱67,743,841**	₱153,929,046
Accounts and other receivables (Notes 5, 19 and 27)	**70,290,208**	37,182,831
Contract assets (Note 6)	**4,995,516**	8,290,141
Other current assets (Note 8)	**22,798,171**	44,201,116
Total Current Assets	**165,827,736**	243,603,134
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 7 and 27)	**500,000**	440,000
Investments in and advances to associates (Note 9)	**340,547,348**	319,936,508
Property and equipment (Note 10)	**4,252,945**	8,763,883
Intangible assets (Note 11)	**87,837,200**	101,129,808
Right-of-use assets (Note 18)	**–**	4,612,485
Other noncurrent assets (Note 8)	**18,099,744**	35,457,027
Total Noncurrent Assets	**451,237,237**	470,339,711
	₱617,064,973	₱713,942,845
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 12, 19 and 27)	**₱462,325,787**	₱478,249,032
Loans payable (Notes 13 and 27)	**41,710,283**	52,130,272
Contract liabilities (Note 6)	**32,256,949**	68,048,657
Income tax payable	**–**	3,184
Current portion of lease liabilities (Note 18)	**–**	2,775,923
Total Current Liabilities	**536,293,019**	601,207,068
Noncurrent Liabilities		
Advances from stockholders - net of current portion (Notes 19 and 27)	**49,302,723**	54,033,333
Lease liabilities - net of current portion (Note 18)	**–**	1,033,602
Deferred tax liabilities - net (Note 20)	**–**	6,951,740
Pension liabilities (Note 21)	**26,816,555**	24,823,772
Total Noncurrent Liabilities	**76,119,278**	86,842,447
Total Liabilities	**612,412,297**	688,049,515
Equity		
Equity attributable to equity holders of Xurpas Inc.		
Capital stock (Note 24)	**193,492,585**	193,492,585
Additional paid-in capital (Note 24)	**3,577,903,565**	3,585,092,298
Deficit (Note 24)	**(3,243,882,830)**	(3,184,802,325)
Net unrealized loss on financial assets at FVOCI (Note 7)	**(44,194,956)**	(44,254,956)
Cumulative translation adjustment	**64,908,736**	47,950,210
Remeasurement loss on defined benefit plan (Note 21)	**(3,335,931)**	(2,571,739)
Equity reserve (Notes 22 and 24)	**(363,424,608)**	(363,424,608)
Treasury stock (Note 24)	**(99,700,819)**	(107,418,911)
Revaluation surplus (Note 11)	**18,819,666**	–
	100,585,408	124,062,554
Noncontrolling interests (Notes 22 and 23)	**(95,932,732)**	(98,169,224)
Total Equity	**4,652,676**	25,893,330
	₱617,064,973	₱713,942,845

See accompanying Notes to Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2020	2019	2018
INCOME (Note 14)			
Service income	**₱121,361,392**	₱879,812,486	₱1,153,342,488
Sale of goods	**52,647,630**	92,146,792	88,845,797
	174,009,022	971,959,278	1,242,188,285
DIRECT COSTS			
Cost of services (Note 15)	**127,189,777**	742,192,172	1,062,874,019
Cost of goods sold (Note 8)	**38,009,423**	83,281,895	69,727,817
	165,199,200	825,474,067	1,132,601,836
GENERAL AND ADMINISTRATIVE EXPENSES (Note 16)	**119,849,055**	2,204,423,906	701,044,377
EQUITY IN NET LOSSES OF ASSOCIATES (Note 9)	**7,747,043**	33,286,655	52,988,467
FINANCE COSTS - Net (Note 17)	**9,981,548**	38,041,631	30,664,587
OTHER CHARGES (INCOME) - Net (Note 17)	**(55,227,183)**	479,941,783	(7,976,682)
	82,350,463	2,755,693,975	776,720,749
LOSS BEFORE INCOME TAX	**(73,540,641)**	(2,609,208,764)	(667,134,300)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 20)	**(4,723,381)**	26,152,416	144,506,949
NET LOSS	**(68,817,260)**	(2,635,361,180)	(811,641,249)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustment	**10,652,433**	9,118,386	7,701,974
Share in OCI of an associate from cumulative translation adjustment (Note 9)	**6,273,297**	4,375,181	(8,656,022)
Item that will not be reclassified to profit or loss in subsequent periods:			
Revaluation surplus (Note 11)	**18,819,666**	–	–
Unrealized gain (loss) on financial assets at FVOCI, net of tax (Note 7)	**42,000**	(35,000)	95,000
Remeasurement gain (loss) on defined benefit plan, net of tax (Note 21)	**241,869**	(5,069,301)	9,125,561
	36,029,265	8,389,266	8,266,513
TOTAL COMPREHENSIVE LOSS	**(₱32,787,995)**	(₱2,626,971,914)	(₱803,374,736)
Net loss attributable to:			
Equity holders of Xurpas Inc.	**(₱59,080,505)**	(₱2,630,944,855)	(₱765,794,458)
Noncontrolling interests	**(9,736,755)**	(4,416,325)	(45,846,791)
	(₱68,817,260)	(₱2,635,361,180)	(₱811,641,249)
Total comprehensive loss attributable to:			
Equity holders of Xurpas Inc.	**(₱24,024,505)**	(₱2,622,740,317)	(₱759,949,025)
Noncontrolling interests	**(8,763,490)**	(4,231,597)	(43,425,711)
	(₱32,787,995)	(₱2,626,971,914)	(₱803,374,736)
Loss per share (Note 26)			
Basic	**(₱0.03)**	(₱1.41)	(₱0.41)
Diluted	**(₱0.03)**	(₱1.41)	(₱0.41)

See accompanying Notes to Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Year Ended December 30, 2020												
	Equity attributable to equity holders of Xurpas Inc.												
	Capital Stock (Note 24)	Additional Paid-in Capital (Note 24)	Retained Earnings - Appropriated (Note 24)	Retained Earnings - Unappropriated (Deficit) (Note 24)	Net Unrealized Loss on Financial Assets at FVOCI (Note 7)	Cumulative Translation Adjustment	Remeasurement Loss on Defined Benefit Plan (Note 21)	Equity Reserve (Notes 22 and 24)	Treasury shares (Note 24)	Revaluation Surplus (Note 11)	Total	Non-Controlling Interest	Total Equity
Balances at beginning of year,	**₱193,492,585**	**₱3,585,092,298**	**₱115,464,275**	**(₱3,300,266,600)**	**(₱44,254,956)**	**₱47,950,210**	**(₱2,571,739)**	**(₱363,424,608)**	**(₱107,418,911)**	**₱–**	**₱124,062,554**	**(₱98,169,224)**	**₱25,893,330**
Issuance of treasury shares (Note 24)	–	**(7,188,733)**	–	–	–	–	–	–	**7,718,092**	–	**529,359**	–	**529,359**
Increase in noncontrolling interest (Note 22)	–	–	–	–	–	–	–	–	–	–	–	**10,999,982**	**10,999,982**
Net loss	–	–	–	**(59,080,505)**	–	–	–	–	–	–	**(59,080,505)**	**(9,736,755)**	**(68,817,260)**
Other comprehensive income (loss) - net of tax effect	–	–	–	–	**42,000**	**16,958,526**	**(764,192)**	–	–	**18,819,666**	**35,056,000**	**973,265**	**36,029,265**
Total comprehensive income (loss)	–	–	–	**(59,080,505)**	**42,000**	**16,958,526**	**(764,192)**	–	–	**18,819,666**	**(24,024,505)**	**(8,763,490)**	**(32,787,995)**
Effect of recognition of deferred tax asset (Notes 7 and 20)	–	–	–	–	**18,000**	–	–	–	–	–	**18,000**	–	**18,000**
Balances at end of year	**₱193,492,585**	**₱3,577,903,565**	**₱115,464,275**	**(₱3,359,347,105)**	**(₱44,194,956)**	**₱64,908,736**	**(₱3,335,931)**	**(₱363,424,608)**	**(₱99,700,819)**	**₱18,819,666**	**₱100,585,408**	**(₱95,932,732)**	**₱4,652,676**

Year Ended December 31, 2019

Equity attributable to equity holders of Xurpas Inc.

	Capital Stock (Note 24)	Additional Paid-in Capital (Note 24)	Retained Earnings - Appropriated (Note 24)	Retained Earnings - Unappropriated (Deficit) (Note 24)	Net Unrealized Loss on Financial Assets at FVOCI (Note 7)	Cumulative Translation Adjustment	Remeasurement Gain (Loss) on Defined Benefit Plan (Note 21)	Equity Reserve (Notes 22 and 24)	Treasury shares (Note 24)	Total	Non-Controlling Interest	Total Equity
Balances at beginning of year, as previously reported	₱193,492,585	₱3,592,076,662	₱115,464,275	(₱671,838,812)	(₱44,219,956)	₱34,451,988	₱5,475,312	(₱402,222,322)	(₱115,464,275)	₱2,707,215,457	₱759,368,776	₱3,466,584,233
Adjustment as a result of PFRS 16 adoption	–	–	–	(271,300)	–	–	–	–	–	(271,300)	–	(271,300)
Balance at beginning of year, as restated	193,492,585	3,592,076,662	115,464,275	(672,110,112)	(44,219,956)	34,451,988	5,475,312	(402,222,322)	(115,464,275)	2,706,944,157	759,368,776	3,466,312,933
Issuance of treasury shares (Note 24)	–	(6,984,364)	–	–	–	–	–	–	8,045,364	1,061,000	–	1,061,000
Derecognition of defined benefit plan (Note 21)	–	–	–	(813,261)	–	–	813,261	–	–	–	–	–
Acquisition of noncontrolling interest (Notes 22 and 24)	–	–	–	–	–	–	–	36,090,788	–	36,090,788	(36,090,788)	–
Increase in noncontrolling interest (Notes 22 and 24)	–	–	–	–	–	–	–	2,706,926	–	2,706,926	4,375,884	7,082,810
Sale of a subsidiary (Note 23)	–	–	–	3,601,628	–	–	(3,601,628)	–	–	–	(821,591,499)	(821,591,499)
Net loss	–	–	–	(2,630,944,855)	–	–	–	–	–	(2,630,944,855)	(4,416,325)	(2,635,361,180)
Other comprehensive income (loss) - net of tax effect	–	–	–	–	(35,000)	13,498,222	(5,258,684)	–	–	8,204,538	184,728	8,389,266
Total comprehensive income	–	–	–	(2,630,944,855)	(35,000)	13,498,222	(5,258,684)	–	–	(2,622,740,317)	(4,231,597)	(2,626,971,914)
Balances at end of year	₱193,492,585	₱3,585,092,298	₱115,464,275	(₱3,300,266,600)	(₱44,254,956)	₱47,950,210	(₱2,571,739)	(₱363,424,608)	(₱107,418,911)	₱124,062,554	(₱98,169,224)	₱25,893,330

	Year Ended December 31, 2018												
	Equity attributable to equity holders of Xurpas Inc.												
	Capital Stock (Note 24)	Additional Paid-in Capital (Note 24)	Retained Earnings Appropriated (Note 24)	Retained Earnings Unappropriated (Deficit) (Note 24)	Net Unrealized Loss on Financial Assets at FVOCI (Note 7)	Cumulative Translation Adjustment	Remeasurement Gain (Loss) on Defined Benefit Plan (Note 21)	Equity Reserve (Notes 22 and 24)	Treasury shares (Note 24)	Total	Non-Controlling Interest	Total Equity
Balances at beginning of year	₱186,764,015	₱3,343,119,550	₱115,464,275	₱90,762,351	(₱44,314,956)	₱35,366,128	(₱1,189,261)	(₱1,250,719,186)	(₱115,464,275)	₱2,359,788,641	₱833,922,179	₱3,193,710,820
Issuance of common shares through cash subscription	6,728,570	248,957,112	–	–	–	–	–	–	–	255,685,682	–	255,685,682
Cash dividend declaration	–	–	–	–	–	–	–	–	–	–	(39,908,698)	(39,908,698)
Increase in noncontrolling interest - net	–	–	–	3,193,295	–	–	–	–	–	3,193,295	8,781,006	11,974,301
Expiration of written put option	–	–	–	–	–	–	–	848,496,864	–	848,496,864	–	848,496,864
Net loss	–	–	–	(765,794,458)	–	–	–	–	–	(765,794,458)	(45,846,791)	(811,641,249)
Other comprehensive income (loss) net of tax effect	–	–	–	–	95,000	(914,140)	6,664,573	–	–	5,845,433	2,421,080	8,266,513
Total comprehensive income (loss)	–	–	–	(765,794,458)	95,000	(914,140)	6,664,573	–	–	(759,949,025)	(43,425,711)	(803,374,736)
Balances at end of year	₱193,492,585	₱3,592,076,662	₱115,464,275	(₱671,838,812)	(₱44,219,956)	₱34,451,988	₱5,475,312	(₱402,222,322)	(₱115,464,275)	₱2,707,215,457	₱759,368,776	₱3,466,584,233

See accompanying Notes to Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(₱73,540,641)**	(₱2,609,208,764)	(₱667,134,300)
Adjustments for:			
Depreciation and amortization (Notes 10, 11, 15, 16 and 18)	**29,570,496**	76,642,044	69,188,578
Interest expense (Notes 13, 17, 18 and 19)	**10,628,192**	39,684,855	31,109,017
Provision for impairment loss (Notes 8, 9 and 11)	**10,134,920**	1,920,116,142	144,855,367
Equity in net losses of associates (Note 9)	**7,747,043**	33,286,655	52,988,467
Pension expense, net of contributions (Note 21)	**3,684,223**	2,861,212	(8,881,074)
Loss (gain) on retirement and disposal of property and equipment and derecognition of right-of-use asset and lease liabilities (Notes 10, 17 and 18)	**1,168,543**	244,602	(1,041,683)
Unrealized loss (gain) on revaluation of cryptocurrencies (Notes 11 and 17)	**(555,709)**	(1,995,765)	2,551,474
Interest income (Notes 4 and 17)	**(646,644)**	(1,643,224)	(444,430)
Unrealized foreign currency exchange (gain) loss	**(2,999,629)**	(1,841,795)	4,555,232
Loss (gain) on disposal of subsidiary (Notes 17 and 23)	**(3,337,327)**	478,950,094	–
Realized foreign exchange loss (gain) on sale of cryptocurrencies (Note 11)	**–**	442,064	(2,469,611)
Loss from sale of cryptocurrencies (Notes 11 and 17)	**–**	185,884	4,985,487
Gain on curtailment (Note 21)	**–**	(3,605,380)	–
Gain from expiration of liability for written put option (Notes 17 and 22)	**–**	–	(16,209,100)
Operating loss before changes in working capital	**(18,146,533)**	(65,881,376)	(385,946,576)
Changes in working capital:			
Decrease (increase) in:			
Accounts and other receivables and contract assets	**(29,812,752)**	(45,060,316)	304,183,225
Other assets	**15,712,645**	(5,319,550)	42,492
Increase (decrease) in:			
Accounts and other payables	**(34,689,691)**	28,397,023	(27,647,167)
Contract liabilities	**727,869**	42,652,758	44,498,497
Other current liabilities	**–**	(8,109,539)	(40,039,853)
Cash used in operations	**(66,208,462)**	(53,321,000)	(104,909,382)
Interest received	**646,644**	1,643,224	444,430
Interest paid	**(5,174,510)**	(33,255,283)	(27,363,844)
Income taxes paid, including creditable withholding taxes	**(3,681,110)**	(31,274,360)	(54,188,050)
Net cash used in operating activities	**(74,417,438)**	(116,207,419)	(186,016,846)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash of disposed subsidiary (Note 23)	**(1,088,427)**	–	–
Additions to:			
Property and equipment (Notes 10 and 29)	**(1,238,440)**	(9,286,275)	(17,593,227)
Intangible assets (Notes 11 and 29)	**(96,332)**	(3,036,792)	–
Investments in associates (Note 9)	**–**	–	(1,977,018)
Proceeds from disposal of subsidiary, net of cash disposed (Note 23)	**–**	373,028,681	–
Proceeds from disposal of property and equipment (Note 10)	**–**	3,075,635	3,934,123
Proceeds from sale of cryptocurrencies (Note 11)	**–**	2,411,670	158,524,137
Decrease in other noncurrent assets	**–**	–	4,365,067
Collection of financial assets at FVOCI (Note 7)	**–**	–	6,000,000
Payments to a former shareholder of a subsidiary	**–**	–	(255,685,683)
Net cash provided by (used in) investing activities	**(2,423,199)**	366,192,919	(102,432,601)

(Forward)

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of loans payable (Note 13)	**(₱10,346,413)**	(₱316,346,770)	(₱336,418,974)
Payment of principal portion of lease liabilities (Note 18)	**(2,184,116)**	(21,833,336)	–
Advances from stockholders (Note 19)	**–**	150,000,000	–
Proceeds from availment of loans payable (Note 13)	**–**	9,735,561	317,741,455
Increase in noncontrolling interest (Note 22)	**–**	7,082,805	11,974,301
Issuance of treasury shares (Note 24)	**–**	1,061,000	–
Acquisition of noncontrolling interest (Note 22)	**–**	(4,000,000)	–
Dividends paid (Note 24)	**–**	(10,983,978)	(13,819,758)
Payment of advances from stockholders (Note 19)	**–**	(95,966,667)	–
Proceeds from issuance of shares of stock (Note 24)	**–**	–	255,685,683
Payment of finance lease liabilities (Note 18)	**–**	–	1,029,517
Net cash provided by (used in) financing activities	**(12,530,529)**	(281,251,385)	236,192,224
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**3,185,961**	7,798,744	14,398,900
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(86,185,205)**	(23,467,141)	(37,858,323)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**153,929,046**	177,396,187	215,254,510
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱67,743,841**	₱153,929,046	₱177,396,187

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

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

The Parent Company's registered office address and principal place of business is at 7th Floor, Cambridge Centre, 108 Tordesillas St. Salcedo Village, Makati City. On 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 Group incurred net losses of ₱68.82 million, ₱2,635.36 million and ₱811.64 million, and net operating cash outflows of ₱74.42 million, ₱116.21 million and ₱186.02 million for the years ended December 31, 2020, 2019 and 2018, respectively. As of December 31, 2020 and 2019, the Group's current liabilities exceeded its current assets by ₱370.47 million and ₱357.60 million, respectively. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may not be able to realize its assets and discharge its liabilities in the normal course of business. Management assessed that the Group will be able to maintain its positive cash position and settle its liabilities as they fall due through future actions such as continuous venture into new revenue potentials, cost cutting measures, 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 Group is in a unique position being one of the few technology companies that can assist companies in their digital transformation initiatives and develop marketing promotions for consumer and enterprise businesses.

Planned acquisition of Wavemaker 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 consolidated 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 consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) measured at fair value and cryptocurrencies under intangible assets measured under the revaluation model. The consolidated financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency. All amounts were rounded off to the nearest peso, except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

Statement of Compliance
The accompanying consolidated financial statements of the Group as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020 have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation
The accompanying consolidated financial statements include the accounts of Xurpas Inc. and its subsidiaries.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect that return through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:
- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other voter holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group obtains control until the date the Group ceases to control the subsidiary.

Noncontrolling interests (NCI) represent the portion of profit or loss and net assets in a subsidiary not wholly owned and are presented separately in the consolidated statement of comprehensive income and consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from the Parent Company's equity.

Total comprehensive income within a subsidiary is attributed to the noncontrolling interest even if that results in a deficit balance.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any noncontrolling interest and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income (OCI) to profit or loss or retained earnings, as appropriate.

As of December 31, 2020, 2019 and 2018, the consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

	Percentage Ownership			
	2020	2019	2018	**Principal Activities**
Xeleb Technologies Inc. (Xeleb Technologies)	**100.00**	100.00	67.00	Enterprise services and mobile consumer services
Xeleb Inc. (Xeleb)	**100.00**	100.00	67.00	Mobile consumer services
Seer Technologies, Inc. (Seer)	**70.00**	70.00	70.00	Enterprise services
Codesignate Inc. (Codesignate)*	**52.50**	52.50	52.50	Enterprise services
Storm Technologies, Inc. (Storm)	**51.31**	51.31	53.96	Human resource management
Pt. Storm Benefits Indonesia (Storm Indonesia)**	**51.31**	51.31	53.96	Human resource management
Allcare Technologies, Inc.***	**36.75**	43.02	−	Human resource management
Xurpas Enterprise Inc. (Xurpas Enterprise)	**100.00**	100.00	100.00	Enterprise services
Art of Click Pte. Ltd. (AOC)	**100.00**	100.00	100.00	Mobile consumer services
ODX Pte. Ltd. (ODX)	**100.00**	100.00	100.00	Enterprise services
CTX Technologies Inc.****	**−**	100.00	100.00	Enterprise services
Yondu Inc. (Yondu)*****	**−**	−	51.00	Enterprise services and mobile consumer services
Rocket Search Inc. (formerly Yondu Software Labs Inc.) (RSI)	**−**	−	51.00	Enterprise services

**Codesignate is a 75.00%-owned subsidiary of Seer. The Group's effective ownership over Codesignate is 52.50%. The Group has determined that it has control over the entity and consolidates the entity on this basis.*

*** Storm Indonesia is 100%-owned of Storm Technologies, Inc.*

**** Storm has 71.62% and 83.84%-ownership over Allcare in 2020 and 2019, respectively. The Group's effective ownership over Allcare is 36.75%. and 43.02% in 2020 and 2019, respectively. The Group has determined that it has control over the entity (see "Judgements" on Note 3).*

***** In March and September 2020, the Parent Company sold its 100% interest in CTX to a stockholder (see Note 23).*

****** On September 11, 2019, the BOD of the Parent Company approved the sale of the 51% ownership shares of Yondu Inc to Globe Telecom, Inc. (see Note 23).*

All subsidiaries are domiciled in the Philippines except for Storm Indonesia, which is domiciled in Indonesia, and AOC and ODX, which are domiciled in Singapore.

Xeleb Technologies, Inc.
Xeleb Technologies, Inc. was organized to primarily engage in the business of mobile content development. As of December 31, 2018, the Parent Company's interest in Xeleb Technologies is at 67%.

In 2019, Deeds of Absolute Sale were executed for the acquisition by the Parent Company of the remaining 33% stake in Xeleb Technologies from its minority stakeholders for a total consideration of ₱4.00 million. This brought Parent Company's interest in Xeleb Technologies to 100%.

On September 11, 2019, the BOD of the Parent Company approved the dissolution of Xeleb Technologies. As at December 31, 2020, Xeleb Tech has yet to apply for the approval of government regulatory agencies for its dissolution.

Xeleb Inc.
On July 14, 2015, the Parent Company incorporated Xeleb Inc., a mobile games company domiciled in the Philippines. Xeleb was organized primarily to design, develop, test, build, market, distribute, maintain, support, customize, sell and/or sell applications, games, software, digital solutions, whether internet, mobile or other handheld applications, portals, hardware and other related projects and services, except internet provider services, both for proprietary and custom development purposes.

On September 11, 2019, the BOD of the Parent Company approved the dissolution of Xeleb. As at December 31, 2020, Xeleb has yet to apply for the approval of government regulatory agencies for its dissolution.

Storm Technologies, Inc.
Storm's primary purpose is to create, develop and maintain an online platform that allows companies to exchange their current human resources benefits given to employees and transform them into a wide range of products and services, provide client management services, data management and information processing services, software network management services, software development services, consultancy, project and program management, marketing solutions, information technology services and business process outsourcing services to various companies.

Xurpas Enterprise Inc.
On March 23, 2016, the Parent Company incorporated Xurpas Enterprise. Xurpas Enterprise was organized to primarily engage in the business of software development including designing, upgrading and marketing all kinds of information technology systems or parts thereof and other related services.

Art of Click Pte. Ltd.
On October 6, 2016, Xurpas signed a Share Purchase Agreement for the acquisition of 100% stake in AOC for an aggregate consideration of ₱1.94 billion in cash and in Parent Company's shares. AOC is engaged in the business of mobile media agency that offers a marketing platform for advertisers.

On March 30, 2020, the BOD of the Parent Company approved the suspension of business operations of AOC.

ODX Pte. Ltd.
In 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.

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year except for amended PFRS and improvements to PFRS which were adopted beginning January 1, 2020. Adoption of these amendments did not have any significant impact on the consolidated 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 Group.

- 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 Group 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 Group as a lessee for the year ended December 31, 2020.

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

Effective beginning on or after January 1, 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 Group 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 that transition

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group 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 Group.

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 Group.

- 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 Group 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, *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 Group 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 Group.

  - 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 to specify the requirements for classifying liabilities as current or noncurrent. The amendments clarify:
  - What is meant by a right to defer settlement
  - That is 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 Group 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.

Summary of Significant Accounting Policies

The following accounting policies were applied in the preparation of the consolidated financial statements:

Current and Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current / noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

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 to the Group.

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

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy (see Note 27).

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

Financial Instruments - initial recognition and subsequent measurement
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

a. Financial assets
Initial recognition of financial instrument
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and fair value through profit or loss (FVPL).

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

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are '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 Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Financial assets at amortized cost
The Group measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group's financial assets at amortized cost includes "Cash and cash equivalents" and "Accounts and other receivables" (except for "Advances to employees" which are subject to liquidation), "Refundable deposits" under other current assets, and "Restricted cash equivalent" under "other current assets".

Financial assets at FVOCI (debt instruments)
The Group measures debt instruments at FVOCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in 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 OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group has not designated any financial assets under this category.

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

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

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

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

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in profit or loss.

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

The Group has designated its unquoted debt investments under this category.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the consolidated statement of financial position) when:
- The rights to receive cash flows from the asset have expired
  Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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

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

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

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

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

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

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

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

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

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

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 Group's financial liabilities include "Accounts and other payables" (except "Deferred output VAT", "Taxes payable" and provision relating to Token Pre-Sale Agreements ("PSA") and statutory payables included as "Others"), "Loans payable" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

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

Financial liabilities at FVPL
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial liabilities are only designated as at FVPL when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the liabilities or recognizing gains or losses on them on a different basis; or

- The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited

Financial liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Group's own credit risk. Such changes in fair value are recorded in equity reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument.

Financial liabilities arising from amounts received under the Share and Token Allocation Agreement classified as "Nontrade payables" under "Accounts and other payables" were designated at FVTPL as it contains embedded derivatives.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss.

This category generally applies to short-term debts.

Other Financial Liabilities
Issued financial instruments or their components, which are not designated at FVPL, are classified as accounts payable and accrued expenses where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effect of restatement of foreign currency-denominated liabilities is recognized in profit or loss.

This accounting policy applies to the Group's "Accounts and other payables" (except "Deferred output VAT", "Taxes payable" and provision relating to PSA and statutory payables included as "Others") and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

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

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

Investments in Associates
The Group's investments in associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

An investment is accounted for using the equity method from the day it becomes an associate. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the associate.

Under the equity method, the investment in an associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the associate, less any impairment in values. The consolidated statement of comprehensive income reflects the share of the results of the operations of the associate company. The Group's share of post-acquisition movements in the associate's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the associate company are eliminated to the extent of the interest in the associate company and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investment in an associate is reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the associate. When the associate subsequently reports net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Inventories
Inventories are stated at the lower of cost and net realizable value (NRV). Cost which includes all cost directly attributable to acquisition such as purchase price and transport cost is determined using the first-in, first-out method. NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

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

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

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

	Years
Transportation equipment	3
Office equipment	3 to 4
Information technology (IT) equipment	3 to 4
Furniture and fixtures	3 to 5
Leasehold improvements	Useful life (3 to 5) or lease term, whichever is shorter

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

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

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

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

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Cryptocurrencies which are not held in the ordinary course of business are recognized as intangible assets as these are identifiable non-monetary asset without physical substance.

Following initial recognition, intangible assets (other than cryptocurrencies) are carried at cost less any accumulated amortization and any accumulated impairment losses. Cryptocurrencies are subsequently carried at revalued amount, being its fair value at the date of the revaluation less any accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The estimated useful lives of intangible assets follow:

	Years
Customer relationships	Indefinite
Cryptocurrencies	Indefinite
Leasehold rights	7
Developed software	5 to 8

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

If the cryptocurrencies' carrying amount is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under "Revaluation surplus". However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

If the cryptocurrencies' carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance in the revaluation surplus in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under "Revaluation surplus".

Research and Development Costs
Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;

- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of services.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any noncontrolling interests in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument, is measured at fair value with changes in fair value recognized either in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests) and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

When goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Noncontrolling Interests
In a business combination, as of the acquisition date, the Group recognizes, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. There is a choice of two measurement methods for those components of noncontrolling interests that are both present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of a liquidation. They can be measured at:

a. acquisition-date fair value (consistent with the measurement principle for other components of the business combination); or
b. at their proportionate share of the value of net identifiable assets acquired.

Written put option over NCI
Any put option granted to noncontrolling interests gives rise to a financial liability measured at fair value, which will be the present value of the redemption amount. The Group's accounting policy on financial instruments applies for the subsequent measurement of the financial liability.

The Group assesses whether the terms and conditions of the option give the acquirer present access to the ownership interest in the share subject to the put option. Factors that indicate that the NCI put provides a present ownership interest include:

a. pricing - to the extent that the price is fixed or determinable, rather than being at fair value;
b. voting rights and decision-making - to the extent that the voting rights or decision-making connected to the shares concerned are restricted;
c. dividend rights - to the extent that the dividend rights attached to the shares concerned are restricted; and
d. issue of call options - a combination of put and call options, with the same period of exercise and same/similar pricing indicates that the arrangement is in the nature of a forward contract.

If it is concluded that the acquirer has a present ownership interest in the shares concerned, the put option is accounted for as an acquisition of the underlying shares, and no noncontrolling interest is recognized.

When the terms of the transaction do not provide a present ownership interest, the noncontrolling interests continues to be recognized within equity until the NCI put is exercised. The carrying amount of noncontrolling interest changes due to allocations of profit or loss, changes in other comprehensive income and dividends declared for the reporting period. The financial liability for the put option is recognized through a debit made to "Equity reserve", a component of equity attributable to the Parent Company.

If the put option is exercised, the entity accounts for an increase in its ownership interest. At the same time, the entity derecognizes the financial liability and recognizes an offsetting credit in the same component of equity reduced on initial recognition.

If the put option expires unexercised, the financial liability is reclassified to the same component of equity that was reduced on initial recognition.

Impairment of Nonfinancial Assets

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

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

Investments in associates

The Group also determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount and the carrying value of the associate and recognizes the difference in profit or loss.

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

Intangible assets with indefinite useful life

Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level and when circumstances indicate that the carrying value may be impaired.

Impairment of goodwill
For assessing impairment of goodwill, a test of impairment is performed annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit ("CGU") (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGUs is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

<u>Equity</u>
Capital stock and additional paid-in capital
Capital stock is measured at par value for all shares issued. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital".

Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. The costs of an equity transaction that is abandoned are recognized as an expense.

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

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

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

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

Equity reserve
Equity reserve represents:
(a) a portion of equity against which the recognized liability for a written put option was charged;
(b) a portion of equity against which payments to a former shareholder of a subsidiary was charged;
(c) gains or losses resulting from increase or decrease in ownership without loss of control; and
(d) difference between the consideration transferred and the net assets acquired in common control business combination.

Revenue Recognition

Revenue from contracts with customers is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group 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 Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

Service income

Service income consists of revenue from Value Added Services (VAS) and Business Process Outsourcing (BPO). BPO is further subdivided into IT Staffing, Custom Development and Managed Services, Products and Other Services.

VAS are mobile and content application services provided to mobile subscribers. Revenue is recognized at a point in time, that is when services are delivered to the customers during the period.

IT staffing is a business segment where the Group deploys resources to clients to fulfill their IT requirements. Revenue is recognized at a point in time, that is when services are rendered to the customers during the period.

Custom Development and Managed Services are services offered to customers that are produced in the Group's premises. Revenue is recognized over time and at a point in time. In measuring the progress of its performance obligation over time for Custom Development, the Group uses the output method which measures progress based on the completion of proportion of work done and requires technical determination by the IT specialists.

Products are readily available solutions that will cater to customers' requirements. Revenue is recognized at a point in time, that is when goods are delivered to the customers during the period.

Other Services are recognized over time, that is, when services are rendered to the customers or over the period to which the customers are entitled to avail of the services.

Sale of goods

Revenue from the sale of goods in the ordinary course of activities is measured at the fair value of the consideration received or receivable, net of discounts and applicable taxes. Revenue is recognized at a point in time, which is normally upon delivery.

For the years ended December 31, 2020, 2019 and 2018, the Group has no variable consideration but the timing of revenue recognition resulted in contract assets and liabilities.

Contract Balances

Receivables

A receivable represents the Group’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional (e.g., warranty fees).

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer (e.g., upfront fees, implementation fees, subscription fees, etc.). If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

<u>Interest and Other Income</u>
Interest income is recognized as it accrues.

<u>Cost and Expenses</u>
"Cost of services", "Cost of goods sold", and "General and administrative expenses" are expenditures recognized in the consolidated statement of comprehensive income when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. The following specific recognition criteria must also be met before costs and expenses are recognized:

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

Cost of goods sold
Cost of goods sold consists of inventory costs related to goods which the Group has sold. Inventory costs include all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

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

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

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

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

	Years
Office space	1.5 to 3 years

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

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

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

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

Leases prior to January 1, 2019
Group as lessee
Leases where the lessor retains substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Finance lease
Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of minimum lease payments. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the assets or the respective lease terms.

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

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

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

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and NOLCO can be utilized, except:
- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will not reverse in the foreseeable future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investment in domestic associates.

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

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

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

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

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

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

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

<u>Pensions and other long-term employee benefits</u>
The net pension liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any).

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

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

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

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

The Group also provided other long-term employee benefit obligations to an employee of a subsidiary as remuneration for the services provided by the employee to the subsidiary, which are to be settled in cash. A liability and expense for the long-term employee benefit is recognized when the services have been rendered and is amortized during the period of entitlement.

Share-based Payment Transactions

Certain employees of the Group receive remuneration (bonuses) in the form of share-based payment transactions from the Parent Company, whereby the employees are issued treasury shares in exchange for the rendered services (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value of the shares at the date the shares are granted. This is recognized as salaries, wages and employee benefits expense in profit or loss when vested.

Foreign Currency Transactions

The Group's consolidated financial statements are presented in Philippine Peso, which is also the Parent Company's and the subsidiaries' functional currency, except for AOC and ODX, which is Singapore dollar (SGD), and Storm Indonesia, which is Indonesian Rupiah (Rp). The Philippine peso is the currency of the primary economic environment in which the Parent Company operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

As at reporting date, the assets and liabilities of subsidiaries whose functional currency is not the Philippines Peso are translated into the presentation currency of the Parent Company (the Philippine Peso) at the closing rate as at the reporting date, and the consolidated statement of income accounts are translated at monthly weighted average exchange rate. The exchange differences arising on the translation are taken directly to a separate component of equity under "Cumulative translation adjustment" account. Upon disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

Investment in foreign associates are translated to Philippine Peso using the closing exchange rate prevailing at reporting date. The Group's share in the results of operations of the foreign investee is translated using the exchange rate at the dates of the transactions or, where practicable, the rate that approximates the exchange rates at the dates of the transactions, such as the average rate for the period. Any resulting exchange difference is recognized as a separate component of equity.

Earnings (Loss) per Share (EPS)

Basic EPS is computed by dividing net income or loss for the year attributable to common stockholders of the parent by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income or loss for the year attributable to common stockholders of the parent by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares, if any.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and serves different markets. Financial information on business segments is presented in Note 28 to the consolidated financial statements.

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

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

Accounting for crypto-related transactions
Proceeds Arising from the Pre-Sale Agreements ("PSA")
Proceeds from the PSA are recognized upon receipt and measured at the fair value of the related crypto currency. The entire proceeds are presented under the liability section of the consolidated statement of the financial position at initial recognition. The portion of the proceeds which pertains to the estimated costs to develop the ODX platform is treated as a constructive obligation (refer to the accounting policy for Provisions) and offset by the actual costs incurred for the platform. The remaining balance of the proceeds is accounted for by analogy to government grants under PAS 20, A*ccounting for Government Grants and Disclosure of Government Assistance*. This portion will be amortized over the life of the platform when it becomes available for use.

Platform Development Costs
Actual costs incurred in the development of the ODX platform are offset against provisions and treated as a fulfillment of the constructive obligation arising from the PSA.

ODX Tokens
ODX Tokens generated but not issued are not recognized in the consolidated financial statements. Issuance of ODX Tokens to third parties does not have impact to the consolidated financial statements. Risks and rewards to these ODX Tokens are transferred to the third parties upon issuance.

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

This policy also applies to agreements which the Group entered into with certain advisors for which the services received are to be paid through internally generated tokens in the future and for which the obligation cannot be measured with sufficient reliability.

Events after the Reporting Period
Post year-end events up to date when the consolidated financial statements are authorized for issue that provide additional information about the Group's financial position at the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material. Information on events after the reporting period is presented in Note 20 to the consolidated financial statements which pertains to the passage of Corporate Recovery and Tax Incentives for Enterprises ("CREATE") bill.

3. Significant Accounting Judgments and Estimates and Assumptions

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

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

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

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

b. *Determination of control over investment in subsidiaries*
The Group determined that it has control over its subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following were also considered:
   - The contractual arrangement with the other vote holders of the investee
   - Rights arising from other contractual agreements
   - The Group's voting rights and potential voting rights

c. *Existence of significant influence over associates*
The Group determined that it exercises significant influence over its associates (see Note 9) by considering, among others, its ownership interest (holding 20% or more of the voting power of the investee) and board representation.

d. *Capitalization of development costs*
The Group determined that intangible assets arising from development qualify for recognition by determining that all of the following are present:
   i. The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
   ii. Intention to complete and its ability and intention to use or sell the asset;
   iii. How the asset will generate future economic benefits;
   iv. The availability of resources to complete the asset; and

v. The ability to measure reliably the expenditure during development.

e. *Determination of constructive obligation arising from cryptocurrency transactions*
The Group determined that a constructive obligation exists based on the terms of the agreements and the general expectations of the counterparties.

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

a. *Evaluating impairment of goodwill and investments in associates*
Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. The cash flows are derived from the budget for the next five years which include factors considering COVID-19 pandemic but exclude restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the growth rates, earnings before interest, taxes, depreciation and amortization ("EBITDA") margins and capital expenditures used for extrapolation purposes. These estimates are most relevant to goodwill recognized by the Group.

The Group recognized impairment loss on goodwill amounting to nil, ₱1,811.39 million and ₱144.86 million in 2020, 2019 and 2018, respectively, based on an assessment of recoverability of goodwill using the DCF model (see Note 11). The carrying values of goodwill amounted to ₱48.22 million as of December 31, 2020 and 2019 (see Note 11).

Investments in associates are tested for impairment when circumstances indicate that the carrying value may be impaired.

The Group recognized impairment loss for its investments in associates amounting to nil, ₱107.15 million and nil in 2020, 2019 and 2018, respectively (see Note 9). The carrying values of investments in associates amounted to ₱318.46 million and ₱319.94 million as of December 31, 2020 and 2019, respectively (see Note 9).

b. *Revenue recognition*
The Group's revenue recognition require management to make use of estimates that may affect the reported amount of revenue. The Group's revenue from sale of services for development projects recognized based on the percentage of completion are measured principally on the basis of the estimated completion of the development services. In measuring the progress of its performance obligation over time, the Group uses the output method which measures progress based on the completion of proportion of work done and requires technical determination by the Group's specialists.

Judgment is exercised in determining whether the Group can recognize revenue outright or over the development period. The Group recognizes revenue over the development period if all of the following criteria are met; otherwise, revenue is recognized outright:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the software/platform under development;
- the delivery of the developed software/platform directly expose the customer to any positive or negative effects of the Group's activities; and
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

Revenues from other revenue streams are recognized at a point in time when control over goods or services is transferred (see Note 2).

The Group recognized service income subject to percentage of completion amounting to ₱60.25 million, ₱66.68 million, and ₱125.44 million in 2020, 2019 and 2018, respectively. This is included as part of service income from enterprise services (see Note 14).

c. *Provisions and contingencies*
The Group is currently involved in assessments for national taxes. The estimate of the probable costs for the resolution of these assessments has been developed in consultation with external counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these assessments will have a material effect on the Group's consolidated financial position and results of operations (see Note 30).

d. *Provision for expected credit losses of accounts and other receivables*
The Group 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 Group's historical observed default rates. The Group 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 forecasted economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As of December 31, 2020 and 2019, allowance for impairment losses on accounts and other receivables amounted to ₱22.34 million and ₱263.09 million, respectively (see Notes 5 and 27).

e. *Realizability of deferred tax assets*
The Group reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the subsidiaries of the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized. The Group looks at its projected performance in the sufficiency of future taxable income.

The Group did not recognize deferred tax assets on deductible temporary differences and NOLCO amounting to ₱1,001.93 million and ₱1,022.45 million as at December 31, 2020 and 2019, respectively (see Note 20).

4. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand	**₱103,497**	₱104,525
Cash in banks	**67,640,344**	52,751,583
Cash equivalents	**–**	101,072,938
	₱67,743,841	₱153,929,046

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

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

Interest income earned from cash in banks and cash equivalents amounted to ₱0.65 million, ₱1.64 million and ₱0.44 million in 2020, 2019 and 2018, respectively (see Note 17).

5. Accounts and Other Receivables

This account consists of:

	2020	2019
Trade receivables	**₱68,454,889**	₱273,387,545
Receivable from related parties (Note 19)	**11,379,848**	10,377,902
Advances to employees	**739,985**	2,389,525
Others	**12,054,504**	14,113,381
	92,629,226	300,268,353
Less: allowance for impairment losses	**22,339,018**	263,085,522
	₱70,290,208	₱37,182,831

Trade receivables arise from the mobile content development, mobile solution and key platform development services rendered by the Group to its customers. These are noninterest-bearing and are generally settled on a 30- to 60-day term.

Advances to employees mainly pertain to advances which are subject to liquidation.

Others include advances to Einsights Pte. Ltd., a third party, which are due and demandable.

The table below shows the movements in the provision for impairment losses of receivables:

	2020	2019
Balance at beginning of year	**₱263,085,522**	₱265,024,372
Provisions - net of recoveries (Note 16)	**5,898,251**	3,299,669
Write-off	**(256,199,497)**	(7,305,401)
Sale of subsidiary	**–**	(6,153,477)
Translation adjustments	**9,554,742**	8,220,359
Balance at end of year	**₱22,339,018**	₱263,085,522

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

	2020	2019
Trade receivables	**₱9,898,543**	₱254,899,721
Receivable from related parties (Note 19)	**5,232,225**	3,453,601
Others	**7,208,250**	4,732,200
	₱22,339,018	₱263,085,522

6. Contract Balances

This account consists of:

	2020	2019
Contract assets	**₱4,995,516**	₱8,290,141
Contract liabilities	**32,256,949**	68,048,657

Contract assets are initially recognized for revenues earned from custom development as receipt of consideration is conditional on successful completion of proportion of work. Upon completion of performance obligation conditioned with the acceptance of the customer, the amount recognized as contract assets are reclassified to trade receivables.

Contract liabilities consist of collections from customers under custom development services, trading of goods and other services which have not qualified for revenue recognition. Amount of revenue recognized from amounts included in contract liabilities at the beginning of the year amounted to ₱28.99 million, ₱39.80 million and ₱28.20 million in 2020, 2019 and 2018, respectively.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) amounted to ₱32.26 million, ₱68.05 million and ₱44.50 million in 2020, 2019 and 2018, respectively.

The performance obligations relate to the continuous custom development, trading of goods and other services which are expected to be recognized within one year.

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

This account consists of:

	2020	2019
Financial assets at FVOCI		
Quoted shares		
Club Punta Fuego	**₱500,000**	₱440,000
Unquoted equity investment	**–**	–
Financial assets at FVPL		
Unquoted debt instruments	**–**	–
	₱500,000	₱440,000

The rollforward analysis of financial assets at FVOCI follow:

	2020	2019
Balance at beginning of year	**₱440,000**	₱475,000
Unrealized gain (loss) on financial assets at FVOCI, net of tax	**42,000**	(35,000)
Effect of recognition of deferred tax asset (Note 20)	**18,000**	−
	₱500,000	₱440,000

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

	2020	2019
Balance at beginning of year	**(₱44,254,956)**	(₱44,219,956)
Unrealized gain (loss) on financial assets at FVOCI	**42,000**	(35,000)
Effect of recognition of deferred tax asset (Note 20)	**18,000**	−
Balance at end of year	**(₱44,194,956)**	(₱44,254,956)

Unrealized fair value gain (loss) on financial assets at FVOCI is recognized under "Other comprehensive income (loss)" in the consolidated statements of comprehensive income.

The quoted shares are categorized under the Level 2 of the fair value hierarchy. The unquoted equity investments are categorized under Level 3 (see Note 27).

Quoted equity investment
Quoted equity instrument consists of investment in golf club shares.

Unquoted equity investment
In April 2015, the Group acquired 666,666 shares of Series A Preferred Stock of Zowdow Inc. ("Zowdow") at a purchase price of $1.50 per share for a total investment of US$999,999 or ₱44.24 million. As at December 31, 2020 and 2019, the Group holds a 3.56% ownership of Zowdow on a fully-diluted basis. As at December 31, 2020 and 2019, the Group has unrealized loss on this investment amounting to ₱44.24 million.

Unquoted debt investments
The Group has convertible promissory notes and bonds receivable as of December 31, 2020 and 2019:

	2020	2019
Unquoted debt investments		
MatchMe Pte. Ltd.	**₱52,495,000**	₱52,495,000
Altitude Games Pte. Ltd.	**28,856,000**	28,856,000
Einsights Pte. Ltd.	**23,475,000**	23,475,000
Pico Candy Pte. Ltd.	**3,602,123**	3,602,123
	108,428,123	108,428,123
Less: remeasurement loss	**(108,428,123)**	(108,428,123)
Balance at end of year	**₱–**	₱–

8. Other Assets

Other current assets
This account consists of:

	2020	2019
Input VAT	**₱10,970,661**	₱15,427,616
Creditable withholding taxes	**5,315,197**	6,911,430
Prepaid expenses	**3,933,297**	3,925,070
Deferred input VAT	**1,787,742**	2,287,689
Refundable deposits	**1,230,016**	1,919,867
Inventories	**1,137,660**	245,717
Cash held in trust (Note 19)	–	10,000,000
Restricted cash equivalent	–	5,060,129
	24,374,573	45,777,518
Less: allowance for impairment losses	**1,576,402**	1,576,402
	₱22,798,171	₱44,201,116

Input VAT represents VAT imposed on the Group by its suppliers for the acquisition of goods and services.

Creditable withholding taxes pertain to prepaid taxes recognized at the amount withheld at source upon payment and overpayment of income tax in previous years. This can be carried forward and claimed as tax credit against income tax due. In 2019, the Group recognized an impairment loss amounting to ₱1.58 million included under "General and administrative expenses" in the consolidated statements of comprehensive income (see Note 16).

Prepaid expenses mainly pertain to advances to suppliers, advance rent and prepaid professional fees.

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

Refundable deposits pertain to security deposit made for performance bond and rent which will be received within one year.

Inventories include purchases of goods to be sold. These are carried at cost. Cost of goods sold recognized amounted to ₱38.01 million, ₱83.28 million and ₱69.73 million in 2020, 2019 and 2018, respectively.

Restricted cash equivalent earns 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
Creditable withholding tax	**₱17,173,706**	₱12,689,807
Advances to associate (Note 9)	–	22,084,586
Others	**926,038**	682,634
	₱18,099,744	₱35,457,027

In 2020, advances to associate was reclassified under "Investments in and advances to associates" in the consolidated statement of financial position.

9. Investments in and Advances to Associates

This account consists of:

	2020	2019
Investments in Associates		
Cost		
Balance at beginning and end of year	**₱577,561,081**	₱577,561,081
Equity in net loss		
Balance at beginning of year	**(166,378,090)**	(133,091,435)
Share in net losses during the year	**(7,747,043)**	(33,286,655)
Balance at end of year	**(174,125,133)**	(166,378,090)
Cumulative translation adjustment		
Balance at beginning of year	**15,901,005**	11,525,824
Movement during the year	**6,273,297**	4,375,181
Balance at end of year	**22,174,302**	15,901,005
Accumulated impairment		
Balance at beginning of year	**(107,147,488)**	–
Impairment loss during the year (Note 16)	**–**	(107,147,488)
Balance at end of year	**(107,147,488)**	(107,147,488)
	318,462,762	319,936,508
Advances to Associate (Note 8)	**22,084,586**	22,084,586
	₱340,547,348	₱342,021,094

The equity in cumulative translation adjustments represents exchange differences arising from the translation of financial statements of the foreign operations, whose functional currency is other than Philippine Peso.

The Group's equity in the net assets of associates and the related percentages of ownership are shown below:

	Percentages of Ownership		**Carrying Amounts**	
	2020	2019	**2020**	2019
Investments in Associates				
Micro Benefits Limited	**23.53**	23.53	**₱282,015,980**	₱281,545,160
Altitude Games Pte. Ltd.	**21.17**	21.17	**20,923,654**	24,601,980
PT Sembilan Digital Investama	**49.00**	49.00	**15,523,128**	13,789,368
MatchMe Pte. Ltd.	**29.10**	29.10	**–**	–
Altitude Games Inc.	**21.17**	21.17	**–**	–
			318,462,762	319,936,508
Advances to associate				
PT Sembilan Digital Investama			**22,084,586**	22,084,586
			₱340,547,348	₱342,021,094

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

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

Using the projections for five years and applying a terminal value thereafter, the Group calculated a recoverable amount of ₱303.52 million. Consequently, the Group recognized a provision for impairment loss of its investment in Micro Benefits amounting to ₱68.49 million in 2019.

In 2020 and 2018, the Group has not recognized impairment on investment in Micro Benefits.

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

Altitude Games Pte. Ltd.
As at December 31, 2020 and 2019, the Group owns 21.17% ownership interest in Altitude Games Pte. Ltd. ("Altitude Games"), a Singaporean IT company engaged in computer game development and publishing. The Group acquired a total of 24.69 million shares with par value of US$0.01 per share for a total consideration of US$740,800 or US$0.03 per share.

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

PT Sembilan Digital Investama
On March 26, 2015, the Group acquired 147 shares representing 49% shareholdings in PT Sembilan Digital Investama ("SDI") amounting to ₱10.83 million. The acquisition gave the Group access to PT Ninelives Interactive, a mobile content and distribution company in Indonesia, which SDI owns.

As of December 31, 2020 and 2019, the Group has advances to SDI amounting to ₱22.08 million to fund its mobile content and distribution services.

SDI's registered office address is at J1. Pos Pengumben Raya No. 01 RT 010 RW 03, Kel Srengseng, Jakarta Barat.

MatchMe Pte. Ltd.
In 2015 and 2018, the Group 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 Group recognized full impairment loss on its investment in MatchMe amounting to ₱38.66 million in 2019. MatchMe did not have operations in 2020.

MatchMe's registered office address is at 100 Cecil Street #10-01/002 the Globe, Singapore.

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

The Group has cumulative unrecognized share in net loss in Altitude Philippines amounting to ₱0.26 million and ₱0.19 million as of December 31, 2020 and 2019, respectively, and unrecognized share in net loss for the years ended December 31, 2020, 2019 and 2018 amounting to ₱0.08 million, ₱0.03 million and ₱0.16 million, respectively.

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

As of December 31, 2020, and 2019, there are no capital commitments relating to the Group's interests in its associates.

The Group considers an associate with material interest if the net assets of the associate exceed 5% of the Group's consolidated total assets as of reporting period and considers the relevance of the nature of activities of the entity compared to other operations of the Group. There are no significant restrictions on the Group's ability to use assets and settle liabilities.

Following is the significant financial information of the associate with material interest:

Micro Benefits

	2020	2019
Current assets	**₱43,288,887**	₱23,637,846
Noncurrent assets	**16,391,407**	59,067,910
Current liabilities	**(49,769,165)**	(57,626,652)
Noncurrent liabilities	**(454,651,622)**	(474,376,055)
Total equity	**(444,740,493)**	(449,296,951)
Proportion of Group's ownership	**23.53%**	23.53%
Group's share in identifiable net assets	**(104,647,438)**	(105,719,573)
Goodwill and changes in fair value of net assets	**386,663,418**	387,264,733
Carrying amount of the investment	**₱282,015,980**	₱281,545,160

No dividends were received in 2020, 2019 and 2018.

	2020	2019
Total revenue	**₱100,416,915**	₱56,956,403
Total expenses	**123,438,792**	188,289,692
Net loss/ Total comprehensive loss	**(23,021,877)**	(131,333,289)
Group's share in net loss/ total comprehensive loss for the year	**(₱5,417,048)**	(₱30,902,723)

Aggregate financial information on associates with immaterial interest is as follows:

	2020	2019
Carrying amount	**₱36,446,782**	₱38,391,348
Group's share of net losses for the year	**(2,329,995)**	(2,383,932)
Group's share in total comprehensive loss	**(2,329,995)**	(2,383,932)

In 2020 and 2019, the Group performed impairment testing using a discounted cash flow analysis to determine value-in-use. Key assumptions used to determine the value-in-use are discount rates including cost of debt and cost of capital and growth rates.

- *Discount rate*
  The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group used discount rates based on the industry's weighted average cost of capital (WACC). The rates used to discount the future cash flows are based on risk-free interest rates in the relevant markets where the associates domiciled taking into consideration the debt premium, market risk premium, gearing, corporate tax rate and asset beta of the associate. In 2020, 2019 and 2018, management assumed discount rates of 9.00%, 10.85% and 11.23% to 17.66%, respectively.

- *Growth rate*
  Average growth rates in revenues are based on the Group's expectation of market developments and the changes in the environment in which it operates. The Group uses revenue growth rates based on past historical performance as well as expectations on the results of its strategies. On the other hand, the perpetual growth rate used to compute for the terminal value is based on the forecasted long-term growth of real gross domestic product (GDP) of the economy in which the business operates. In 2020, 2019 and 2018, management assumed average growth rates in revenues of 10.79% to 31.68%, 5.00% to 36.88% and 5.00% to 42.94%, respectively, and terminal growth rates of 2.50%, 2.50% and 5.00%, respectively.

Impairment loss amounting to ₱107.15 million was recognized in 2019 for the Group's investments in associates. No impairment loss was recognized in 2020 and 2018.

10. Property and Equipment

Rollforward of this account is as follows:

December 31, 2020

	Transportation Equipment	Office Equipment	IT Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Cost						
At beginning of year	**₱120,536**	**₱5,158,265**	**₱19,820,934**	**₱4,427,375**	**₱1,060,578**	**₱30,587,688**
Additions	**–**	**70,298**	**1,168,142**	**–**	**–**	**1,238,440**
Retirements and disposals	**–**	**(114,215)**	**(2,643,386)**	**(87,341)**	**–**	**(2,844,942)**
At end of year	**120,536**	**5,114,348**	**18,345,690**	**4,340,034**	**1,060,578**	**28,981,186**
Accumulated Depreciation and Amortization						
At beginning of year	**120,536**	**4,047,129**	**13,245,545**	**3,865,057**	**545,538**	**21,823,805**
Depreciation and amortization	**–**					
(Notes 15 and 16)		**799,826**	**3,455,747**	**474,323**	**492,450**	**5,222,346**
Retirements and disposals	**–**	**(96,741)**	**(1,922,967)**	**(87,339)**	**–**	**(2,107,047)**
Translation adjustments	**–**	**(12,558)**	**(198,305)**	**–**	**–**	**(210,863)**
At end of year	**120,536**	**4,737,656**	**14,580,020**	**4,252,041**	**1,037,988**	**24,728,241**
Net Book Value	**₱–**	**₱376,692**	**₱3,765,670**	**₱87,993**	**₱22,590**	**₱4,252,945**

December 31, 2019

	Transportation Equipment	Office Equipment	IT Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Cost						
At the beginning of year	₱120,536	₱10,435,527	₱32,260,727	₱10,914,904	₱61,284,166	₱115,015,860
Additions	–	211,568	9,010,557	187,744	753,460	10,163,329
Retirements and disposals	–	–	(2,723,059)	(4,278,478)	(21,857,435)	(28,858,972)
Sale of subsidiary (Note 23)	–	(5,455,438)	(18,725,330)	(2,396,795)	(39,119,613)	(65,697,176)
Translation adjustments	–	(33,392)	(1,961)	–	–	(35,353)
At end of year	120,536	5,158,265	19,820,934	4,427,375	1,060,578	30,587,688
Accumulated Depreciation and Amortization						
At the beginning of year	120,536	9,241,474	6,361,189	8,075,632	33,356,970	57,155,801
Depreciation and amortization (Notes 15 and 16)	–	262,517	10,898,754	1,559,520	9,178,550	21,899,341
Retirements and disposals	–	–	(2,291,232)	(3,495,781)	(19,751,722)	(25,538,735)
Sale of subsidiary (Note 23)	–	(5,455,438)	(1,688,108)	(2,274,314)	(22,238,260)	(31,656,120)
Translation adjustments	–	(1,424)	(35,058)	–	–	(36,482)
At end of year	120,536	4,047,129	13,245,545	3,865,057	545,538	21,823,805
Net Book Value	₱–	₱1,111,136	₱6,575,389	₱562,318	₱515,040	₱8,763,883

Depreciation and amortization are charged as follows:

	2020	2019	2018
Cost of services (Note 15)	**₱99,387**	₱224,972	₱2,240,598
General and administrative expenses (Note 16)	**5,122,959**	21,674,369	29,873,028
	₱5,222,346	₱21,899,341	₱32,113,626

The Group retired and disposed property and equipment with cost amounting to ₱2.84 million resulting in a loss of ₱0.04 million in 2020, ₱28.86 million resulting in a loss of ₱0.24 million in 2019 and ₱31.43 million resulting in a gain of ₱1.04 million in 2018 recognized under "Other income (charges)" account (see Note 17).

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

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

11. Intangible Assets

This account consists of:

December 31, 2020

	Goodwill	**Developed Software**	**Leasehold Rights**	**Crypto-currencies**	**Total**
Cost					
At beginning of year	**₱2,004,469,603**	**₱102,796,784**	**₱5,150,312**	**₱4,086,012**	**₱2,116,502,711**
Additions	–	**96,332**	–	–	**96,332**
Derecognition	–	–	**(5,150,312)**	–	**(5,150,312)**
At end of year	**2,004,469,603**	**102,893,116**	–	**4,086,012**	**2,111,448,731**
Accumulated amortization					
At beginning of year	–	**57,615,081**	**3,505,968**	–	**61,121,049**
Amortization (Note 15)	–	**21,893,636**	**735,759**	–	**22,629,395**
Derecognition	–	–	**(4,241,727)**	–	**(4,241,727)**
At end of year	–	**79,508,717**	–	–	**79,508,717**

(Forward)

	Goodwill	Developed Software	Leasehold Rights	Crypto-currencies	Total
Accumulated Impairment					
At beginning of year	**₱1,956,247,619**	**₱–**	**₱–**	**₱–**	**₱1,956,247,619**
Impairment (Note 16)	**–**	**9,226,335**	**908,585**	**–**	**10,134,920**
Derecognition	**–**	**–**	**(908,585)**	**–**	**(908,585)**
At end of year	**1,956,247,619**	**9,226,335**	**–**	**–**	**1,965,473,954**
Accumulated revaluation surplus					
At beginning of year	**–**	**–**	**–**	**1,995,765**	**1,995,765**
Revaluation increase	**–**	**–**	**–**	**19,375,375**	**19,375,375**
At end of year	**–**	**–**	**–**	**21,371,140**	**21,371,140**
Net Book Value	**₱48,221,984**	**₱14,158,064**	**₱–**	**₱25,457,152**	**₱87,837,200**

December 31, 2019

	Goodwill	Customer Relationship	Developed Software	Leasehold Rights	Crypto-currencies	Total
Cost						
At beginning of year	₱2,544,617,520	₱1,077,809,700	₱208,845,306	₱17,378,812	₱5,484,591	₱3,854,135,929
Additions	–	–	2,520,997	–	1,253,879	3,774,876
Disposals	–	–	–	–	(2,652,458)	(2,652,458)
Sale of subsidiary (Note 23)	(540,147,917)	(1,077,809,700)	(108,569,519)	(12,228,500)	–	(1,738,755,636)
At end of year	2,004,469,603	–	102,796,784	5,150,312	4,086,012	2,116,502,711
Accumulated amortization						
At beginning of year	–	–	87,763,575	8,593,303	–	96,356,878
Amortization (Note 15)	–	–	30,744,703	1,900,378	–	32,645,081
Sale of subsidiary (Note 23)	–	–	(60,893,197)	(6,987,713)	–	(67,880,910)
At end of year	–	–	57,615,081	3,505,968	–	61,121,049
Accumulated impairment						
At beginning of year	144,855,367	–	–	–	–	144,855,367
Impairment (Note 16)	1,811,392,252	–	–	–	–	1,811,392,252
At end of year	1,956,247,619	–	–	–	–	1,956,247,619
Revaluation increase	–	–	–	–	1,995,765	1,995,765
Net Book Value	₱48,221,984	₱–	₱45,181,703	₱1,644,344	₱6,081,777	₱101,129,808

Goodwill
Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group.

Customer Relationship
Customer relationship pertains to Yondu's noncontractual and contractual agreements with Globe Telecom Inc. (GTI), its major customer, which are expected to generate revenues for the Group in subsequent periods. This was derecognized upon sale of Yondu in 2019.

Developed Software
Developed software pertain to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. In 2020, developed software of AOC was provided with allowance for impairment after suspension of its business operations.

Leasehold Rights
Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination. These are derecognized upon change in office address of Storm and Seer.

Cryptocurrencies
Cryptocurrencies pertain to units of Bitcoin and Ether held by the Group as at December 31, 2020 and 2019.

The fair value of cryptocurrencies was determined using quoted market prices in active markets categorized under Level 1 of fair value hierarchy. As at December 31, 2020 and 2019, the fair value of Bitcoin is USD28,790.33 per unit and USD7,194.60 per unit, respectively, while the fair value of Ether is USD731.93 and USD129.61, respectively.

In 2019 and 2018, the Group sold cryptocurrencies with cost amounting to ₱2.65 million and ₱176.53 million, respectively. The Group recognized "Loss from sale of cryptocurrencies" under "Other income (charges)" in 2019 and 2018 amounting to ₱0.19 million and ₱4.99 million, respectively (see Note 17). "Foreign exchange loss" in 2020 and 2019 amounted to ₱0.09 million and ₱0.44 million, respectively, and "Foreign exchange gain" in 2018 amounted to ₱2.47 million. There was no sale of cryptocurrencies in 2020.

In 2020, revaluation of cryptocurrencies resulted to a gain of ₱18.82 million recognized under "Revaluation surplus" in "Other comprehensive income (loss)" and a gain of ₱0.56 million recognized under "Unrealized gain (loss) on revaluation of cryptocurrencies" in "Other income (charges)" in the consolidated statements of comprehensive income. The Group also recognized gain of ₱2.00 million in 2019 and a loss of ₱2.55 million in 2018 recognized under "Unrealized gain (loss) on revaluation of cryptocurrencies" in "Other income (charges)" in the consolidated statements of comprehensive income (see Note 17).

The amortization expense of intangible assets recognized in "Depreciation and amortization" under "Cost of services" in the consolidated statements of comprehensive income amounted to ₱22.63 million, ₱32.65 million and ₱37.07 million in 2020, 2019 and 2018, respectively (see Note 15).

Impairment testing of goodwill and customer relationship with indefinite useful life
Goodwill and customer relationship acquired through business combinations were reviewed to look for any indication that an asset may be impaired. The Group used a discounted cash flow analysis to determine value-in-use. Value-in-use reflects an estimate of the future cash flows the Group expects to derive from the cash-generating unit, expectations about possible variations in the amount or timing of those future cash flows, the time value of money and the price for bearing the uncertainty inherent in the asset. The calculation of the value-in-use is based on reasonable and supportable assumptions, the most recent budgets and forecasts approved by management covering a five-year period. Management determined the financial budgets based on past performance and its expectations for market development.

Key Assumptions Used in Value-in-Use Calculations
Key assumptions used to determine the value-in-use are discount rates including cost of debt and cost of capital, growth rates, EBITDA margins and capital expenditure.

- *Discount rate*
  The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group used discount rates based on the industry's weighted average cost of capital (WACC). The rates used to discount the future cash flows are based on risk-free interest rates in the relevant markets where the subsidiaries are domiciled taking into consideration the debt premium, market risk premium, gearing, corporate tax rate and asset betas of these subsidiaries. In 2020, 2019 and 2018, management assumed discount rates of 13.39% to 15.33%, 10.95% to 12.92% and 12.47% to 14.76%, respectively.

- *Growth rate*
  Average growth rates in revenues are based on the Group's expectation of market developments and the changes in the environment in which it operates. The Group uses revenue growth rates based on past historical performance as well as expectations on the results of its strategies. On the other hand, the perpetual growth rate used to compute for the terminal value is based on the forecasted long-term growth of real gross domestic product (GDP) of the economy in which the business operates. In 2020, 2019 and 2018, management assumed average growth rates in revenues of 00.00% to 25.93%, 21.38% to 75.00% and 19.00% to 94.00%, respectively, and terminal growth rates of 3.00%, 1.00% to 3.00% and 3.00% to 6.00%, respectively.

- *EBITDA margin*
  The EBITDA margin represents the operating margin before depreciation and amortization and is estimated based on the margin achieved in the period immediately before the budget period and on estimated future development in the market. Committed operational efficiency programs are taken into consideration. In 2020, 2019 and 2018, management assumed EBITDA margin of 7.85% to 49.26%, 6.00% to 15.00% and 10.00% to 48.00%, respectively.

- *Capital expenditure*
  In computing the value-in-use, estimates of future cash flows include future cash outflows necessary to maintain the level of economic benefits expected to arise from the asset in its current condition. Capital expenditures that improve or enhance the asset's performance therefore are not included. In 2020, 2019 and 2018, percentage of capital expenditures to revenues ranges from 0.19% to 2.22%, 0.05% to 4.30% and 0.12% to 1.91%, respectively.

Management recognizes that unfavorable conditions can materially affect the assumptions used in the determination of value-in-use. An increase of 10.5% to over 100.0% discount rates, or a reduction of growth rates of 20.0% to over 100.0% would give a value-in-use equal to the carrying amount of the cash generating units.

Impairment testing of goodwill
Outstanding balance of goodwill per CGU is as follows:

	2020	2019
Storm Technologies, Inc.	**₱45,588,402**	₱45,588,402
Seer Technologies, Inc.	**2,633,582**	2,633,582
	₱48,221,984	₱48,221,984

The accumulated impairment on goodwill per CGU is as follows:

	2020	2019
Art of Click Pte. Ltd.	**₱1,787,723,086**	₱1,787,723,086
Storm Technologies, Inc.	**88,573,284**	88,573,284
Xeleb Technologies Inc.	**69,085,646**	69,085,646
Seer Technologies, Inc.	**10,865,603**	10,865,603
	₱1,956,247,619	₱1,956,247,619

In 2018, based on the assessment of AOC's VIU compared with its net asset's carrying amount, the Group recognized impairment loss amounting to ₱144.86 million. The calculation of AOC's VIU in 2018 was based on budgets and forecast over a 5-year period, considering its 2017 performance and its expected future recovery in revenues. AOC's forecast in 2018 includes better revenue mix focused on programmatic and branded consumer advertising, pivoting to a license model of its ad technology to other third parties in other territories, and massive cost cutting measures. Its past performance, however, carried a heavier weight in the computed VIU warranting the recognition of impairment loss. In 2019, the failure of AOC to implement most of its plan led to erosion of its revenue base. As a result, the Group recognized impairment loss amounting to ₱1,642.86 million.

The recoverable amounts have been based on value-in-use calculations using cash flow projections from forecasts provided by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using a steady growth rates of 3% to 6%.

Based on the assessment of subsidiaries' value-in-use compared to their net asset's carrying amount including goodwill, the Group recognized impairment loss amounting to nil, ₱1,811.39 million and ₱144.86 million in 2020, 2019 and 2018, respectively (see Note 16).

Goodwill allocated to Yondu's VAS and BPO were derecognized upon sale of the subsidiary on September 11, 2019 (see Note 23) and were not subjected for impairment testing for the year ended December 31, 2019.

Impairment testing of customer relationships
The recoverable amount of customer relationships was determined based on a value-in-use calculation using cash flow projections from financial budgets covering a five-year period. In 2018, the pre-tax discount rate applied to the cash-flow projections is 14.76% and the growth rate used to extrapolate the cash flows beyond the five-year period is 6%. The growth rate is based on the long-term sustainable growth rates for the industry.

In 2018, no impairment loss was recognized for the customer relationships.

In 2019, customer relationships pertain to Yondu, which were derecognized upon sale of the subsidiary on September 11, 2019 (see Note 23) and, consequently were not subjected for impairment testing for the year ended December 31, 2019.

12. Accounts and Other Payables

This account consists of:

	2020	2019
Payable to related parties (Note 19)	**₱103,652,123**	₱111,028,311
Trade payables	**82,184,225**	115,714,403
Nontrade payable	**52,488,918**	54,481,084
Payable to third parties	**52,191,204**	17,742,923
Accrued expenses		
Taxes and licenses	**7,514,551**	7,439,551
Seminars and training	**5,633,228**	5,847,031
Salaries and wages	**4,403,368**	3,479,534
Professional fees	**2,013,230**	2,663,191
Interest expense	**1,644,585**	2,743,659
Inventories and supplies	**1,209,395**	3,581,653
Others	**48,648**	251,422
Taxes payable	**5,975,256**	8,533,499
Deferred output VAT	**5,618,791**	1,708,501
Others	**137,748,265**	143,034,270
	₱462,325,787	₱478,249,032

Trade payables represent the unpaid subcontracted services and other cost of services to third parties. These are noninterest-bearing and are normally settled within one year.

Nontrade payables include proceeds received by ODX under the Share and Token Allocation Agreement which grants the investor rights to certain shares of ODX and internally generated tokens in the future depending on the happening of certain events prior to termination of the agreement.

Payable to third parties are advances made by minority shareholders and affiliates of Seer and Storm for working capital purposes and deposits for future stock subscription. These are noninterest-bearing and are settled within one year.

Accrued expenses mainly consist of accruals for seminars and training, supplies, inventories, interest, professional fees, salaries and wages, taxes and licenses, and others. These are noninterest-bearing and are normally settled within one year.

Taxes payable include output VAT after application of available input VAT and expanded withholding tax on payment to suppliers and employees' compensation which are settled within one year.

Deferred output VAT represents deferral of output VAT related to trade receivables for the services rendered by the Group. These will be recognized as output VAT and applied against input VAT upon receipt of payment.

Others consist of statutory payables to SSS, Philhealth and HDMF. This account also includes provision relating to the Token Pre-Sale Agreements ("PSA") entered into by the Group, through ODX, with various investors for the sale of ODX tokens and other provisions for probable losses (see Note 30). These are noninterest-bearing and are normally settled within one year.

The table below shows the movements in the provision relating to the PSA:

	2020	2019
Balance at beginning of year	**₱142,263,284**	₱184,527,714
Additions (Note 11)	**–**	1,253,879
Cost incurred for platform development	**(7,663,896)**	(38,819,089)
Translation adjustments	**(4,924,242)**	(4,699,220)
Balance at end of year	**₱129,675,146**	₱142,263,284

Other provisions for probable losses amounted to ₱5.63 million as of December 31, 2020 (see Note 30).

13. **Loans Payable**

This account pertains to short-term, unsecured and interest bearing 30- to 180- day term loans entered into by the Group with different local banks and non-banks, with interest rates of 6.75% to 12% and 3.75% to 27% in 2020 and 2019, respectively.

The rollforward analysis of this account follow:

	2020	2019
Balance at beginning of year	**₱52,130,272**	₱358,741,481
Availment of loans	**–**	9,735,561
Payment of loans	**(10,346,413)**	(316,346,770)
Translation adjustment	**(73,576)**	–
Balance at end of year	**₱41,710,283**	₱52,130,272

Interest expense recognized in the consolidated statements of comprehensive income amounted to ₱3.18 million, ₱26.64 million and ₱25.20 million in 2020, 2019 and 2018, respectively (see Note 17).

Undrawn loan commitments amounted to nil and ₱0.71 million as of December 31, 2020 and 2019, respectively. There were no transaction costs and interest expense capitalized in 2020 and 2019.

14. Service Income and Sale of Goods

Service income, amounting to ₱121.36 million, ₱879.81 million and ₱1,153.34 million in 2020, 2019 and 2018, respectively, pertain to revenues earned from mobile consumer products and services, enterprise services and knowledge process outsourcing and other services rendered by the Group to its customers. Revenue from these segments are recognized at a point in time, except for revenues from custom development included under enterprise services which are recognized over time.

Revenue from sale of goods amounted to ₱52.65 million, ₱92.15 million and ₱88.85 million in 2020, 2019 and 2018, respectively. Revenues are recognized at a point in time for the sale of goods.

Revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time, in different product types of its service income. The Group's disaggregation of revenue from contracts with customers are presented below:

	2020	2019	2018
Service income			
Mobile consumer services	**₱21,999,969**	₱19,919,308	₱270,854,361
Enterprise services	**88,238,485**	854,726,094	875,614,089
Other services	**11,122,938**	5,167,084	6,874,038
	121,361,392	879,812,486	1,153,342,488
Sale of goods	**52,647,630**	92,146,792	88,845,797
	₱174,009,022	₱971,959,278	₱1,242,188,285

15. Cost of Services

Cost of services consists of the following:

	2020	2019	2018
Salaries, wages and employee benefits	**₱70,498,778**	₱539,037,013	₱724,500,182
Depreciation and amortization (Notes 10 and 11)	**22,728,782**	32,870,053	39,315,550
Outsourced services	**20,984,719**	27,792,212	143,928,756
Web hosting	**2,832,968**	15,737,294	41,078,249
Consultancy fees	**2,089,715**	6,511,677	14,938,560
Rent (Note 18)	**871,661**	1,816,621	6,474,325
Segment fee and network costs	**356,895**	88,664,108	43,255,632
Utilities	**175,976**	5,475,671	514,309
Commissions	**101,456**	2,607,323	3,921,691
Seminar and trainings	**–**	2,375,694	–
Royalty fees (Note 18)	**–**	1,222,981	31,033,114
Miscellaneous	**6,548,827**	18,081,525	13,913,651
	₱127,189,777	₱742,192,172	₱1,062,874,019

Miscellaneous cost of services includes benefit claims, membership fees and other costs.

16. General and Administrative Expenses

This account consists of:

	2020	2019	2018
Salaries, wages and employee benefits	**₱39,616,735**	₱107,481,565	₱151,959,481
Professional fees	**24,061,793**	42,255,889	30,418,262
Provision for impairment losses (Notes 5, 8, 9 and 11)	**16,033,171**	1,923,415,811	310,938,465
Depreciation and amortization (Notes 10 and 18)	**6,841,714**	43,771,991	29,873,028
Taxes and licenses	**4,434,493**	11,393,352	18,910,061
Rent (Note 18)	**3,737,651**	6,302,923	42,093,443
Marketing and promotions	**3,200,648**	1,355,721	20,039,431
Transportation and travels	**2,691,623**	4,845,579	9,247,485
Directors' fees (Note 19)	**2,670,000**	2,080,000	1,865,000
Utilities	**1,560,652**	6,931,028	11,080,786
Dues and subscriptions	**915,623**	4,622,509	6,990,692
Insurance	**650,491**	1,248,759	1,628,628
Outsourced services	**603,694**	17,244,408	15,271,403
Entertainment, amusement and recreation	**447,935**	1,652,236	9,318,601
Supplies	**343,581**	2,545,853	3,210,261
Advertising	**331,422**	1,224,214	6,420,538
Seminars and trainings	**324,815**	1,926,166	9,791,573
Repairs and maintenance	**246,998**	1,246,713	1,858,369
Miscellaneous	**11,136,016**	22,879,189	20,128,870
	₱119,849,055	₱2,204,423,906	₱701,044,377

Miscellaneous expense includes provision for probable losses, notarial and other costs.

17. Finance Costs and Other Income (Charges)

Finance costs consist of:

	2020	2019	2018
Interest expense on loans payable (Notes 13 and 19)	**₱10,582,571**	₱37,027,649	₱31,109,017
Accretion of interest on lease liabilities (Note 18)	**45,621**	2,657,206	–
Interest income (Note 4)	**(646,644)**	(1,643,224)	(444,430)
	₱9,981,548	₱38,041,631	₱30,664,587

Other income (charges) consist of:

	2020	2019	2018
Gain from derecognition of long-outstanding payables	**₱36,011,082**	₱–	₱–
Penalties earned from late payments of customers	**4,489,427**	–	–

(Forward)

	2020	2019	2018
Gain (loss) on sale of subsidiary (Note 23)	**₱3,337,327**	(₱478,950,094)	₱–
Foreign exchange gain (loss)	**2,999,629**	(408,024)	(12,733,298)
Unrealized gain (loss) on revaluation of cryptocurrencies (Note 11)	**555,709**	1,995,765	(2,551,474)
Bank charges	**(509,085)**	(6,518,570)	(3,607,838)
Gain (loss) on retirement and disposal of property and equipment and derecognition of right-of-use asset and lease liabilities (Notes 10 and 18)	**(1,168,543)**	(244,602)	1,041,683
Loss from sale of cryptocurrencies (Note 11)	**–**	(185,884)	(4,987,325)
Gain from expiration of liability for written put option (Note 22)	**–**	–	16,209,100
Other income	**9,511,637**	4,369,626	14,605,834
	₱55,227,183	(₱479,941,783)	₱7,976,682

Other income pertains to gain on debt restructuring, gain on curtailment and other miscellaneous income.

18. Agreements and Lease Commitments

Agreements with Licensors
The Group entered into various agreements with licensors for the use of and or distribution of the licensors' products and services as mobile content. Under these agreements, the Group pays the licensors a certain percentage of revenues earned from the use and distribution of licensors' products and services. The amounts arising from these agreements are recorded as "Royalty fees" under "Cost of services", and the related liability are recorded as "Accrued expenses" under "Accounts and other payables". In 2020, 2019 and 2018, royalty fees amounted to nil, ₱1.22 million and ₱31.03 million, respectively (see Note 15).

Group as Lessee
The Group entered into various lease agreements with third parties for the office spaces it occupies. Leases have terms ranging from one to three years and renewable subject to new terms and conditions to be mutually agreed upon by both parties.

a. The Parent Company has noncancellable lease contract with Gervel, Inc. for the 7th floor office space which terminated on March 31, 2020. The applicable rate per month is ₱0.27 million.

   On March 31, 2020, the lease contract was renewed for a period of one (1) year which terminated on March 31, 2021. The applicable rate per month is ₱0.33 million.

b. The Parent Company has noncancellable lease contract with Gervel, Inc. for the 4th floor office space which expired on March 31, 2020. The applicable rate per month is ₱0.29 million. 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 two (2) years and four and a half (4.5) months which commenced on November 16, 2017 and expired on March 31, 2020. The applicable rate per month is ₱0.33 million. The lease contract may be renewed in writing by mutual agreement of the parties.

   In 2019, the Parent Company assigned the contract of lease to Xurpas Enterprise, Inc. On March 31, 2020, the contract of lease expired and terminated.

d. Xeleb Technologies has noncancellable lease contract with TKS Holdings, Inc. for office space which expired and terminated on April 30, 2018. The applicable monthly rate is ₱0.29 million for both office and parking rentals.

e. Storm has noncancellable lease contract with CYG Trinkets Shop for office space which expired and terminated on March 1, 2018. The applicable monthly rent amounts to ₱0.04 million.

f. Storm has cancellable lease contract with All Estate Realty Brokerage Inc. for office space which expired and terminated on April 15, 2020. Monthly rent applicable on the first year amounted to ₱0.05 million per month with 10% annual escalation rate on the second year.

g. Storm has noncancellable lease contract with United Tristar Realty Corporation for office space for a period of one (1) year which commenced on October 1, 2018 and expired on September 30, 2019. The applicable rate per month is ₱0.07 million and a corresponding annual increase of 4%.

   In 2019, the lease contract was renewed for a period of (1) year which commenced on October 1, 2019 and terminated on September 30, 2020. The applicable rate per month is ₱0.07 million. The lease contract was not renewed after the date of expiration.

h. In 2018, Storm entered into a cancellable lease contract with Richdale Resource Management Corporation for a period of one (1) year which commenced on February 15, 2018 and terminated on February 14, 2019. Monthly rent payable amounted to ₱0.05 million.

i. In 2018, Storm entered into a cancellable agreement with North Lane Residences for a period of one (1) year which commenced on March 1, 2018 and terminated on February 29, 2019 with an applicable rental rate per month of ₱0.04 million.

j. Seer has noncancelable lease contract with TKS Holdings, Inc. for office space and parking slots which terminated on November 14, 2018. The applicable monthly rate per month amounted to ₱0.22 million.

k. In 2018, Seer entered into a cancellable lease contract with Aspen Storage Services for stored files space for a period of six (6) months which commenced on November 10, 2018 and expired on May 09, 2019. In 2019, the lease contract was renewed for a period of six (6) months which commenced on May 10, 2019 and expired on November 09, 2019. The applicable rate per month is ₱0.01 million. The lease contract was not renewed after the date of expiration.

l. In 2017, Seer entered into finance lease agreements with BPI Leasing Corporation for the use of IT equipment with a lease term of three (3) to five (5) years. Effective monthly interest rates range from 0.90% to 1.42% in 2018 and 0.83% to 1.12% in 2017. In 2019, Seer has recognized right-of-use asset and lease liability as a result of the PFRS 16 adoption using a discount rate of

10.75% with residual value amounting to ₱0.31 million. In January 2020, the contract of lease was terminated and not renewed. The residual value was derecognized which resulted to a loss amounting to ₱0.31 million recognized in 2020 under "Other income (charges)" in the consolidated statement of comprehensive income (see Note 17).

m. Yondu has noncancellable lease contract with Panorama Development Corporation for office space which commenced on November 1, 2014 and will expire on October 31, 2021. The applicable rate per month for the first year is ₱1.02 million and a corresponding increase of 5% on the second year of lease. No rent expense on this lease after sale of Yondu in 2019.

n. Yondu has noncancellable lease contract with Panorama Development Corporation which commenced on April 16, 2016 and will expire on October 31, 2021. The applicable rate per month for the first year is ₱0.80 million and a corresponding increase of 5% in the succeeding years. No rent expense on this lease after sale of Yondu in 2019.

o. AOC has a noncancellable lease contract with Chan Pek Har & Loh Pek Har & Loh Lik Hwa for one (1) year which commenced on July 20, 2017 and terminated on July 19, 2018 at a monthly rental of SG$5,465.

p. In 2018, AOC entered into a noncancellable lease agreement with Ong Soh Than for a period of one (1) year which commenced on July 23, 2018 and terminated on July 22, 2019 with an applicable rental rate per month of SG$4,850.

q. In 2019, AOC entered into a noncancellable lease agreement with Singapore Service Residence Pte Ltd for a period of two (2) years which commenced on August 1, 2019 and will expire on July 21, 2021 with an applicable rental rate per month of SG$4,000. On July 31, 2020, AOC pre-terminated its contract of lease which resulted to a loss on derecognition of right-of-use asset and lease liabilities amounting to ₱1.09 million recognized under "Other income (charges)" in the consolidated statement of comprehensive income (see Note 17).

As at December 31, 2020 and 2019, the future minimum lease payments under noncancellable operating leases follow:

	2020	2019
Within one year	**₱988,650**	₱2,683,510
After one year but not more than 5 years	−	1,049,745
	₱988,650	₱3,733,255

Rollforward of right-of-use assets is as follows:

	2020	2019
Cost		
Balance at beginning of year	**₱16,396,951**	₱85,472,135
Pre-termination of lease contract and disposal of right-of-use asset	**(7,367,421)**	−
Additions	−	3,490,515
Sale of a subsidiary (Note 23)	−	(72,565,699)
Translation adjustment	**(127,634)**	−
Balance at end of year	**8,901,896**	16,396,951

(Forward)

	2020	2019
Accumulated Depreciation		
Balance at beginning of year	**₱11,784,466**	₱7,536,575
Depreciation	**1,718,755**	22,097,622
Pre-termination of lease contract and disposal of right-of-use asset	**(4,679,455)**	–
Adjustment	**–**	16,508
Sale of a subsidiary (Note 23)	**–**	(17,856,853)
Translation adjustments	**78,130**	(9,386)
Balance at end of year	**8,901,896**	11,784,466
Net Book Value	**₱–**	₱4,612,485

The rollforward analysis of lease liabilities as of December 31, 2020 and 2019 follows:

	2020	2019
Balance at beginning of year	**₱3,809,525**	₱76,495,086
Accretion of interest (Note 17)	**45,621**	2,657,206
Pre-termination of lease contract	**(1,563,979)**	–
Payments	**(2,184,116)**	(21,833,336)
Additions	**–**	3,340,541
Sale of a subsidiary (Note 23)	**–**	(56,849,444)
Translation adjustment	**(107,051)**	(528)
Balance at end of year	**₱–**	₱3,809,525
Current lease liabilities	**₱–**	₱2,775,923
Noncurrent lease liabilities	**₱–**	₱1,033,602

The following are the amounts recognized in the consolidated statements of comprehensive income:

	2020	2019
Depreciation expense of right-of-use assets (Note 16)	**₱1,718,755**	₱22,097,622
Loss on derecognition of right-of-use asset and lease liabilities (Notes 17)	**1,123,987**	–
Accretion of interest expense on lease liabilities (Note 17)	**45,621**	2,657,206
Rent expense on short-term leases charged under:		
Cost of services (Note 15)	**871,661**	1,816,621
General and administrative expenses (Note 16)	**3,737,651**	6,302,923
	₱7,497,675	₱32,874,372

19. **Related Party Transactions**

The Group, in the normal course of business, has transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture.

Terms and conditions of transactions with related parties
There have been no guarantees provided or received for any related party receivables and payables. 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 this related party operates.

Material related party transactions ("RPT")
This refers to any related party transaction, either individually, or in aggregate over a 12-month period with the same related party, amounting to 10% or higher of the Group's total assets. All material related party transactions are subject to the review by the RPT Committee.

In the event wherein there are changes in the RPT classification from non-material to material, the material RPT shall be subject to the provisions of the related party transactions policy.

Details of transactions with related parties and their outstanding payables to a related party as at December 31, 2020 and 2019 follow:

					Outstanding Balance			
			Amount/Volume		**2020**		2019	
	Terms	**Conditions**	**2020**	2019	**Receivable**	**Payable**	Receivable	Payable
Associates								
Advances (a, b)	Noninterest-bearing	Unsecured, with impairment	**₱565,146**	₱4,569,442	**₱10,943,048**	**₱–**	₱10,377,902	₱–
Stockholders								
Payable to directors and officers (a-f)	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**		5,249,433
Payable to directors and officers (c-d)	Noninterest-bearing	Unsecured	**2,670,000**	2,080,000	–	**2,187,000**	–	11,871,995
Advances (g)	One year; noninterest-bearing	Unsecured	–	117,678	–	**117,678**	–	117,678
Cash held in trus(e)	One year; noninterest-bearing	Unsecured	–	10,000,000	–	–	–	–
Affiliates								
Receivable (a)	Noninterest-bearing	Unsecured, no impairment	**390,000**	–	**436,800**	–	–	–
Advances (b)	Noninterest-bearing	Unsecured	**1,063,017**	–	–	**755,283**	–	–
					₱11,379,848	**₱152,954,846**	₱10,377,902	₱165,061,639

Associates:

a. In 2017, the Parent Company entered into a US$100,000 noninterest-bearing short-term loan agreement with Altitude Games for working capital purposes. As of December 31, 2020, and 2019, receivable from Altitude Games amounted to ₱5.26 million. The Parent Company recognized allowance for impairment loss amounting to ₱2.63 million as of December 31, 2020 and 2019 (see Note 5).

b. For the years ended December 31, 2020 and 2019, the Parent Company made payments on behalf of SDI and MatchMe for their outsourced services amounting to ₱5.68 million and ₱5.12 million, respectively, which remained outstanding as of December 31, 2020. The Parent Company recognized allowance for impairment loss amounting to ₱2.60 million and ₱0.82 million as of December 31, 2020 and 2019, respectively (see Note 5).

Stockholders:

a. In 2017, the Parent Company entered into a loan agreement with its directors amounting to US$1,945,758 or ₱97.15 million subject to 5% interest rate per annum. The loan is due and demandable. In 2020, 2019 and 2018, the Group recognized interest expense amounting to ₱4.59 million, ₱5.78 million and ₱5.91 million, respectively, under "Finance Cost and Other income (charges)" in its consolidated statements of comprehensive income (see Note 17). As at December 31, 2020 and 2019, outstanding loans and interest payable amounted to ₱88.78 million and ₱9.26 million, respectively, and ₱93.79 million and ₱4.67 million, respectively.

b. On April 29, 2019, the Parent Company entered into a loan agreement with its directors amounting to ₱150.00 million subject to 5.50% interest rate per annum for 3 years from date of agreement and may be renewed upon mutual agreement. In 2020 and 2019, the Group recognized interest expense amounting to ₱2.81 million and ₱4.61 million, respectively, under "Finance Cost and Other income (charges)" in its consolidated statements of comprehensive income (see Note 17).

   As at December 31, 2020 and 2019, outstanding loans and interest payable pertaining to this transaction amounted to ₱49.30 million and ₱2.55 million, respectively, and ₱54.03 million and ₱0.58 million, respectively.

c. Payable to directors and officers also pertain to directors' fees amounting to ₱2.67 million, and ₱2.08 million in 2020 and 2019, respectively (see Note 16). Outstanding payable amounted to ₱2.19 million and ₱1.87 million as at December 31, 2020 and 2019, respectively.

d. In 2019, the Group entered into a loan agreement in favor of a stockholder amounting to ₱10.00 million. This is non-interest bearing and is due and demandable. As at December 31, 2020 and 2019, outstanding payable pertaining to this transaction amounted to nil and ₱10.00 million, respectively.

e. As at December 31, 2019, cash amounting to ₱10.00 million was held in trust by the President in his capacity as Treasurer of CTX (see Note 8). The said amount is subject to restriction awaiting commencement of CTX's operations and therefore, not available for general use by the other entities within the Group. In 2020, this has been released to CTX.

f. In March and September 2020, the Parent Company sold its 100% ownership in CTX to a stockholder for a total amount of ₱5.27 million which was offset against the advances from the stockholder (see Note 23).

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. Outstanding payable as at December 31, 2020 and 2019 amounted to ₱0.12 million.

Affiliates:

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.

b. 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

Key management compensation
Compensation of key management personnel amounted to ₱18.66 million, ₱28.48 million and ₱97.10 million in 2020, 2019 and 2018, respectively. In 2019, the Parent Company issued 415,000 common shares from the Parent Company's treasury shares at ₱1.23 per share to its President and Chief Finance Officer.

Compensation of key management personnel by benefit type follows:

	2020	2019	2018
Short-term employee benefits	**₱17,148,373**	₱31,031,220	₱91,986,269
Post-employment benefits*	**1,511,747**	(2,546,793)	5,118,520
	₱18,660,120	₱28,484,427	₱97,104,789

**includes gain on curtailment on defined benefit plan*

20. **Income Taxes**

Provision for (benefit from) income tax for the years ended December 31, 2020, 2019 and 2018 consists of the following:

	2020	2019	2018
Deferred	**(₱8,401,307)**	(₱7,628,461)	₱92,397,605
Current	**3,554,509**	33,461,365	52,065,923
Final	**123,417**	319,512	43,421
	(₱4,723,381)	₱26,152,416	₱144,506,949

The components of the Group's net deferred tax assets are as follows:

	2020	2019
Deferred tax assets on:		
NOLCO	**₱1,486,725**	₱–
Pension liability	**1,449,570**	626,786
Net unrealized loss on financial assets at FVOCI	**18,000**	–
Lease liabilities	–	741,825
	2,954,295	1,368,611
Deferred tax liabilities on:		
Unrealized foreign exchange gain	**1,486,725**	–
Remeasurement gain on retirement plan	**1,449,570**	626,786
Unrealized gain on financial assets at FVOCI	**18,000**	–
Right-of-use assets	–	741,825
	2,954,295	1,368,611
Net deferred tax assets	**₱–**	₱–

As of December 31, 2019, the Group has recognized net deferred tax liabilities which pertains to deferred tax on fair value adjustment on intangible assets amounting to ₱6.95 million. As of December 31, 2020, there are no net deferred tax liabilities.

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. Below are the Group's deductible temporary differences for which no deferred tax assets are recognized since management believes that there are no sufficient taxable profits against which the deferred tax assets can be utilized:

	2020	2019
NOLCO	**₱876,385,111**	₱819,656,506
Accrued expenses	**87,859,902**	80,330,124
Allowance for impairment losses	**17,938,753**	98,080,045
Pension liability	**14,283,679**	18,864,233
MCIT	**5,448,084**	2,335,709
Unrealized foreign exchange loss	**12,688**	479,153
Unrealized loss on revaluation of cryptocurrencies	**–**	2,049,649
Excess of billed revenue over POC	**–**	539,617
Net lease liability	**–**	119,198
	₱1,001,928,217	₱1,022,335,036

Below are the remaining amounts of 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	**₱44,194,956**	₱44,254,956
Remeasurement loss on defined benefit plan	**11,010,677**	7,870,216
	₱55,205,633	₱52,125,172

<u>Bayanihan to Recover as One Act</u>

Republic Act No. 11494 or the Bayanihan to Recover as One Act was signed into law on September 11, 2020. Pursuant to Revenue Regulations No. 25-2020 implementing relevant provisions of the Bayanihan to Recover as One Act relative to NOLCO, unless otherwise disqualified from claiming the deduction, the business or enterprise which incurred net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss. The net operating loss for said taxable years may be carried over as a deduction even after the expiration of the Bayanihan to Recover as One Act, provided the same are claimed within the next five (5) consecutive taxable years immediately following the year of such loss.

The carryforward NOLCO and MCIT of the Parent Company and local subsidiaries that can be claimed as deduction from future taxable income or used as deduction against income tax liabilities follow:

NOLCO:

Year Incurred	Beginning	Additions	Applied	Expired	End	Year of Expiration
2017	₱101,374,691	₱–	₱128,338	₱101,246,353	₱–	2020
2018	360,715,857	–	80,602,585	–	280,113,271	2021
2019	204,926,341	–	–	–	204,926,341	2022
2020	–	23,447,664	–	–	23,447,664	2025
	₱667,016,889	₱23,447,664	₱80,730,924	₱105,666,612	₱508,487,276	

Subject to qualifying conditions, NOLCO of foreign subsidiaries which can be carried forward indefinitely amounted to ₱372.85 million and ₱152.64 million in 2020 and 2019, respectively.

MCIT:

Year Incurred	Beginning	Additions	Applied	Expired	End	Year of Expiration
2017	₱514,249	₱–	₱–	₱514,249	₱–	2020
2018	634,747	–	–	–	634,747	2021
2019	1,186,713	–	–	–	1,186,713	2022
2020	–	3,626,624	–	–	3,626,624	2023
	₱2,335,709	₱3,626,624	₱–	₱514,249	₱5,448,084	

The reconciliation between the statutory and effective income tax rates for the years ended December 31, 2020, 2019 and 2018 follows:

	2020	2019	2018
Statutory income tax rate	**(₱22,062,192)**	(₱782,762,629)	(₱200,140,290)
Adjustments resulting from:			
Changes in unrecognized deferred tax assets	**14,181,663**	70,352,480	322,771,685
Nondeductible loss from investments in associates	**2,324,113**	–	15,896,540
Nondeductible expenses	**1,929,225**	737,361,900	594,805
Expired MCIT	**514,249**	–	469,465
Effect of lower income tax rate	**11,294**	1,741,924	4,950,591
Interest income subjected to final tax	**(70,475)**	(157,409)	(61,093)
Nontaxable income	**(1,551,258)**	(383,850)	–
Effect of capital allowance utilized	–	–	25,246
Provision for (benefit from) income tax	**(₱4,723,381)**	₱26,152,416	₱144,506,949

President Rodrigo Duterte signed into law on March 26, 2021 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 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 Group:

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations.
- MCIT rate reduced from 2% to 1% 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, 2011 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% RCIT, 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Group would have been subjected to lower minimum corporate income tax rate of 1% 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 CIT rate of the Company for CY2020 is 27.5%. 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 ₱0.87 million. The effect of CREATE will be reflected in the Parent Company and local subsidiaries' 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.

21. Retirement and Other Long-term Employee Benefits

The Group, except for Yondu, does not have an established retirement plan and only conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) which is of the defined benefit type and provides a retirement benefit equal to 22.5 days' pay for every year of credited service. The regulatory benefit is paid in a lump sum upon retirement.

Yondu has a noncontributory, defined benefit pension plan (the Plan) covering all of its regular full-time employees. The benefits are based on years of service and compensation on the last year of employment.

The funds of the Plan are administered by a trustee bank, BPI Asset Management and Trust Group, under the supervision of the Board of Trustee (BOT) of the Plan. The BOT is responsible for the investment strategy of the Plan.

The principal actuarial assumptions used to determine the cost of pension benefits with respect to the discount rate and salary increase rate were based on historical and projected rates. Annual cost is determined using the projected unit credit actuarial valuation method.

The components of net pension expense (gain on curtailment) in the consolidated statements of comprehensive income are as follows:

	2020	2019	2018
Current service cost	**₱2,314,166**	₱4,090,412	₱5,488,022
Net interest cost on benefit obligation	**1,371,430**	1,100,796	1,510,424
Past service cost - curtailment	**(1,373)**	(5,935,378)	(1,408,264)
	₱3,684,223	(₱744,170)	₱5,590,182

The Group undertook retrenchment in 2020 and 2019 and restructuring in 2018 which caused a significant reduction in the headcount. Specifically, the decline in the number of employees covered by the Group's plan included 17, 79 and 53 officers in 2020, 2019 and 2018, respectively. The Group recognized pension expense amounting to ₱3.69 million, ₱2.86 million and ₱5.59 million included in "Salaries, wages and employee benefits" under "General and administrative expenses" in the consolidated statements of comprehensive income in 2020, 2019 and 2018, respectively. "Gain on curtailment" amounting to nil, ₱3.60 million and nil were recognized under "Other charges (income)" in the consolidated statements of comprehensive income in 2020, 2019 and 2018, respectively.

As of December 31, 2020 and 2019, pension liabilities amounted to ₱26.82 million and ₱24.82 million, respectively.

The following table presents the changes in the present value of defined benefit obligation and fair value of plan assets.

Present value of defined benefit obligation

	2020	2019
Balance at beginning of year	**₱24,823,772**	₱36,699,615
Current service cost	**2,314,166**	4,090,412
Interest cost on benefit obligation	**1,371,430**	2,066,242
Net actuarial losses (gains)	**(1,691,440)**	4,617,208
Past service cost - curtailment	**(1,373)**	(5,935,378)
Derecognition of defined benefit obligation	**–**	(165,855)
Sale of a subsidiary (Note 23)	**–**	(16,548,472)
	₱26,816,555	₱24,823,772

Fair value of plan assets

	2020	2019
Balance at beginning of year	**₱–**	₱14,588,805
Interest income	**–**	965,446
Actual return excluding amount included in net interest cost	**–**	(110,591)
Sale of subsidiary (Note 23)	**–**	(15,443,660)
Balance at end of year	**₱–**	₱–
Actual return on plan assets	**₱–**	₱854,855

The Group does not currently employ any asset-liability matching.

Remeasurement gain (loss) on defined benefit plan under consolidated statements of comprehensive income follow:

	2020	2019	2018
Actuarial gain (loss) on defined benefit obligation	**₱1,691,440**	(₱4,617,208)	₱15,495,194
Actual return excluding amount included in net interest cost	**–**	(110,591)	(1,023,938)
Tax effect relating to actuarial gain	**(1,449,571)**	(341,502)	(5,345,695)
	₱241,869	(₱5,069,301)	₱9,125,561

Actuarial loss on defined benefit pension plan recorded under "Remeasurement gain (loss) on defined benefit plan" in the consolidated statements of changes in equity follow:

	2020	2019	2018
Balance at beginning of year	**₱1,341,927**	(₱6,529,546)	₱2,596,015
Actuarial loss (gain) on defined benefit obligation	**(1,691,440)**	4,617,208	(15,495,194)
Tax effect relating to actuarial gain	**1,449,571**	341,502	5,345,695
Sale of subsidiary	**–**	3,615,433	–
Actual return excluding amount included in net interest cost	**–**	110,591	1,023,938
Derecognition of defined benefit plan	**–**	(813,261)	–
	₱1,100,058	₱1,341,927	(₱6,529,546)
Attributable to:			
Equity holders of Xurpas Inc.	**₱3,335,931**	₱2,571,739	(₱3,441,396)
Noncontrolling interests	**(2,235,873)**	(1,229,812)	(3,088,150)
	₱1,100,058	₱1,341,927	(₱6,529,546)

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

	2020	2019	2018
Discount rate	**3.03% – 4.20%**	5.50 – 5.54%	7.42 - 7.80%
Salary projection rate	**3.00% – 5.00%**	3.00 – 5.00%	3.00 - 8.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption of the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

		(Decrease) increase on DBO	
		2020	2019
Discount rate	(+) 1.0%	**(₱3,681,606)**	(₱3,251,928)
	(−) 1.0%	**4,455,167**	3,852,583
Salary increase rate	(+) 1.0%	**4,375,265**	3,871,370
	(−) 1.0%	**(3,679,163)**	(3,285,101)

The weighted average duration of defined benefit obligation at the end of the reporting period is 6.9 to 28.52 years and 7.80 to 14.90 years in 2020 and 2019, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2020 and 2019:

	2020	2019
Within 1 year	**₱1,852,961**	₱1,968,771
More than 1 year to 5 years	**–**	–
More than 5 years to 10 years	**12,554,993**	14,415,644
	₱14,407,954	₱16,384,415

22. Business Combinations and Acquisition of Noncontrolling Interests

Business Combinations

Yondu, Inc. ("Yondu")
On September 16, 2015, the Parent Company acquired 22,950 shares of common stock in Yondu, a content developer and provider of mobile value-added services and information technology services for a total consideration of ₱900.00 million. The 5,000 shares out of the 22,950 shares were from unissued shares of Yondu while 17,950 shares were purchased from GTI. Purchase price of unissued shares and shares previously held by GTI amounted to ₱230.00 million and ₱670.00 million, respectively. The purchase resulted in a 51% ownership by the Parent Company in Yondu.

Included in the Shareholders' Agreement are a call and put option granting the Parent Company the right to require GTI to sell and granting GTI the right to require the Parent Company to purchase all, but not part only, of the 49% shareholding of GTI in Yondu at ₱39,215.69 per company share, respectively. The options have an exercise date starting September 16, 2016 and will expire after two years therefrom. The put option and call option shall be exercised by a share swap of Xurpas shares for shares held by GTI or a combination of share swap and cash, at the mutual agreement of both parties.

A financial liability amounting to ₱848.50 million was initially recognized in the consolidated statements of financial position for the redemption obligation related to the written put option over the shares held by GTI. In September 2018, the call and put options remained unexercised and were terminated in line with their expiration resulting to a gain amounting to ₱16.21 million recognized under "Other charges (income)" (see Note 17).

On September 11, 2019, the BOD of the Parent Company approved the sale of the 51% ownership shares of Yondu Inc to GTI at a purchase price of ₱501.25 million (see Note 23).

Acquisition of Noncontrolling Interests

Xeleb Technologies Inc.
On September 11, 2019, Deeds of Absolute Sale were executed for the acquisition by the Parent Company of the remaining 33.00% interest in Xeleb Technologies for ₱4.00 million. This brought Parent Company's interest in Xeleb Technologies to 100%. The acquisition resulted in the decrease in equity reserve amounting to ₱36.09 million.

Increase in Noncontrolling Interests

Storm Technologies, Inc.
In 2019, Storm issued an aggregate of 3,985 shares to individual stockholders for a total consideration of ₱7.08 million.

Allcare Technologies, Inc.
In 2020, Allcare issued an aggregate of 134,800 shares to its stockholders for a total consideration of ₱11.00 million bringing Storm's ownership over Allcare from 83.84% to 71.62%. This transaction did not result to a loss of Group's control over Allcare.

23. **Deconsolidated Subsidiary**

CTX Technologies Inc.
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.

Total gain on disposal of CTX recognized in 2020 presented under "Other income (charges)" in the consolidated statement of comprehensive income amounted to ₱3.34 million (see Note 17) computed as follows:

Assets	
Cash	₱1,088,427
Other current assets	962,997
	2,051,424
Liabilities	
Accounts and other payables	123,521
Net assets attributable to Xurpas (100% owned)	1,927,903
Proceeds from sale	(5,265,230)
Gain on sale	(₱3,337,327)

Cash outflow related to the disposal follows:

Cash proceeds from sale	₱–
Cash balance of CTX	1,088,427
Net cash outflow	(₱1,088,427)

Yondu Inc.
On September 11, 2019, the Parent Company and GTI entered into a Deed of Absolute Sale for the sale of 22,950 shares equivalent to 51% interest in Yondu for a total amount of ₱501.25 million. As a result, the Group consolidated Yondu's statement of comprehensive income up to the date of sale.

Total loss on disposal of Yondu recognized in 2019 presented under "Other income (charges)" in the consolidated statement of comprehensive income amounted to ₱478.95 million (see Note 17) computed as follows:

Assets	
Cash	₱128,222,993
Receivables	523,247,314
Other current assets	21,053,392
Contract asset	15,215,727
Property and equipment (Note 10)	34,041,056
Right-of-use assets (Note 18)	54,708,846
Intangible assets (Note 11)	1,670,874,726
Deferred tax assets	17,393,201
Other noncurrent assets	17,303,818
	2,482,061,073

(Forward)

Liabilities	
Accounts and other payables	₱202,556,042
Pension liability - net (Note 21)	1,104,812
Income tax payable	11,216,822
Contract liability	19,102,598
Lease liabilities (Note 18)	56,849,444
Dividends payable	50,293,088
Deferred tax liability	339,145,001
	680,267,807
Net assets	1,801,793,266
Noncontrolling interests in Yondu	(821,591,498)
Net assets attributable to Xurpas	980,201,768
Proceeds from sale	(501,251,674)
Loss on sale	₱478,950,094

Remeasurement gain on defined benefit plan of Yondu attributable to the equity holders of Xurpas Inc. amounting to ₱3.60 million recognized in OCI was closed to Deficit upon disposal of Yondu.

Cash inflow related to the disposal follows:

Proceeds from sale	₱501,251,674
Cash balance of Yondu	128,222,993
Net cash inflow	₱373,028,681

Yondu operates both under mobile consumer services and enterprise services segments of the Group.

	Period Ended September 11, 2019	Year Ended December 31, 2018
Revenues	₱793,778,134	₱862,816,632
Cost and expenses	694,720,109	772,235,401
Income before income tax	99,058,025	90,581,231
Provision for income tax	22,342,650	26,284,044
Net income from a deconsolidated subsidiary	₱76,715,375	₱64,297,187
Earnings per share		
Basic EPS, for net income attributable to equity holders of the Parent Company from a deconsolidated subsidiary	₱0.04	₱0.03

The net cash flows from the activities of Yondu are as follows:

	Period Ended September 11, 2019	Year Ended December 31, 2018
Net cash provided by operating activities	₱91,877,092	₱82,582,705
Net cash used in investing activities	(11,437,294)	(6,957,923)
Net cash used in financing activities	(58,482,998)	(32,624,962)
Effect of exchange rate changes	141,573	187,680

24. **Equity**

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

	2020	2019
Authorized shares	**5,000,000,000**	5,000,000,000
Par value per share	**₱0.10**	₱0.10
Issued shares	**1,934,925,852**	1,934,925,852
Treasury shares	**62,128,975**	63,095,642
Value of shares issued	**₱193,492,585**	₱193,492,585
Value of treasury shares	**(₱99,700,819)**	(₱107,418,911)

In accordance with Revised Securities Regulation Code Rule 68, Annex 68-K, below is the summary of the Parent Company's track record of registration of securities as of December 31:

				2020	2019
	Number of shares registered	Issue/offer price	Date of approval	Number of holders of securities as of December 31	Number of holders of securities as of December 31
Common shares	344,000,000	₱3.97 issue price	November 13, 2014	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.

On March 2, 2018, the Parent Company issued 67,285,706 common shares by way of block sale to implement the amendments in a share purchase agreement related to acquisition of AOC. The shares were issued at ₱3.80 per share.

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.

<u>Retained Earnings</u>

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.

Dividends declaration

The Parent Company has no dividend declarations made in 2020, 2019 and 2018.

Deficit includes accumulated equity in the net losses of subsidiaries and associates amounting to ₱452.95 million and ₱567.88 million as of December 31, 2020 and 2019, respectively.

<u>Equity Reserve</u>

In 2016, the Parent Company purchased additional shares from noncontrolling interests of Xeleb, Xeleb Technologies and Storm. The transactions were accounted as an equity transaction since there was no change in control. Equity reserve recognized as a result of these transactions amounted to ₱43.72 million.

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 to the acquisition of AOC.

In 2019, the Parent Company purchased the remaining 33% stake from noncontrolling interests of Xeleb Technologies. The transaction was accounted as an equity transaction since there was no change in control resulting to a reduction in equity reserve amounting to ₱36.09 million.

In 2019, a reduction in equity reserve amounting to ₱2.71 million was recognized due to the increase in noncontrolling interests of Storm Technologies from 43.40% to 48.69%.

Treasury Stock

As of January 1, 2018, the Parent Company has 63,985,642 treasury shares with cost amounting to ₱115.06 million which pertains to acquisition of shares made in 2017.

On April 8, 2019, the Parent Company reissued 415,000 treasury shares with a cost of ₱3.81 million for a price of ₱1.23 per share.

On July 14, 2019, the Parent Company reissued 475,000 treasury shares with a cost of ₱4.23 million for a price of ₱1.16 per share.

On July 23, 2020, the Parent Company reissued 966,667 treasury shares with a cost of ₱7.72 million 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 the SEC and PSE.

Capital Management

The primary objective of the Group's capital management is to improve its credit rating and capital ratios in order to support its business operations and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and status of its operations. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The Group's sources of capital follow:

	2020	2019
Capital stock	**₱193,492,585**	₱193,492,585
Additional paid-in capital	**3,577,903,565**	3,585,092,298
Deficit	**(3,243,882,830)**	(3,184,802,325)
	₱527,513,320	₱593,782,558

The Group is subject to certain capital requirement as a listed entity. The Group regards its equity as its primary source of capital. No changes were made in the capital management policies in 2020, 2019 and 2018.

25. **Subsidiary with Material Noncontrolling Interests**

Noncontrolling interests pertain to the percentage interests in subsidiaries that the Parent Company does not own. The summarized financial information is provided below for the subsidiary with material noncontrolling interest. This information is based on the amounts before intercompany eliminations.

The Parent Company considers a subsidiary with material noncontrolling interests if its net assets exceed 5.00% of its total consolidated net assets of the Group as of reporting period and considers the relevance of the nature of activities of the entity compared to other operations of the Group. There are no significant restrictions on the Parent Company's ability to use assets and settle liabilities of the Group.

As of December 31, 2020 and 2019, financial information of identified subsidiaries with material noncontrolling interests is as follows:

Storm

	2020	2019
Proportion of equity interests held by noncontrolling interests	**48.69%**	48.69%
Accumulated balances of noncontrolling interests	**(₱84,635,512)**	(₱84,958,142)
Loss allocated to noncontrolling interests	**(10,635,929)**	(38,865,876)
Other comprehensive income (loss) allocated to noncontrolling interests	**(41,433)**	94,351
Total comprehensive loss allocated to noncontrolling interests	**(10,677,362)**	(38,771,525)

	2020	2019
Statements of financial position		
Current assets	**₱31,240,942**	₱38,783,984
Noncurrent assets	**7,729,785**	29,733,394
Current liabilities	**249,494,180**	256,404,571
Noncurrent liabilities	**309,269**	405,391
Total capital deficiency	**(210,832,722)**	(188,292,584)
Attributable to:		
Equity holders of Xurpas Inc.	**(126,197,210)**	(103,334,442)
Noncontrolling interests	**(84,635,512)**	(84,958,142)
Statements of comprehensive income		
Revenue and other income	**₱64,970,350**	101,833,573
Cost and expenses	**83,324,861**	174,873,953
Loss before income tax	**(18,354,511)**	(73,040,380)
Provision for income tax	**384,325**	6,782,737
Loss from operations	**(18,738,836)**	(79,823,117)
Other comprehensive (loss) income	**(85,096)**	204,932
Total comprehensive loss	**(18,823,932)**	(79,618,185)
Attributable to:		
Equity holders of Xurpas Inc.	**(8,146,570)**	(40,846,660)
Noncontrolling interests	**(10,677,362)**	(38,771,525)

Statements of cash flows		
Net cash used in operating activities	**(₱5,438,661)**	(₱6,268,066)
Net cash provided by (used in) investing activities	**(188,032)**	(397,500)
Net cash (used in) provided by financing activities	**(3,075,278)**	11,484,882
Effect of exchange rate changes	**(67,895)**	(7,703)

Seer

	2020	2019
Proportion of equity interests held by noncontrolling interests	**30.00%**	30.00%
Accumulated balances of noncontrolling interests	**(₱11,297,220)**	(₱13,211,082)
Profit (loss) allocated to noncontrolling interests	**899,174**	(1,978,180)
Other comprehensive income allocated to noncontrolling interests	**1,014,698**	316,428
Total comprehensive income (loss) allocated to noncontrolling interests	**1,913,872**	(1,661,752)
Statements of financial position		
Current assets	**₱21,273,182**	₱10,454,858
Noncurrent assets	**9,976,316**	7,163,519
Current liabilities	**67,292,338**	55,812,987
Noncurrent liabilities	**327,000**	4,554,800
Total equity (capital deficiency)	**(36,369,840)**	(42,749,410)
Attributable to:		
Equity holders of Xurpas Inc.	**(25,072,620)**	(29,538,328)
Noncontrolling interests	**(11,297,220)**	(13,211,082)

	2020	2019
Statements of comprehensive income		
Revenue and other income	**₱48,773,333**	₱24,464,921
Cost and expenses	**46,983,245**	31,651,126
Income (loss) before income tax	**1,790,088**	(7,186,205)
Benefit from income tax	**(1,207,152)**	(592,276)
Income (loss) from operations	**2,997,240**	(6,593,929)
Other comprehensive income	**3,382,330**	1,054,760
Total comprehensive income (loss)	**6,379,570**	(5,539,169)
Attributable to:		
Equity holders of Xurpas Inc.	**4,465,698**	(3,877,417)
Noncontrolling interests	**1,913,872**	(1,661,752)
Statements of cash flows		
Net cash (used in) provided by operating activities	**(₱3,374,224)**	₱5,497,057
Net cash provided by investing activities	**–**	–
Net cash provided by (used in) financing activities	**1,191,349**	(5,239,467)

26. Earnings (Loss) Per Share

The Group's earnings (loss) per share for the years ended December 31, 2020, 2019 and 2018 were computed as follow:

	2020	2019	2018
Net income (loss) attributable to the equity holders of the Parent Company	**(₱59,080,505)**	(₱2,630,944,855)	(₱765,794,458)
Weighted average number of outstanding shares	**1,872,253,954**	1,871,488,960	1,859,695,202
Basic earnings (loss) per share	**(₱0.03)**	(₱1.41)	(₱0.41)
Diluted earnings (loss) per share	**(₱0.03)**	(₱1.41)	(₱0.41)

Earnings (loss) per share is calculated using the consolidated net income (loss) attributable to the equity holders of the Parent Company divided by weighted average number of shares.

27. Financial Instruments

Fair Value Information

The methods and assumptions used by the Group in estimating fair value of the financial instruments are as follows:

- Cash and cash equivalents, accounts and other receivables (except for advances to employees which are subject to liquidation), refundable deposits under other current assets, restricted cash equivalent under other current assets, accounts and other payables (excluding "Taxes payable", "Deferred output VAT", and provision relating to PSA and statutory payables included as "Others"), and loans payable - Carrying amounts approximate fair values due to the relatively short-term maturities of these instruments, except for restricted cash equivalent under other current assets. The difference between carrying amount and fair value is immaterial.

- Financial assets at FVOCI (quoted equity investments) - Fair value is based on quoted prices published in the market.

- Financial assets at FVOCI (unquoted equity investments) - Fair values are based on the latest selling price available.

- Financial assets at FVPL (unquoted debt investments) - Fair values are based on the comparable prices adjusted for specific market factors such as nature, industry, location and market recovery rates.

- Nontrade payable - Fair values are determined using prices in such transaction which still approximate the fair values at yearend.

- Advances from stockholders - Fair value is estimated using the discounted cash flow methodology using the applicable risk-free rates for similar types of loans adjusted for credit spread. The discount rate used in 2020 and 2019 is 2.36% and 5.27% 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
Financial asset				
Financial assets at fair value through other comprehensive income	**₱500,000**	**₱500,000**	₱440,000	₱440,000
Financial liability				
Advances from stockholders*	**138,204,454**	**136,158,143**	147,940,206	141,858,113

**Included under 'Payable to related parties' in 'Accounts and other payables' and 'Advances from stockholders - net of current portion' in consolidated statement of financial position*

Fair Value Hierarchy

The Group uses the following three-level hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Unquoted financial assets at FVOCI amounting to nil as of December 31, 2020 and 2019 were classified under Level 3 (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 Group's financial instruments comprise cash and cash equivalents, financial assets at FVPL, accounts and other receivables, financial assets at FVOCI, refundable deposits under other current assets, restricted cash equivalent under other current assets, accounts and other payables (excluding taxes payable, deferred output VAT, and statutory payables), and loans payable, which arise directly from operations. The main purpose of these financial instruments is to finance the Group's operations and to earn additional income on excess funds.

Exposure to credit risk, liquidity risk and foreign currency risk arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

There were no changes in the Group's risk management objectives and policies in 2020 and 2019.

The Group's risk management policies are summarized below:

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation.

The Group's credit risk is primarily attributable to cash in banks, cash equivalents, and accounts and other receivables. Credit risk management involves monitoring its exposure to credit risk on a continuous basis.

In 2020, the Group has identified one customer with concentration of credit risk amounting to ₱22.82 million which constitutes 33.33% of the consolidated trade receivables. There is no concentration of credit risk in 2019.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rate is based on days past due of all customers as they have similar loss patterns. The expected credit loss rate ranges from 0.40% to 68.12% that resulted in the ECL of ₱22.34 million and ₱263.09 million as of December 31, 2020 and 2019, respectively.

The Group's credit risk exposure on its accounts and other receivables using provision matrix is as follows (amounts in millions):

December 31, 2020

	Trade receivables						Receivable from related parties	Other receivables
	Current	**< 30 days**	**30-60 days**	**61-90 days**	**> 90 days**	**Total**		
ECL rate	**0.43-1.57%**	**1.73-9.81%**	**3.02-19.23%**	**6.18-31%**	**8.85-41.06%**		**0-50%**	**60%**
Estimated total gross carrying amount at default	**₱30.59**	**₱6.67**	**₱7.29**	**₱0.72**	**₱23.18**	**₱68.45**	**₱11.38**	**₱12.05**
ECL	**₱0.04**	**₱0.01**	**₱0.04**	**₱0.08**	**₱9.73**	**₱9.90**	**₱5.23**	**₱7.21**

December 31, 2019

	Trade receivables						Receivable from related parties	Other receivables
	Current	< 30 days	30-60 days	61-91 days	> 90 days	Total		
ECL rate	0.35-1.79%	0.68-13.05%	1.77-26.80%	7.78-40.19%	9.11-95.26%		0-50%	35%
Estimated total gross carrying amount at default	₱22.16	₱2.54	₱0.70	₱0.35	₱247.64	₱273.39	₱10.38	₱14.11
ECL	₱0.16	₱0.10	₱0.13	₱0.10	₱254.41	₱254.90	₱3.45	₱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 Group's rating procedure. These are held by counterparty banks with minimal risk of bankruptcy and are therefore classified as high grade.

Trade 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.

Receivable from related parties - The credit risk depends primarily on the level of loss absorbing capacity of the counterparty. The Group evaluates if the counterparties are adequately capitalized or the counterparties' latest financial statements show positive results.

Liquidity Risk
Liquidity risk is the risk that the Group will be unable to meet its obligations as they fall due. The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirement, finance capital expenditures and service maturing debts. To cover its short-term funding requirements, the Group intends to use internally generated funds. The Group can also obtain additional advances from its stockholders, refinance its short-term loans, negotiate for credit lines and negotiate for longer payment terms for its payables to manage liquidity.

The table summarizes the maturity profile of the Group's financial assets and liabilities and contract assets as at December 31, 2020 and 2019 based on contractual undiscounted payments:

December 31, 2020

	<1 year	**>1 to <5 years**	**>5 years**	**Total**
Financial Assets				
Cash and cash equivalents	**₱67,743,841**	**₱–**	**₱–**	**₱67,743,841**
Accounts and other receivables				
Trade receivables - net	**58,556,346**	**–**	**–**	**58,556,346**
Receivable from related parties	**11,379,848**	**–**	**–**	**11,379,848**
Others	**12,054,504**	**–**	**–**	**12,054,504**
Financial asset at FVOCI	**500,000**	**–**	**–**	**500,000**
Other current assets				
Refundable deposits	**1,230,016**	**–**	**–**	**1,230,016**
Total undiscounted financial assets	**151,464,555**	**–**	**–**	**151,464,555**
Contract assets	**4,995,516**	**–**	**–**	**4,995,516**
Total undiscounted financial assets and contract assets	**156,460,071**	**–**	**–**	**156,460,071**
Financial Liabilities				
Trade and other payables				
Payable to related parties	**103,652,123**	**54,726,023**	**–**	**158,378,146**
Trade payables	**82,184,225**	**–**	**–**	**82,184,225**
Nontrade payable	**52,488,918**	**–**	**–**	**52,488,918**
Payable to third parties	**52,191,204**	**–**	**–**	**52,191,204**
Accrued expenses	**22,467,005**	**–**	**–**	**22,467,005**
Other payables	**7,409,572**	**–**	**–**	**7,409,572**
Loans payable	**46,001,611**	**–**	**–**	**46,001,611**
Total undiscounted financial liabilities	**366,394,657**	**54,726,023**	**–**	**421,120,680**
Liquidity gap	**(₱200,934,586)**	**(₱54,726,023)**	**₱–**	**(₱**!E27 Is Not In Table**)**

December 31, 2019

	<1 year	>1 to <5 years	>5 years	Total
Financial Assets				
Cash and cash equivalents	₱153,929,046	₱–	₱–	₱153,929,046
Accounts and other receivables				
Trade receivables – net	18,487,824	–	–	18,487,824
Receivable from related parties	10,377,902	–	–	10,377,902
Others	14,113,381	–	–	14,113,381
Financial asset at FVOCI	440,000	–	–	440,000
Other current assets				
Refundable deposits	1,919,867	–	–	1,919,867
Cash held in trust	10,000,000	–	–	10,000,000
Restricted cash equivalent	5,060,129	–	–	5,060,129
Total undiscounted financial assets	214,328,149	–	–	214,328,149
Contract assets	8,290,141	–	–	8,290,141
Total undiscounted financial assets and contract assets	222,618,290	–	–	222,618,290

(Forward)

	<1 year	>1 to <5 years	>5 years	Total
Financial Liabilities				
Trade and other payables				
Trade payables	₱115,714,403	₱–	₱–	₱115,714,403
Payable to related parties	101,028,311	60,945,899	–	161,974,210
Nontrade payable	54,481,084	–	–	54,481,084
Payable to third parties	17,742,923	–	–	17,742,923
Accrued expenses	26,006,041	–	–	26,006,041
Other payables	10,024,442	–	–	10,024,442
Loans payable	57,521,529	–	–	57,521,529
Lease liabilities	2,815,305	1,083,547	–	3,898,852
Total undiscounted financial liabilities	385,334,038	62,029,446	–	447,363,484
Liquidity gap	(₱162,715,748)	(₱62,029,446)	₱–	(₱224,745,194)

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans payable with variable interest rates.

The following tables demonstrate the sensitivity of the Group's loss before tax and equity to a reasonably possible change in interest rates in 2020 and 2019, with all other variables held constant:

		Effect on loss before income tax Increase (decrease)	
		2020	2019
Floating rate borrowings	(+) 1.0%	**(₱97,337)**	(₱370,276)
	(−) 1.0%	**97,337**	370,276

Foreign Currency Risk
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The following table shows the foreign currency-denominated monetary assets and their respective Philippine peso equivalent as of December 31, 2020 and 2019.

	2020		2019	
	Original currency	**Peso equivalent**	Original currency	Peso equivalent
Cash in bank				
US Dollar (USD)	**$354,005**	**₱17,000,381**	$65,567	₱3,326,887
Trade receivables				
US Dollar (USD)	**364,938**	**17,525,412**	4,956,546	251,495,144
Foreign currency denominated assets		**34,525,793**		254,822,031
Trade Payables				
US Dollar (USD)	**1,884,896**	**90,518,380**	1,808,652	91,770,992
Net foreign currency denominated financial instruments		**(₱55,992,587)**		₱163,051,039

In translating the foreign currency-denominated monetary assets into Peso amounts, the exchange rates used were as follows:

	2020	2019
USD to ₱	**₱48.02**	₱50.74

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-foreign currency exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	2020		2019	
	+₱1	**-₱1**	+₱1	-₱1
USD	**(₱1,165,638)**	**₱1,165,638**	₱3,214,287	(₱3,212,635)

There is no other impact on the Group's equity other than those already affecting the net income.

28. Segment Reporting

The industry segments where the Group operates follow:

- Mobile consumer services - includes airtime management, content development and management and marketing and advertising solutions
- Enterprise services - includes platform development and customization, system integration, mobile platform consultancy services, management of off-the-shelf application and social media related services. This also includes IT staff augmentation, other various enterprise solutions-based services to telecommunication companies and other companies for network and applications development
- Other services - includes consultancy and other services in the field of human resource management, trading in general, sourcing for and supplying of goods to import and export goods

The following tables regarding business segment revenue and profit information for the years ended December 31, 2020, 2019 and 2018:

2020

	Mobile consumer services	**Enterprise services**	**Other services**	**Intersegment adjustments**	**Consolidated**
INCOME					
Service income	**₱21,999,969**	**₱249,554,087**	**₱11,122,938**	**(₱161,315,602)**	**₱121,361,392**
Sale of goods	**–**	**–**	**52,647,630**	**–**	**52,647,630**
	21,999,969	**249,554,087**	**63,770,568**	**(161,315,602)**	**174,009,022**
COST AND EXPENSES	**(44,575,272)**	**(314,150,018)**	**(83,324,863)**	**157,001,898**	**(285,048,255)**
Equity in net losses of associates	**–**	**–**	**–**	**(7,747,043)**	**(7,747,043)**
Finance cost and other income	**31,230,384**	**21,738,820**	**1,199,781**	**(8,923,350)**	**45,245,635**
Income (loss) before income tax	**8,655,081**	**(42,857,111)**	**(18,354,514)**	**(20,984,097)**	**(73,540,641)**
Provision for (benefit from) income tax	**(206,171)**	**2,050,202**	**384,325**	**(6,951,737)**	**(4,723,381)**
Net income (loss)	**8,861,252**	**(44,907,313)**	**(18,738,839)**	**(14,032,360)**	**(68,817,260)**
Net loss attributable to:					
Equity holders of Xurpas Inc.					**(₱59,080,505)**
Noncontrolling interests					**(₱9,736,755)**
					(₱68,817,260)

2019

	Mobile consumer services	Enterprise services	Other services	Intersegment adjustments	Consolidated
INCOME					
Service income	₱68,328,261	₱861,815,858	₱5,167,085	(₱55,498,718)	₱879,812,486
Sale of goods	–	–	92,146,792	–	92,146,792
	68,328,261	861,815,858	97,313,877	(55,498,718)	971,959,278
COST AND EXPENSES	(2,638,038,464)	(782,298,521)	(162,033,368)	552,472,380	(3,029,897,973)
Equity in net losses of associates	–	–	–	(33,286,655)	(33,286,655)
Finance cost and other charges	(225,469,560)	(301,506)	(8,320,836)	(283,891,512)	(517,983,414)
Income (loss) before income tax	(2,795,179,763)	79,215,831	(73,040,327)	179,795,495	(2,609,208,764)
Provision for income tax	4,251,154	21,750,856	6,782,696	(6,632,290)	26,152,416
Net income (loss)	(₱2,799,430,917)	₱57,464,975	(₱79,823,023)	₱186,427,785	(₱2,635,361,180)
Net loss attributable to:					
Equity holders of Xurpas Inc.					(₱2,630,944,855)
Noncontrolling interests					(4,416,325)
					(₱2,635,361,180)

2018

	Mobile consumer services	Enterprise services	Other services	Intersegment adjustments	Consolidated
INCOME					
Service income	₱314,237,156	₱909,854,454	₱7,142,270	(₱77,891,392)	₱1,153,342,488
Sale of goods	–	–	88,845,797	–	88,845,797
	314,237,156	909,854,454	95,988,067	(77,891,392)	1,242,188,285
COST AND EXPENSES	(1,126,781,765)	(940,466,356)	(167,130,298)	400,732,206	(1,833,646,213)
Equity in net losses of associates	–	–	–	(52,988,467)	(52,988,467)
Finance cost and other income (charges)	16,585,190	(3,266,699)	(8,374,556)	(27,631,840)	(22,687,905)
Income (loss) before income tax	(795,959,419)	(33,878,601)	(79,516,787)	242,220,507	(667,134,300)
Provision for income tax	5,321,396	20,774,335	25,135,981	93,275,237	144,506,949
Net income (loss)	(₱801,280,815)	(₱54,652,936)	(₱104,652,768)	₱148,945,270	(₱811,641,249)
Net loss attributable to:					
Equity holders of Xurpas Inc.					(₱765,794,458)
Noncontrolling interests					(45,846,791)
					(₱811,641,249)

The following tables present business segment assets and liabilities as at December 31, 2020, 2019 and 2018:

2020

	Mobile consumer services	**Enterprise services**	**Other services**	**Intersegment adjustments**	**Consolidated**
Other information					
Segment assets	**₱106,917,961**	**₱844,652,105**	**₱53,686,901**	**(₱388,191,994)**	**₱617,064,973**
Deferred tax assets	–	–	–	–	–
Total assets	**₱106,917,961**	**₱844,652,105**	**₱53,686,901**	**(₱388,191,994)**	**₱617,064,973**
Segment liabilities	**₱340,002,835**	**₱525,500,132**	**₱249,803,449**	**(₱502,894,119)**	**₱612,412,297**
Deferred tax liabilities	–	–	–	–	–
Total liabilities	**₱340,002,835**	**₱525,500,132**	**₱249,803,449**	**(₱502,894,119)**	**₱612,412,297**

2019

	Mobile consumer services	Enterprise services	Other services	Intersegment adjustments	Consolidated
Other information					
Segment assets	₱845,921,672	₱1,008,614,774	₱68,342,525	(₱1,208,936,126)	₱713,942,845
Deferred tax assets	–	17,393,201	–	(17,393,201)	–
Total assets	845,921,672	1,026,007,975	68,342,525	(1,226,329,327)	713,942,845
Segment liabilities	616,475,165	697,641,903	256,635,229	(889,654,522)	681,097,775
Deferred tax liabilities	–	–	–	6,951,740	6,951,740
Total liabilities	₱616,475,165	₱697,641,903	₱256,635,229	(₱882,702,782)	₱688,049,515

2018

	Mobile consumer services	Enterprise services	Other services	Intersegment adjustments	Consolidated
Other information					
Segment assets	₱4,327,932,152	₱625,205,086	₱96,494,474	(₱97,253,309)	₱4,952,378,403
Deferred tax assets	1,825,761	28,494,512	6,592,302	(22,725,883)	14,186,692
Total assets	4,329,757,913	653,699,598	103,086,776	(119,979,192)	4,966,565,095
Segment liabilities	1,214,435,143	452,518,107	218,843,982	(738,545,398)	1,147,251,834
Deferred tax liabilities	–	1,004,640	–	351,724,388	352,729,028
Total liabilities	₱1,214,435,143	₱453,522,747	₱218,843,982	(₱386,821,010)	₱1,499,980,862

29. Notes to Consolidated Statements of Cash Flows

Disclosed below is the rollforward of liabilities under financing activities:

	January 1, 2020	**Cash flows**	**Non-cash changes**	**Foreign exchange movement**	**December 31, 2020**
Loans payable	**₱52,130,272**	**(₱10,346,413)**	**₱–**	**(₱73,576)**	**₱41,710,283**
Lease liabilities	**3,809,525**	**(2,184,116)**	**(1,518,358)**	**(107,051)**	**–**
Advances from stockholders	**54,033,333**	**–**	**(4,730,610)**	**–**	**49,302,723**
Total liabilities from financing activities	**₱109,973,130**	**(₱(12,530,529)**	**(₱6,248,968)**	**(₱180,627)**	**₱91,013,006**

	January 1, 2019	Cash flows	Non-cash changes	Foreign exchange movement	December 31, 2019
Loans payable	₱358,741,481	(₱306,611,209)	₱–	₱–	₱52,130,272
Dividends payable	63,163,332	(10,983,978)	(52,179,354)	–	–
Lease liabilities	76,495,086	(21,833,336)	(50,852,225)	–	3,809,525
Advances from stockholders	–	54,033,333	–	–	54,033,333
Total liabilities from financing activities	₱498,399,899	(₱285,395,190)	(₱103,031,579)	₱–	₱109,973,130

	January 1, 2018	Cash flows	Non-cash changes	Foreign exchange movement	December 31, 2018
Loans payable	₱377,419,000	(₱18,677,519)	₱–	₱–	₱358,741,481
Dividends payable	38,152,639	(13,819,758)	38,830,452	–	63,163,333
Finance lease liabilities	1,794,643	–	(1,179,551)	–	615,092
Total liabilities from financing activities	₱417,366,282	(₱32,497,277)	₱37,650,901	₱–	₱1,690,079,624

The noncash investing and financing activities of the Group are as follows:

- Unrealized gain on financial assets at FVOCI amounted to ₱42,000 and ₱35,000 in 2020 and 2019, respectively. Unrealized loss on financial assets at FVOCI amounted to ₱95,000 in 2018. In 2020, net unrealized loss on financial assets at FVOCI decreased by ₱18,000 as a result of the recognition of deferred tax asset.
- Cumulative translation adjustments recognized under "Investments in associates" amounted to ₱6.27 million, ₱4.38 million and ₱8.66 million in 2020, 2019 and 2018, respectively.
- As of December 31, 2018, outstanding dividends payable pertaining to dividends declared to noncontrolling interests amounted to ₱63.16 million which is recorded under "Other current liabilities". No dividends payables were recognized as of December 31, 2020 and 2019.
- As of December 31, 2020, 2019 and 2018, additions to property and equipment has outstanding payable amounting to nil, ₱0.88 million and ₱0.76 million, respectively. In 2020, proceeds from sale of property and equipment to employees offset against salaries payable amounted to ₱0.69 million.
- As of December 31, 2020, 2019 and 2018, additions to intangible asset has outstanding payable amounting to nil, ₱0.74 million and ₱203.14 million, respectively.
- In 2019, Storm issued an aggregate of 3,985 shares to individual stockholders for a total consideration of ₱7.08 million. In 2018, Storm issued 3,601 common shares to various individuals resulting in the Parent Company's dilution of ownership from 56.60% to 53.96% in Storm. The transfer of the Parent Company's share in the accumulated net losses of Storm to the noncontrolling interest amounted to ₱3.19 million.
- In 2019, Storm issued 3,985 common shares to various individuals resulting in the Parent Company's ownership from 53.96% to 51.31% in Storm. Net increase in NCI amounted to ₱4.38 million.
- In 2019, the Parent Company issued 415,000 and 475,000 shares to its employees taken from its treasury shares for a price of ₱1.23 and ₱1.16 per share, respectively. In 2020, the Parent Company reissued 966,667 treasury shares to its employees with a cost of ₱7.72 million for a price of ₱0.57 per share.

30. Provisions, Contingencies and Commitments

The Group is currently involved in assessments for national taxes and the outcome of these assessments is not presently determinable.

In the opinion of management and its legal counsel, the eventual liability under these assessments, if any, will not have a material effect on the Group's financial position and results of operations. The information usually required under PAS 37 is not disclosed on the ground that it may prejudice the outcome of the assessments.

The Group, through ODX, entered into Token Pre-Sale Agreements ("PSA") with various investors for the sale of ODX tokens. Investment received from the PSA amounted to USD2.69 million and USD2.85 million (equivalent to ₱129.68 million and ₱142.26 million) as of December 31, 2020 and 2019, respectively (see Note 12).

The Group, through ODX, also entered into advisory agreements with various advisors for which the services to be received are to be paid through internally generated tokens and for which the obligation cannot be measured with sufficient reliability.

31. **Other Matters**

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 Group'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 Group 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 Group 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.

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT
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 consolidated financial statements of Xurpas Inc. and its subsidiaries (the Group) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated June 15, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules A to I listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for the purpose of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez

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

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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 consolidated financial statements of Xurpas Inc. and its subsidiaries (the Group) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated June 15, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
SEC Accreditation No. 1561-AR-1 (Group A),
January 31, 2019 valid until January 30, 2022
Tax Identification No. 925-713-249
BIR Accreditation No. 08-001998-119-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8534336, January 4, 2021, Makati City

June 15, 2021

XURPAS INC. AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

SCHEDULE A

XURPAS INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received or accrued
Loans and receivables			
Cash and cash equivalent			
Cash on hand	₱–	₱103,497	₱–
Cash in banks			
Bank of the Philippine Islands			
Current Account	–	9,056,276	32,325
Savings Account	–	524,129	7,043
US Dollar Account	–	154,640	85
Robinsons Bank			
Savings Account	–	24,191	–
Security Bank			
Current Account	–	4,751,415	10,778
Savings Account	–	169,705	147
US Dollar Account	–	16,635,466	1,693
Unionbank			
Current Account	–	3,337,213	11,781
Savings Account	–	174,373	–
US Dollar Account	–	–	–
China Bank			
Current Account	–	25,262,010	44,678
Savings Account	–	–	–
US Dollar Account	–	–	–
Metrobank			
Savings Account	–	122,424	236
Asia United Bank			
Current Account	–	25,231	–
Banco De Oro			
Current Account	–	–	–
Savings Account	–	6,733,777	5,948
US Dollar Account		–	–
CIMB Niaga Bank	–	140,115	
CIMB Bank			
US Dollar Account	–	123,809	–
SG Dollar Account	–	27,129	335
OCBC Bank			
US Dollar Account	–	110,719	–
SG Dollar Account	–	142,233	–
Paypal	–	125,489	–
Cash equivalent			
Time deposit	–	–	531,595
Accounts and other receivables			
Trade	–	68,454,889	–
Receivable from related parties	–	11,379,848	–
Others	–	12,054,504	–
	–	159,633,082	646,644
Financial assets at fair value through other comprehensive income			
Quoted equity investment	–	500,000	–
	–	500,000	–
	₱–	₱160,133,082	₱646,644

SCHEDULE B

XURPAS INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Write off	Current	Noncurrent	Balance at the end of the year
Advances to employees	₱2,389,525	₱–	(₱1,649,540)	₱–	₱739,985	₱–	₱739,985

XURPAS INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

	Amount owed by Xurpas Parent to Xurpas Subsidiaries			
	Receivable balance per Xurpas Parent	Payable balance per Xurpas Subsidiaries	Current	Noncurrent
Storm Technologies Inc.	₱118,172,153	₱118,172,153	₱118,172,153	₱–
Xurpas Enterprise Inc.	108,815,291	108,815,291	108,815,291	–
Seer Technologies Inc.	51,734,818	51,734,818	51,734,818	–
Art of Click Pte. Ltd.	34,833,270	34,833,270	34,833,270	–
ODX Pte. Ltd	6,107,369	6,107,369	6,107,369	–
Xeleb Technologies Inc. and subsidiary	104,234	104,234	104,234	–
Subtotal	₱319,767,135	₱319,767,135	₱319,767,135	₱–

	Amount owed by Xurpas Subsidiaries to Xurpas Parent			
	Receivable balance per Xurpas Subsidiaries	Payable balance per Xurpas Parent	Current	Noncurrent
Xeleb Technologies Inc. and subsidiary	₱78,161,187	₱78,161,187	₱78,161,187	₱–
Xurpas Enterprise Inc.	37,767,656	37,767,656	37,767,656	–
ODX Pte. Ltd.	33,216,279	33,216,279	33,216,279	–
Art of Click Pte. Ltd.	15,199,234	15,199,234	15,199,234	–
Seer Technologies Inc.	6,513,208	6,513,208	6,513,208	–
Subtotal	₱170,857,564	₱170,857,564	₱170,857,564	₱–

	Amount owed to Xurpas Subsidiary to Xurpas Subsidiary		
Receivable to	Payable from	Current	Noncurrent
Storm Technologies Inc.	Xurpas Enterprise Inc.	₱124,047	₱–
Xurpas Enterprise Inc.	Storm Technologies Inc.	743,137	–
Xurpas Enterprise Inc.	Seer Technologies Inc.	118,423	–
Subtotal		985,607	₱–
Total eliminated receivables		₱491,610,306	₱–

XURPAS INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT

			Long-term Debt
Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term" in related balance sheet	Amount shown under caption "long-term debt" in related balance sheet
The Group does not have long-term loans.			

SCHEDULE E

XURPAS INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

Indebtedness to Related Parties (Long-term Loans from Related Companies)		
Name of related party	Balance at beginning of period	Balance at end of period
The Group does not have long-term loans from related companies in its consolidated statements of financial position.		

XURPAS INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS

Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee

Not Applicable

The Group does not have any guarantees of securities of other issuing entities by the issuer for which the consolidated financial statements is filed.

XURPAS INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK

Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	5,000,000,000	1,872,796,877*	–	–	660,683,616	1,212,113,261

**Net of treasury shares.*

SCHEDULE H

XURPAS INC. AND SUBSIDIARIES

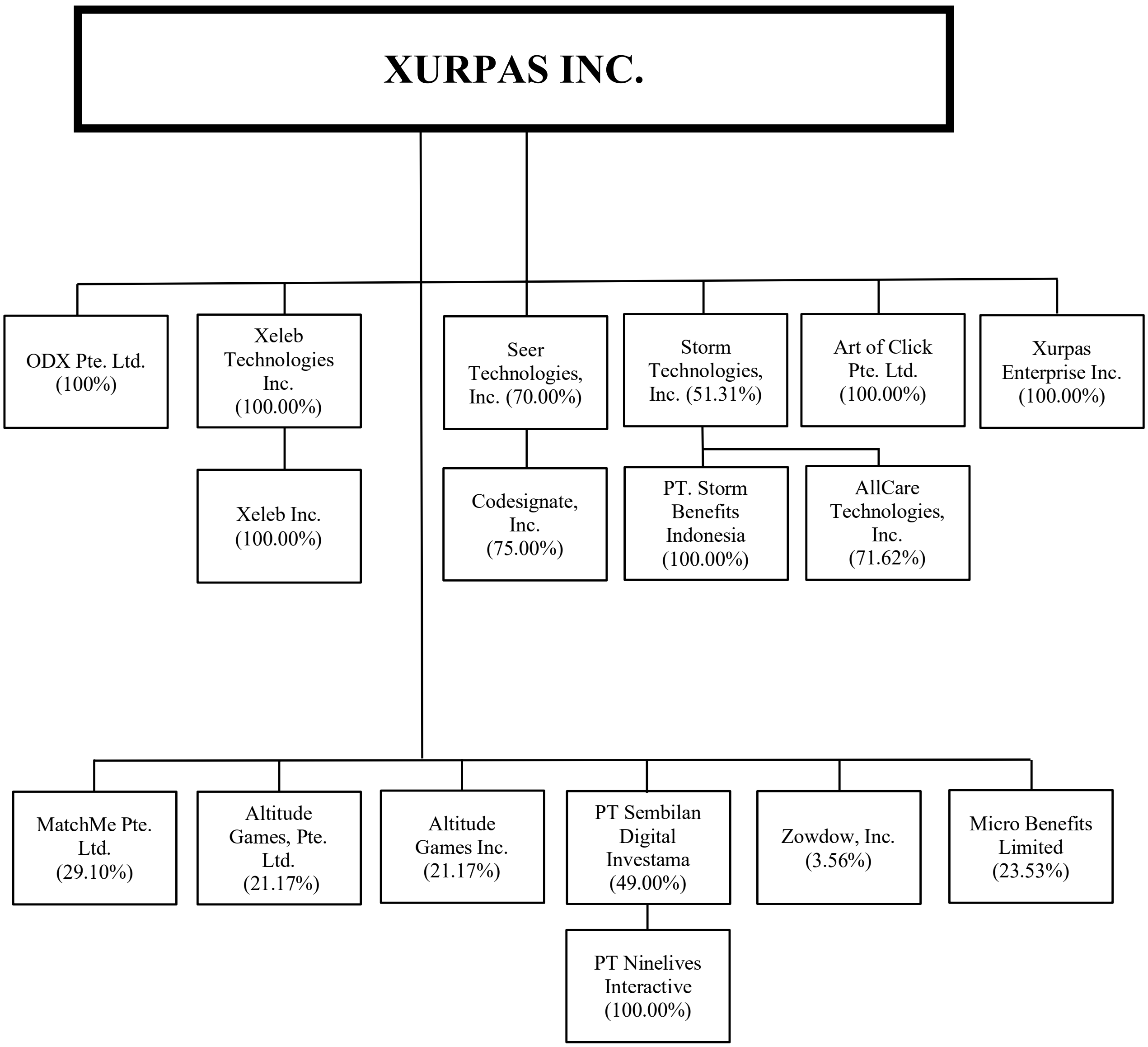
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

Unappropriated Retained Earnings, beginning	(₱3,045,380,268)
Less adjustments:	
Adjustment due to adoption of PFRS 16	271,300
Unrealized forex 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	₱–

SCHEDULE I

XURPAS INC. AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES



Note: Xeleb Technologies Inc. and Xeleb Inc. are in the process of liquidation

XURPAS INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE ON FINANCIAL SOUNDNESS INDICATORS

Ratio	Formula	2020	2019
Current Ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets ₱165,827,736 Divide by: Total Current Liabilities 536,293,019 Current Ratio 0.31	**0.31**	0.41
Acid Test Ratio/Quick Ratio	Quick Assets (*Total Current Assets less Inventories and Other Current Assets*) divided by Total Current Liabilities Total Current Assets ₱165,827,736 Less: Other Current Assets 22,798,171 Quick Assets 143,029,565 Divide by: Total Current Liabilities 536,293,019 Acid Test Ratio 0.27	**0.27**	0.33
Solvency Ratio	Total Assets divided by Total Liabilities Total Assets ₱617,064,973 Divide by: Total Liabilities 612,412,297 Solvency Ratio 1.01	**1.01**	1.04
Debt-to-Equity Ratio	Total Liabilities divided by Total Equity Attributable to Parent Total Liabilities ₱612,412,297 Divide by: Equity Attributable to equity holders of Xurpas Inc. 100,585,408 Debt-to-Equity Ratio 6.09	**6.09**	5.55
Asset-to-Equity Ratio	Total Assets divided by Equity Attributable to Parent Total Assets ₱617,064,973 Divide by: Equity Attributable to equity holders of Xurpas Inc. 100,585,408 Asset-to-Equity Ratio 6.13	**6.13**	5.75
Interest Rate Coverage Ratio	Earnings before Interest and Taxes (EBIT)/Interest Charges Income (Loss) before Income Tax (₱73,540,641) Add: Interest Expense 10,628,192 EBIT (62,912,449) Divided by: Interest Expense 10,628,192 Interest Expense Coverage Ratio -5.92)	**(5.92)**	(64.75)

Ratio	Formula	2020	2019
Return on Equity	Net Income attributable to equity holders of Xurpas Inc. divided by Average Total Equity (*Total Equity PY + Total Equity CY divided by 2)* Net Income (Loss) attributable to equity holders of Xurpas Inc. (₱59,080,505) Total Equity attributable to equity holders of Xurpas Inc. (CY) 100,585,408 Total Equity attributable to equity holders of Xurpas Inc. (PY) 124,062,554 Average Total Equity 112,323,981 Return on Equity (0.53)	**(0.53)**	(1.86)
Return on Assets	Net Income attributable to equity holders of Xurpas Inc. divided by Average Total Assets (*Total Assets PY + Total Assets CY divided by 2)* Net Income (Loss) attributable to equity holders of Xurpas Inc. (₱59,080,505) Total Assets (CY) 617,064,973 Total Assets (PY) 713,942,845 Average Total Assets 665,503,909 Return on Assets (0.09)	**(0.09)**	(0.93)
Net Income Margin	Net Income attributable to equity holders of Xurpas Inc. divided by Revenue Net Income (Loss) attributable to equity holders of Xurpas Inc. (₱59,080,505) Divided by: Revenue 174,009,022 Net Income Margin Ratio (0.34)	**(0.34)**	(2.71)
Gross margin ratio	Gross margin divided by Revenue Revenue ₱174,009,022 Less: Direct costs 165,199,200 Gross margin 8,809,822 Divided by: Revenue 174,009,022 Gross Margin Ratio 0.05	**0.05**	0.15
Operating margin ratio	Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) divided by Revenue Income (Loss) before Income Tax (₱73,540,641) Add: Interest Expense 10,628,192 Depreciation and Amortization 29,570,496 EBITDA (33,341,953) Divided by: Revenue 174,009,022 Operating Margin Ratio (0.19)	**(0.19)**	(2.56)

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	2	0	0	1	1	7	7	0	8	

C O M P A N Y   N A M E

XURPAS INC.

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	N/A

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

Company's Email Address	Company's Telephone Number	Mobile Number
info@xurpas.com	8889-6426	N/A
No. of Stockholders	**Annual Meeting (Month / Day)**	**Fiscal Year (Month / Day)**
24	2nd Monday of May	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Alexander D. Corpuz	mar@xurpas.com	8889-6426	N/A

CONTACT PERSON's ADDRESS

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.*

joy.novencido@xurpas.com

Subject: FW: Your BIR AFS eSubmission uploads were received

From: <eafs@bir.gov.ph>
Date: Tue, Jun 15, 2021, 9:54 PM
Subject: Your BIR AFS eSubmission uploads were received
To: <ecmblaban@gmail.com>
Cc: <ESTHER@xurpas.rocks>

Hi XURPAS INC.,

Valid files

- EAFS219934330AFSTY122020.pdf
- EAFS219934330TCRTY122020-01.pdf
- EAFS219934330RPTTY122020.pdf
- EAFS219934330OTHTY122020.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.

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.

---

xurpas

"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.

SUBSCRIBED AND SWORN to before me this JUN 16 2021 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. 46;
Page No. 12;
Book No. 5;
Series of 2021.

ATTY. MARIEL CLAIRE D. GONZALES
PTR No. 5242746 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)

SGV
Building a better working world

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
Xurpas Inc.
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.

SGV

Building a better working world

- 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

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

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

See accompanying Notes to Parent Company Financial Statements.

XURPAS INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

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

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

See accompanying Notes to Parent Company Financial Statements.

1. Corporate Information

Xurpas Inc. (the Parent Company or Xurpas) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on November 26, 2001. The principal activities of the Parent Company 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 below credit risk investments. It is the Parent Company's policy to measure ECLs on such instruments on a 12-

month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

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

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

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

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

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

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

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).

<u>Interest Income</u>
Interest income is recognized as it accrues using the effective interest method.

<u>Other Income</u>
Other income is recognized as it accrues.

<u>Cost and Expenses</u>
"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.

<u>Value-Added Tax (VAT)</u>
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.

<u>Pension Liability</u>
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)	**₱6,268,559**	₱18,974,683
Investment in associates (Note 8)*	**325,537,430**	325,537,430
Investment in subsidiaries (Note 9)	**68,535,991**	78,535,986
Property and equipment (Note 10)	**1,680,768**	3,377,679
Right-of-use asset (Note 16)	**–**	741,825
Other noncurrent assets (Note 6)	**14,984,460**	6,770,052
	₱417,007,208	₱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	**₱27,044**	₱34,170
Cash in banks	**59,509,240**	29,482,875
Cash equivalents	**–**	101,072,938
	₱59,536,284	₱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)	**₱317,905,523**	₱280,473,075
Trade receivables		
Third parties	**24,571,114**	3,837,228
Related parties (Note 17)	**13,241,460**	–
Nontrade receivable	**7,208,250**	7,595,250
Other receivables	**847,188**	526,999
	363,773,535	292,432,552
Less: Allowance for impairment losses	**102,821,591**	85,478,278
	₱260,951,944	₱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 Einsights 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	**₱85,478,278**	₱32,691,977
Provision (Note 14)	**19,899,695**	67,346,817
Write-off and others	**(2,556,382)**	(14,560,516)
Balance at end of year	**₱102,821,591**	₱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)	**₱94,960,081**	₱79,791,828
Trade receivables	**653,260**	954,250
Nontrade receivable	**7,208,250**	4,732,200
	₱102,821,591	₱85,478,278

6. Other Assets

Other current assets
This account consists of:

	2020	2019
Input VAT	**₱3,628,095**	₱4,855,588
Rental deposits	**1,348,520**	–
Prepaid expenses	**785,616**	710,667
Creditable withholding taxes	**506,328**	2,602,909
Deferred input VAT	**–**	10,805,519
Restricted cash equivalent	**–**	5,060,129
	₱6,268,559	₱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	**₱12,103,415**	₱–
Developed software	**2,881,045**	6,770,052
Advances to associate (Note 8)	–	22,084,586
Rental deposits	–	593,700
	₱14,984,460	₱29,448,338

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	**₱500,000**	₱440,000
Unquoted equity investment	–	–
Financial assets at FVPL		
Unquoted debt investments	–	–
	₱500,000	₱440,000

The rollforward analysis of financial assets at FVOCI follow:

	2020	2019
Balance at beginning of year	**₱440,000**	₱475,000
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	**₱500,000**	₱440,000

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

	2020	2019
Balance at beginning of year	**(₱44,254,956)**	(₱44,219,956)
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	**(₱44,194,956)**	(₱44,254,956)

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 ₱44.24 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.	**₱52,495,000**	₱52,495,000
Altitude Games Pte. Ltd.	**28,856,000**	28,856,000
Einsights Pte. Ltd.	**23,475,000**	23,475,000
Pico Candy Pte. Ltd.	**3,602,123**	3,602,123
	108,428,123	108,428,123
Less: Remeasurement loss	**(108,428,123)**	(108,428,123)
Balance at end of year	**₱–**	₱–

8. 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
Investment in associates				
Micro Benefits Limited	**23.53%**	23.53%	**₱469,780,137**	₱469,780,137
MatchMe Pte. Ltd.	**29.10**	29.10	**63,577,019**	63,577,019
Altitude Games Pte. Ltd.	**21.17**	21.17	**33,008,920**	33,008,920
PT Sembilan Digital Investama	**49.00**	49.00	**10,983,350**	10,983,350
Altitude Games Inc.	**21.17**	21.17	**211,656**	211,656
			577,561,082	577,561,082
Less: Allowance for impairment loss			**252,023,652**	252,023,652
			325,537,430	325,537,430
Advances to associate (Note 6)			**22,084,586**	22,084,586
			₱347,622,016	₱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
Cost					
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
Accumulated Depreciation and Amortization					
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**
Net Book Value	**₱1,346,890**	**₱22,588**	**₱223,706**	**₱87,584**	**₱1,680,768**

2019

	IT Equipment	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Total
Cost					
Balance at beginning of year	₱11,118,771	₱16,222,368	₱3,188,292	₱6,053,672	₱36,583,103
Additions	7,483	370,326	284,542	145,949	808,300
Disposals	(2,723,059)	(4,369,860)	(869,428)	(3,647,279)	(11,609,626)
Balance at end of year	8,403,195	12,222,834	2,603,406	2,552,342	25,781,777
Accumulated Depreciation and Amortization					
Balance at beginning of year	7,248,498	13,288,537	2,119,936	4,356,033	27,013,004
Depreciation and amortization (Note 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
Net Book Value	₱1,780,713	₱396,923	₱746,308	₱453,735	₱3,377,679

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	**₱1,400,633**	₱2,921,928
Notes payable (Note 17)	**1,287,114**	1,360,690
Other payables (Note 17)	**10,515,755**	5,162,410
	₱301,219,265	₱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	**₱79,016,134**	₱46,582,907
IT staffing	**21,012,296**	–
Third parties		
Custom software development services	**16,223,289**	–
Mobile content development services	**15,061,629**	16,044,713
	₱131,313,348	₱62,627,620

13. **Cost of Services**

This account consists of:

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

(Forward)

	2020	2019
Utilities	**₱175,976**	₱415,484
Commissions	**64,823**	2,551
Prizes and winnings	**–**	16,499
	₱62,803,012	₱56,453,902

14. General and Administrative Expenses

This account consists of:

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

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)	**(₱7,397,963)**	(₱27,950,374)
Interest income (Notes 4 and 17)	**618,596**	6,007,247
	(₱6,779,367)	(₱21,943,127)

Other income (charges) - net consists of:

	2020	2019
Foreign exchange gains - net	**₱15,697,749**	₱3,445,484
Gain from reversal of long outstanding payables (Note 17)	**1,462,540**	103,777,265
Gain (loss) on disposal of property and equipment (Note 10)	**38,068**	(114,753)
Bank charges	**(223,161)**	(5,880,076)
Loss on disposal of investment in subsidiary (Note 9)	**(4,734,765)**	(337,387,133)
Other income	**6,935,277**	8,819,716
	₱19,175,708	(₱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
Cost		
Balance at beginning and end of year	**₱8,901,896**	₱8,901,896
Accumulated Depreciation		
Balance at beginning of year	**8,160,071**	5,192,773
Depreciation (Note 14)	**741,825**	2,967,298
Balance at end of year	**8,901,896**	8,160,071
Net Book Value	**₱–**	₱741,825

The rollforward analysis of lease liability follows:

	2020	2019
Balance at beginning of year	**₱861,023**	₱4,102,104
Accretion of interest	**5,947**	196,379
Payments	**(866,970)**	(3,437,460)
Balance at end of year	**₱–**	₱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	**₱741,825**	₱2,967,298
Accretion of interest expense on lease liability	**5,947**	196,379
Rent expense charged on short-term lease under:		
Cost of services (Note 13)	**871,661**	641,395
General and administrative expenses (Note 14)	**96,851**	71,266
	₱1,716,284	₱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:

			Amount/Volume		Outstanding Balance			
					2020		2019	
	Terms	**Conditions**	**2020**	2019	**Receivables (Note 5)**	**Payables (Note 11)**	Receivables (Note 5)	Payables (Note 11)
Subsidiaries								
Notes payable (a)	Noninterest-bearing	Unsecured	**₱–**	₱–	**₱–**	**₱1,287,114**	₱–	₱1,360,690
Service revenue (b-c)	Noninterest-bearing	Unsecured, 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	Unsecured, 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	Unsecured, with impairment	**–**	25,450,000	**108,250,000**	**–**	108,250,000	–
Interest (m)	Noninterest-bearing	Unsecured, with impairment	**–**	4,521,403	**10,305,798**	**–**	10,305,798	–
Associates								
Advances (a)	Noninterest-bearing	Unsecured, with impairment	**565,146**	4,569,441	**10,943,048**	**–**	10,377,902	–
Stockholders								
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
Affiliate								
Management services (a)	Noninterest-bearing	Unsecured, no impairment	**390,000**	–	**436,800**	**–**	–	–
Advances (c)	Noninterest-bearing	Unsecured, no impairment	**1,063,017**	–	**–**	**755,283**	–	–
					₱331,146,983	**₱323,812,455**	₱280,473,075	₱434,710,922

The significant transactions with related parties follow:

Subsidiaries:

a. On September 15, 2017, the Parent Company issued a promissory note to AOC amounting to US$1,350,000 or ₱67.40 million.

   As at December 31, 2020 and 2019, the Parent Company has outstanding payable to AOC amounting to ₱1.29 million and ₱1.36 million, respectively (see Note 11).

b. 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 ₱12.80 million and ₱20.62 million, respectively (see Note 12).

c. 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 ₱8.02 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	**₱8,790,358**	₱6,690,358
Post-employment benefits	**1,452,198**	(3,342,207)*
	₱10,242,556	₱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	**₱2,641,492**	₱371,799
Final	**118,602**	297,131
	₱2,760,094	₱668,930

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	**₱4,563,294**	₱–
Unrealized loss on financial assets at FVOCI	**18,000**	–
	4,581,294	–
Deferred tax liabilities on:		
Unrealized foreign exchange gain	**4,563,294**	–
Unrealized gain on financial assets at FVOCI	**18,000**	–
	4,581,294	–
Net deferred tax assets	**₱–**	₱–

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

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	**₱44,194,956**	₱44,254,956
Remeasurement loss on defined benefit plan	**10,992,937**	7,870,216
	₱55,187,893	₱52,125,172

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
	₱3,013,291	₱–	₱3,013,291	

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
	₱334,451,492	(₱80,602,586)	₱253,848,906	

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	**₱17,413,149**	(₱803,060,331)
Tax effects of:		
Nondeductible expenses	**2,534,929**	833,082,147
Interest income already subjected to final tax	**(66,976)**	(148,622)
Change in unrecognized deferred tax assets	**(17,121,008)**	(29,204,264)
Effective income tax	**₱2,760,094**	₱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	**₱1,909,135**	₱1,377,388
Interest cost on benefit obligation	**1,110,122**	952,610
Past service cost - curtailment	–	(5,935,378)
	₱3,019,257	(₱3,605,380)

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

	2020	2019
Balance at beginning of year	**₱20,038,308**	₱17,777,551
Current service cost	**1,909,135**	1,377,388
Interest cost on benefit obligation	**1,110,122**	952,610
Past service cost - curtailment	–	(5,935,378)
Actuarial loss	**3,122,721**	5,866,137
Balance at end of year	**₱26,180,286**	₱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	**₱7,870,216**	₱2,004,079
Actuarial loss	**3,122,721**	5,866,137
Balance at end of year	**₱10,992,937**	₱7,870,216

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

	2020	2019
Discount rate	**4.05%**	5.54%
Salary projection rate	**5.00%**	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption of the defined benefit obligation (DBO) as of the end of the reporting period, assuming if all other assumptions were held constant:

		Effect on DBO Increase (decrease)	
		2020	2019
Discount rate	(+) 1.0%	**(₱3,577,562)**	(₱2,701,946)
	(−) 1.0%	**4,335,872**	3,256,475
Salary increase rate	(+) 1.0%	**₱4,248,188**	₱3,240,967
	(−) 1.0%	**(3,579,122)**	(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	**₱1,852,961**	₱1,968,771
More than 1 year to 5 years	–	–
More than 5 years to 10 years	**11,765,289**	6,109,940
	₱13,618,250	₱8,078,711

20. **Equity**

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

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

				2020	2019
	Number of shares registered	Issue/offer price	Date of approval	**Number of holders of securities as of December 31**	Number of holders of securities as of December 31
Common shares	344,000,000	₱3.97 issue price	November 13, 2014	**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.

<u>Retained Earnings</u>
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.

<u>Equity Reserve</u>
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.

<u>Treasury Stock</u>
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.

<u>Employee Stock Option Plan</u>
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	**₱193,492,586**	₱193,492,586
Additional paid-in capital	**3,577,903,563**	3,585,092,296
Deficit	**(2,874,632,257)**	(2,929,915,993)
	₱896,763,892	₱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
Financial asset				
Financial assets at fair value through other comprehensive income	**₱500,000**	**₱500,000**	₱440,000	₱440,000
Financial liability				
Advances from stockholders	**138,204,454**	**136,158,143**	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						Receivable from related parties	Nontrade Receivable
	Current	**< 30 days**	**30-60 days**	**61-90 days**	**> 90 days**	**Total**		
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						Receivable from related parties	Nontrade Receivable
	Current	< 30 days	30-60 days	61-91 days	> 90 days	Total		
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
Financial Assets				
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**
Total undiscounted financial assets	**423,978,035**	**500,000**	–	**424,478,035**
Financial Liabilities				
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**
Total undiscounted financial liabilities	**294,648,277**	**52,891,015**	–	**347,539,293**
Liquidity gap	**₱129,329,758**	**(₱52,391,015)**	**₱–**	**₱76,938,742**

December 31, 2019

	<1 year	>1 to <5 years	>5 years	Total
Financial Assets				
Cash in banks and cash equivalents	₱130,555,813	₱–	₱–	₱130,555,813
Accounts and other receivables				
Receivable from related parties	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
Total undiscounted financial assets	10,692,198,600	440,000	–	10,703,198,600
Financial Liabilities				
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
Total undiscounted financial liabilities	391,224,495	60,945,899	–	452,170,394
Liquidity gap	₱37,417,699	(₱60,505,899)	₱–	(₱24,042,450)

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
Asset				
Cash in bank (USD)	**347,204**	**₱16,678,295**	1,953	₱99,121
Liabilities				
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
Net foreign currency denominated financial instruments		**(₱120,521,272)**		(₱301,565,700)

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:

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

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

The following tables present business segment assets and liabilities:

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

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

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**
Total liabilities from financing activities	**₱158,801,229**	**(₱866,970)**	**(₱19,729,805)**	**₱138,204,454**

	January 1, 2019	Cash flows	Non-cash changes	December 31, 2019
Loans payable	₱287,709,500	(₱287,709,500)	₱–	₱–
Lease liability	4,102,104	(3,437,460)	196,379	861,023
Advances from stockholders	100,216,884	54,033,333	3,689,989	157,940,206
Total liabilities from financing activities	₱392,028,488	(₱237,113,627)	₱3,886,368	(₱158,801,229)

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
Expanded withholding taxes	1,181,309
	₱9,261,395

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.

SGV
Building a better working world

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT
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

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	(₱3,045,380,268)
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	₱–