COVER SHEET

SEC Registration Number

A	2	0	0	1	1	7	7	0	8	

Company Name

XURPAS INC. AND SUBSIDIARIES

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

UNIT 804 ANTEL 2000 CORPORATE CENTER, 121 VALERO ST. SALCEDO VILLAGE, BRGY. BEL-AIR, MAKATI CITY

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
24	**2nd Monday of May**	**June 30**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Alexander D. Corpuz	**mar@xurpas.com**	**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.*

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **June 30, 2021**

2. Commission identification number **A200117708**

3. BIR Tax Identification No **219-934-330**

4. **Xurpas Inc.**
   Exact name of issuer as specified in its charter

   Philippines
5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: [ ] (For SEC Use Only)

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

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

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

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

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

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [✓] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
    Philippine Stock Exchange Common Shares 1,797,700,660

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
    Yes [✓] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.
    Yes [✓] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Unaudited Interim Condensed Consolidated Statements of Financial Position
As at June 30, 2021 (with Comparative Audited Consolidated Statements of Financial Position as at December 31, 2020)

Unaudited Interim Condensed Consolidated Statements of Income and Comprehensive Income
For the Six-month Periods Ended June 30, 2021 and 2020

Unaudited Interim Condensed Consolidated Statements of Changes in Equity
For the Six-month Periods Ended June 30, 2021 and 2020

Unaudited Interim Condensed Consolidated Statements of Cash Flows
For the Six-month Periods Ended June 30, 2021 and 2020

Notes to Unaudited Interim Condensed Consolidated Financial Statements

Attachments:

Schedule I: Map Showing the Relationships Between and Among the Companies in the Group, Its Subsidiaries and Associate
Schedule II: Reconciliation of Retained Earnings Available for Dividend Declaration
Schedule III: Financial Ratios

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The MD&A is a discussion and analysis of the Company’s financial position as at June 30, 2021 and December 31, 2020 and performance for the six-month periods ended June 30, 2021 and 2020. The primary objective of this MD&A is to help the readers understand the dynamics of the Company’s business and the key factors underlying the Company’s financial results.

The MD&A as of and for the six-month period ended June 30, 2021 and 2020 should be read in conjunction with the unaudited interim condensed consolidated financial statements and the accompanying notes.

ITEM 1: FINANCIAL STATEMENTS

XURPAS INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalent (Notes 5 and 25)	**₱50,214,183**	₱67,743,841
Accounts and other receivables (Notes 6 and 25)	**44,981,274**	70,290,208
Contract assets (Note 7)	**22,272,175**	4,995,516
Other current assets (Note 9)	**37,978,619**	22,798,171
Total Current Assets	**155,446,251**	165,827,736
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (Notes 8 and 25)	**500,000**	500,000
Investments in and advances to associates (Note 10)	**340,480,730**	340,547,348
Property and equipment (Note 11)	**4,254,020**	4,252,945
Intangible assets (Note 12)	**80,468,098**	87,837,200
Other noncurrent assets	**19,651,351**	18,099,744
Total Noncurrent Assets	**445,354,199**	451,237,237
	₱600,800,450	₱617,064,973
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 13 and 25)	**₱488,090,408**	₱462,325,787
Loans payable (Notes 14 and 25)	**49,124,909**	41,710,283
Contract liabilities (Note 7)	**31,674,386**	32,256,949
Total Current Liabilities	**568,889,703**	536,293,019
Noncurrent Liabilities		
Advances from stockholders - net of current	–	49,302,723
Pension liabilities	**26,816,555**	26,816,555
Total Noncurrent Liabilities	**26,816,555**	76,119,278
Total Liabilities	**595,706,258**	612,412,297
Equity		
Equity attributable to equity holders of Xurpas Inc.		
Capital stock (Note 23)	**193,492,585**	193,492,585
Additional paid-in capital (Note 23)	**3,577,903,565**	3,577,903,565
Deficit (Note 23)	**(3,242,200,427)**	(3,243,882,830)
Net unrealized loss on financial assets at FVOCI (Note 8)	**(44,194,956)**	(44,194,956)
Cumulative translation adjustment	**63,775,909**	64,908,736
Retirement benefit reserve	**(3,335,931)**	(3,335,931)
Equity reserve (Notes 22 and 23)	**(363,424,608)**	(363,424,608)
Revaluation Surplus	**18,423,820**	18,819,666
Treasury stock (Note 23)	**(99,700,819)**	(99,700,819)
	100,739,138	100,585,408
Noncontrolling interests	**(95,644,946)**	(95,932,732)
Total Equity	**5,094,192**	4,652,676
	₱600,800,450	₱617,064,973

See accompanying Notes to Interim Condensed Consolidated Financial Statements

XURPAS INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the six-month period ended		For the three-month period ended	
	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)	**June 30, 2021 (Unaudited)**	June 30, 2020 (Unaudited)
INCOME				
Service income (Note 15)	**₱74,610,471**	₱44,950,983	**₱50,047,528**	₱16,671,378
Sale of goods	**20,682,437**	21,719,611	**5,606,585**	2,996,366
	95,292,908	66,670,594	**55,654,113**	19,667,744
COST AND EXPENSES				
Cost of services (Note 16)	**60,612,556**	61,083,554	**30,804,332**	31,453,928
Cost of goods sold	**14,457,654**	20,169,492	**4,289,436**	3,388,323
	75,070,210	81,253,046	**35,093,768**	34,842,251
GENERAL AND ADMINISTRATIVE EXPENSES (Note 17)	**30,868,991**	39,380,591	**15,850,503**	18,650,301
EQUITY IN NET LOSSES (EARNINGS) OF ASSOCIATES (Note 10)	**66,618**	(4,648,778)	**822,300**	(7,319,484)
FINANCE COST – NET (Note 18)	**4,497,627**	4,240,564	**2,257,011**	2,165,184
OTHER CHARGES (INCOME) – NET (Note 18)	**(5,367,563)**	(3,127,582)	**(5,330,218)**	96,474
	30,065,673	35,844,795	**13,599,596**	13,592,475
INCOME (LOSS) BEFORE INCOME TAX	**(9,842,975)**	(50,427,247)	**6,960,749**	(28,766,982)
BENEFIT FROM INCOME TAX (Note 21)	**(689,611)**	(1,860,739)	**(692,712)**	(978,323)
NET INCOME (LOSS)	**(9,153,364)**	(48,566,508)	**7,653,461**	(27,788,659)
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that may be reclassified to profit or loss in subsequent periods:				
Cumulative translation adjustment	**(1,132,827)**	14,980,325	**(2,951,516)**	817,860
Item that may not be reclassified to profit or loss in subsequent periods:				
Unrealized fair value gain (loss) on cryptocurrencies	**10,727,707**	–	**(6,465,901)**	–
	9,594,880	14,980,325	**(9,417,417)**	817,860
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱441,516**	(₱33,586,183)	**(₱1,763,956)**	(₱26,970,800)

(Forward)

	For the six-month period ended		For the three-month period ended	
	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)	**June 30, 2021 (Unaudited)**	June 30, 2020 (Unaudited)
Net income (loss) attributable to:				
Equity holders of Xurpas Inc.	**(₱9,441,150)**	(₱43,745,642)	**₱8,559,440**	(₱23,699,700)
Noncontrolling interests	**287,786**	(4,820,866)	**(905,979)**	(4,088,960)
	(₱9,153,364)	(₱48,566,508)	**₱7,653,461**	(₱27,788,660)
Total comprehensive income (loss) attributable to:				
Equity holders of Xurpas Inc.	**₱153,730**	(₱28,848,577)	**(₱892,442)**	(₱22,901,281)
Noncontrolling interests	**287,786**	(4,737,606)	**(871,514)**	(4,069,519)
	₱441,516)	(₱33,586,183)	**(₱1,763,956)**	(₱26,970,800)
Loss Per Share (Note 24)				
Basic	**(₱0.01)**	(₱0.02)	**₱0.00**	(₱0.01)
Diluted	**(₱0.01)**	(₱0.02)	**₱0.00**	(₱0.01)

See accompanying Notes to Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	June 30	
	2021 (Unaudited)	2020 (Unaudited)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF XURPAS INC.		
CAPITAL STOCK - ₱0.10 par value (Note 23)		
Authorized – 5,000,000,000 shares		
Issued and outstanding		
Balance at beginning and end of period	**₱193,492,585**	₱193,492,585
ADDITIONAL PAID-IN CAPITAL (Note 23)		
Balance at beginning and end of period	**3,577,903,565**	3,585,092,298
DEFICIT (Note 23)		
Appropriated		
Balance at beginning and end of period	**115,464,275**	115,464,275
Unappropriated		
Balance at beginning of period	**(3,359,347,105)**	(3,300,266,600)
Transfer of revaluation surplus	**11,123,553**	–
Net loss	**(9,441,150)**	(43,745,642)
Balance at end of period	**(3,357,664,702)**	(3,344,012,242)
	(3,242,200,427)	(3,228,547,967)
NET UNREALIZED LOSS ON FINANCIAL ASSETS AT FVOCI (Note 8)		
Balance at beginning and end of period	**(44,194,956)**	(44,254,956)
CUMULATIVE TRANSLATION ADJUSTMENT		
Balance at beginning of period	**64,908,736**	47,950,210
Movement during the period	**(1,132,827)**	14,897,065
Balance at end of period	**63,775,909**	62,847,275
RETIREMENT BENEFIT RESERVE		
Balance at beginning and end of period	**(3,335,931)**	(2,571,739)
EQUITY RESERVE (Notes 22 and 23)		
Balance at beginning and end of period	**(363,424,608)**	(363,424,608)
REVALUATION SURPLUS		
Balance at beginning of period	**18,819,666**	–
Movement during the period	**(395,846)**	–
Balance at end of period	**18,423,820**	–
TREASURY STOCK (Note 23)		
Balance at beginning and end of period	**(99,700,819)**	(107,418,911)
	100,739,138	95,213,977
NONCONTROLLING INTERESTS		
Balance at beginning of period	**(95,932,732)**	(98,169,224)
Cumulative translation adjustment	**–**	83,260
Net income (loss)	**287,786**	(4,820,866)
Balance at end of period	**(95,644,946)**	(102,906,830)
	₱5,094,192	(₱7,692,853)

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	June 30	
	2021 (Unaudited)	2020 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱9,842,975)**	(₱50,427,247)
Adjustments for:		
Depreciation and amortization (Notes 16 and 17)	**4,882,358**	15,110,922
Interest expense (Note 18)	**4,524,573**	4,810,721
Equity in net losses (earnings) of associates (Note 10)	**66,618**	(4,648,778)
Unrealized foreign currency exchange loss (gain)	**–**	(4,257)
Gain on disposal of property and equipment	**(20,508)**	–
Interest income (Note 5)	**(26,946)**	(570,157)
Operating loss before changes in working capital	**(416,880)**	(35,728,796)
Changes in working capital		
Decrease (increase) in:		
Accounts and other receivables and contract assets – net	**22,474,528**	(16,571,967)
Other current assets	**(15,180,448)**	6,423,392
Increase (decrease) in:		
Accounts and other payables	**(27,186,495)**	(36,324,370)
Contract liabilities	**(582,563)**	25,596,256
Net cash used in operations	**(20,891,858)**	(56,605,485)
Income taxes paid	**689,611**	335,570
Interest received	**26,946**	570,157
Interest paid	**(876,180)**	(1,482,662)
Net cash used in operating activities	**(21,051,481)**	(57,182,420)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	**110,210**	–
Acquisition of intangible assets	**(187,656)**	(74,175)
Additions to property and equipment (Note 11)	**(1,130,923)**	(558,325)
Decrease (increase) in noncurrent assets	**(1,551,607)**	(2,636,876)
Net cash used in investing activities	**(2,759,976)**	(3,269,376)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans payable	**9,730,000**	–
Payment of loans payable	**(2,315,374)**	(6,295,280)
Net cash provided by (used in) financing activities	**7,414,626**	(6,295,280)
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH	**(1,132,827)**	11,964,848
NET DECREASE IN CASH	**(17,529,658)**	(54,782,227)
CASH AT BEGINNING OF PERIOD	**67,743,841**	153,929,046
CASH AT END OF PERIOD (Note 5)	**₱50,214,183**	₱99,146,819

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

The Parent Company's registered office address and principal place of business is at Unit 804 Antel 2000 Corporate Center, 121 Valero St. Salcedo Village, Makati City.

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

The accompanying interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on August 13, 2021

2. Summary of Significant Accounting Policies

Basis of Preparation
The interim condensed consolidated financial statements of the Group as at June 30, 2021 and for the six-month periods ended June 30, 2021 and 2020, have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*.

Accordingly, the interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements as at and for the year ended December 31, 2020.

The interim condensed consolidated financial statements are presented in Philippine Peso (₱), the Group's presentation currency. All amounts were rounded-off to the nearest Peso, except when otherwise indicated. The interim condensed consolidated financial statements have been prepared under the historical cost basis, except for except for financial assets at fair value through other comprehensive income (FVOCI), available-for-sale (AFS) financial assets which have been measured at fair value and financial liabilities at fair value through profit or loss (FVPL).

Statement of Compliance
The accompanying interim condensed consolidated financial statements of the Group as at June 30, 2021 and December 31, 2020 and for the six-month periods ended June 30, 2021 and 2020 have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The accompanying consolidated financial statements include the accounts of Xurpas Inc. and its subsidiaries as at June 30, 2021 and December 31, 2020.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect that return through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other voter holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

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

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

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

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

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

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

As at June 30, 2021 and December 31, 2020, the consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

	Percentage Ownership		
	June 31, 2021	December 31, 2020	**Principal Activities**
Xeleb Technologies Inc. (formerly Fluxion, Inc.) (Xeleb Tech)	**100.00%**	100.00%	Enterprise services and mobile consumer services
Xeleb Inc. (Xeleb)	**100.00**	100.00	Mobile consumer services
Seer Technologies, Inc. (Seer)	**70.00**	70.00	Enterprise services
Codesignate Inc. (Codesignate)*	**52.50**	52.50	Enterprise services
Storm Technologies, Inc. (formerly Storm Flex Systems, Inc.) (Storm)	**51.31**	51.31	Human resource management
Pt. Storm Benefits Indonesia (Storm Indonesia)**	**51.31**	51.31	Human resource management
Allcare Technologies, Inc.**	**36.75**	36.75	Human resource management

(Forward)

	Percentage Ownership		
	June 31, 2021	December 31, 2020	**Principal Activities**
Xurpas Enterprise Inc. (Xurpas Enterprise)	**100.00**	100.00	Enterprise services
Art of Click Pte. Ltd. (AOC)	**100.00**	100.00	Mobile consumer services
ODX Pte. Ltd. (ODX)	**100.00**	100.00	Enterprise services

**Codesignate is a 75%-owned subsidiary of Seer. The Group's effective ownership over Codesignate is 52.50%. The Group has determined that it has control over the entity and consolidates the entity on this basis.*
*** Storm Indonesia and Allcare are 100%-owned of Storm Technologies, Inc.*

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

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

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

On September 11, 2019, the board of directors of the Parent Company approved the dissolution of Xeleb Technologies.

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

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

On September 11, 2019, the board of directors of the Parent Company approved the dissolution of Xeleb.

Storm Technologies, Inc.
The Parent Company's ownership is 56.60% of the outstanding capital stock of Storm as of December 31, 2017. In 2018, Storm issued 3,601 common shares to various individuals for a total of ₱11.97 million. This brought down the Parent Company's ownership from 56.60% to 53.96% of the outstanding capital stock of Storm, which resulted in a transfer of the Parent Company's share in the accumulated net losses of Storm to the noncontrolling interest amounting to ₱3.19 million. Net increase in NCI amounted to ₱8.78 million. No change in control resulted from the said transaction.

In 2019, Storm issued 3,985 common shares to various individuals for a total consideration of ₱4.38 million. This brought down the Parent Company's ownership from 53.96% to 51.31% of the outstanding capital stock of Storm. Net increase in NCI amounted to ₱4.38 million. No change in control resulted from the said transaction.

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

Art of Click Pte. Ltd.
On October 6, 2016, the Parent Company signed a Share Purchase Agreement with Emmanuel Michael Jean Allix and Wavemaker Labs Pte. Ltd. (the "Sellers") for the acquisition of 100% stake in Art of Click for an aggregate consideration of ₱1.94 billion in cash and in Parent Company's shares (see Note 22).

AOC is engaged in the business of mobile media agency that offers a marketing platform for advertisers.

ODX Pte. Ltd.
On April 27, 2018, the Parent Company incorporated a wholly-owned subsidiary in Singapore, ODX, with the following principal activities: 1) other information technology and computer service activities (e.g., disaster recovery services) and 2) development of software for interactive digital media (except games).

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

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

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

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

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

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

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

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

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

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

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

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

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

Deferred Effectivity

- PFRS 17, *Insurance Contracts*

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

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

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

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

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

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

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

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

All other assets are classified as noncurrent.

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

reporting period.

The Group classifies all other liabilities as noncurrent.

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

Fair value measurement

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy (see Note 25).

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

Financial Instruments - initial recognition and subsequent measurement

Date of recognition

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

a. Financial assets

Initial recognition of financial instrument

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

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

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

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)

- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

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

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

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

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

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

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

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

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

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

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

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

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

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

Derecognition

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

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

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

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

Impairment of Financial Assets and Contract Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

This category generally applies to short-term debts.

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

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

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

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

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

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

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

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

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

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

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances. When necessary, adjustments are made to bring the reporting dates and accounting policies in line with those of the Group.

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

Inventories

Inventories are stated at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Property and Equipment

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

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

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

	Years
Transportation equipment	3
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 accumulated impairment losses. Cryptocurrencies are subsequently carried at revalued amount, being its fair value at the date of the revaluation less any accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

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

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

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

The estimated useful lives of intangible assets follow:

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

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

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

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

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

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;

- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

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

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 financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms' economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39, *Financial Instruments: Recognition and Measurement,* is measured at fair value with changes in fair value recognized either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

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

Noncontrolling interests

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

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

Written put option over NCI

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

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

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

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

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

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

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

Combinations of Entities under Common Control

Business combinations of entities under common control are accounted for using the pooling of interests method. The pooling of interest method is generally considered to involve the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity under the "Equity reserve" account.

The financial information in the consolidated financial statements are not restated for periods prior to the combination of the entities under common control.

Impairment of Nonfinancial Assets

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

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

Investments in associates

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

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

Intangible assets with indefinite useful life

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

Impairment of goodwill

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

Equity

Capital stock and additional paid-in capital

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

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

Treasury shares

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Contract Balances

Receivables

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

Contract assets

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

Contract liabilities

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

Interest income

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

Other income

Other income is recognized as they accrue.

Cost and Expenses

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

Cost of services

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

Cost of goods sold

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

General and administrative expenses

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

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee

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

i) Right-of-use assets

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

	Years
Office space	1.5 to 3 years

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

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments 9e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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

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

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

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

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

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

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

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

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

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

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

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

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

Value-Added Tax (VAT)

Revenue, expenses and assets are recognized net of the amount of sales tax except:

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

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

Pensions and other long-term employee benefits

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

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

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

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

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

Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss. Remeasurements comprising actuarial gains and losses are recognized immediately in the consolidated statements of financial position with a corresponding debit or credit through other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

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

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

Foreign Currency Transactions

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

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

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

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

Earnings Per Share (EPS)

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

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and serves different markets. Financial information on business segments is presented in Note 26 of the consolidated financial statements.

Provisions

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

This policy also applies to proceeds received from the Token Pre-Sale Agreement for which management has assessed that it has a present constructive obligation to the token investors.

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

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

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

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

3. Significant Accounting Judgments and Estimates and Assumptions

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

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

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

a. *Going concern assessment*
   The management has made an assessment of the Group's ability to continue as a going concern and is satisfied that it can continue in business for the foreseeable future (see Note 1). The Group incurred net loss of ₱9.15 million, and net operating cash outflows of ₱21.05 million for the six-month period ended June 30, 2021. As of June 30, 2021 the Group's current liabilities exceeded its current assets by ₱413.44 million. Management has considered this in their assessment and has concluded that the ability to continue as a going concern is mainly dependent on future actions such as continuous venture into new revenue potentials, cost cutting measures, and entry of new strategic investors.

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

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

c. *Existence of significant influence over associates*
The Group determined that it exercises significant influence over its associates (see Note 10) by considering, among others, its ownership interest (holding 20% or more of the voting power of the investee) and board representation.

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

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

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

a. *Evaluating impairment of goodwill, intangible assets with indefinite useful lives and investments in associates*
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less cost of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a Discounted Cash Flow (DCF) model.

The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the growth rates, earnings before interest, taxes, depreciation and amortization (EBITDA) margins, working capital and capital expenditures used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Group.

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

The carrying value of goodwill as of June 30, 2021 and December 31, 2020 amounted to ₱48.22 million.

Investment in associate is tested for impairment when circumstances indicate that the carrying value may be impaired.

The carrying values of investments in associates amounted to ₱318.40 million and ₱318.46 million as of June 30, 2021 and December 31, 2020, respectively (see Note 10).

b. *Revenue recognition*
The Group's revenue recognition require management to make use of estimates that may affect the reported amount of revenue. The Group's revenue from sale of services for development projects recognized based on the percentage of completion are measured principally on the basis of the estimated completion of the development services. In measuring the progress of its performance obligation over time, the Group uses the output method which measures progress based on the completion of proportion of work done and requires technical determination by the Group's specialists.

c. *Provisions and contingencies*
The Group is currently involved in assessments for national taxes. The estimate of the probable costs for the resolution of these assessments has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these assessments will have a material effect on the Group's consolidated financial position and results of operation.

d. *Provision for expected credit losses of trade receivables and contract assets*
The Group uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss pattern.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

As of June 30, 2021 and December 31, 2020, allowance for impairment losses on accounts and other receivables amounted to ₱22.33 million and ₱22.34 million, respectively (see Note 6).

e. *Realizability of deferred tax assets*
The Group reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the subsidiaries of the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized. The Group looks at its projected performance in the sufficiency of future taxable income.

4. Seasonality of Interim Operations

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

5. Cash and cash equivalent

This account consists of:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash on hand	**₱108,654**	₱103,497
Cash in banks	**50,105,529**	67,640,344
	₱50,214,183	₱67,743,841

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

Interest income earned from cash in banks amounted to ₱0.03 million and ₱0.57 million for the six-month periods ended June 30, 2021 and 2020, respectively.

6. Accounts and Other Receivables

This account consists of:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade receivables	**₱29,827,093**	₱68,454,889
Receivable from related parties (Note 20)	**11,630,003**	11,379,848
Advances to employees	**541,360**	739,985
Others	**25,315,416**	12,054,504
	67,313,872	92,629,226
Less: Allowance for impairment loss	**22,332,598**	22,339,018
	₱44,981,274	₱70,290,208

Trade receivables arise from the mobile content development, mobile solution and key platform development services rendered by the Group to its customers. These are noninterest-bearing and are generally settled on a 30- to 60-day term.

Advances to employees mainly pertain to advances which are subject to liquidation.

Others are noninterest-bearing and are generally collectible within one year.

The table below shows the movements in the provision for impairment losses of trade receivables:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
At beginning of year	**₱22,339,018**	₱263,085,522
Provisions	**–**	5,898,251
Write-off	**–**	(256,199,497)
Translation adjustments	**(6,420)**	9,554,742
	₱22,332,598	₱22,339,018

7. Contract Balances

This account consists of:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Contract assets	**₱22,272,175**	₱4,995,516
Contract liabilities	**31,674,386**	32,256,949

Contract assets are initially recognized for revenues earned from custom development as receipt of consideration is conditional on successful completion of proportion of work. Upon completion of performance obligation and acceptance by the customer, the amount recognized as contract assets are reclassified to trade receivables.

Contract liabilities consist of collections from customers under custom development services which have not qualified for revenue recognition.

8. **Financial Assets at Fair Value through Other Comprehensive Income**

This account consists of:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of period	**₱500,000**	₱440,000
Unrealized gain on financial assets at FVOCI, net of tax	**–**	42,000
Effect of recognition of deferred tax asset	**–**	18,000
	₱500,000	₱500,000

The roll forward analysis of net unrealized loss on financial assets at FVOCI follows:

	June 30	
	2021 (Unaudited)	2020 (Unaudited)
Balance at beginning of period	**(₱44,194,956)**	(₱44,254,956)
Unrealized gain on financial assets at FVOCI	**–**	–
Balance at end of period	**(₱44,194,956)**	(₱44,254,956)

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

Carrying amount of the investments in financial assets at FVPL and financial assets at FVOCI as at June 30, 2021 and December 31, 2020 are as follow:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Quoted shares		
Club Punta Fuego	**₱500,000**	₱500,000
Unquoted equity investment		
Zowdow Inc.	**44,244,956**	44,244,956
Less: Unrealized loss on financial assets at FVOCI	**(44,244,956)**	(44,244,956)
	–	–
	₱500,000	₱500,000

The quoted shares are categorized under the Level 2 of the fair value hierarchy. The unquoted equity and debt investments are categorized under Level 3 (Note 25).

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

Unquoted equity investments
In April 2015, the Group acquired 666,666 million shares of Series A Preferred Stock of Zowdow Inc. ("Zowdow"), formerly Quick.ly, Inc. ("Quick.ly"), at a purchase price of $1.50 per share for a total investment of US$999,999 or ₱44.24 million. As at June 30, 2021 and December 31, 2020, the Group holds a 3.56% ownership of Zowdow on a fully-diluted basis.

Fair value of unquoted equity investments was determined using prices from recent sales at arm's length transaction. No unrealized gain or loss was recognized during the year for these investments (Note 25).

Unquoted debt investments
<u>MatchMe Pte. Ltd.</u>
On November 2, 2015, the Group acquired a convertible promissory note for US$300,000 (₱14.06 million) issued by MatchMe Pte. Ltd. ("MatchMe"), an associate of the Group based in Singapore (Note 10). On February 11, 2016, the Group acquired additional convertible promissory note issued by MatchMe for US$500,000 (₱23.89

million). On October 7, 2016, the Group acquired additional convertible promissory note issued by MatchMe for US$300,000 (₱14.55 million).

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

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

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

9. **Other Assets**

Other current assets
This account consists of:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Inventories	**₱9,565,929**	₱1,137,660
Prepaid expenses	**9,245,148**	3,933,297
Input VAT	**8,728,381**	10,970,661
Creditable withholding tax	**7,412,834**	5,315,197
Deferred input VAT	**3,366,625**	1,787,742
Refundable deposits	**1,236,104**	1,230,016
	39,555,021	24,374,573
Less: Allowance for impairment	**1,576,402**	1,576,402
	₱37,978,619	₱22,798,171

Inventories include purchases of goods to be sold. These are carried at cost. Cost of goods sold recognized amounted to ₱14.46 million and ₱20.17 million for the six-month periods ended June 30, 2021 and 2020, respectively.

Prepaid expenses mainly pertain to advances to contractors, deposits and advances to rentals and prepaid professional fees.

Input VAT represents VAT imposed on the Company by its suppliers for the acquisition of goods and services.

Creditable withholding taxes pertain to prepaid taxes recognized at the amount withheld at source upon payment and overpayment of income tax in previous years. This can be carried forward and claimed as tax credit against income tax due. In 2020, the Group recognized an impairment loss amounting to ₱1.58 million.

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.

Other noncurrent assets

This account consists of:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Creditable withholding tax	**₱18,770,956**	₱17,173,706
Others	**880,395**	926,038
	₱19,651,351	₱18,099,744

10. Investments in and Advances to Associates

This account consists of:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cost		
Balance at beginning and end of period	**₱577,561,081**	₱577,561,081
Equity in net loss during the period		
Balance at beginning of period	**(174,125,133)**	(166,378,090)
Share in net loss during the period	**(66,618)**	(7,747,043)
Balance at end of period	**(174,191,751)**	(174,125,133)
Cumulative translation adjustment		
Balance at beginning of period	**22,174,302**	15,901,005
Movement during the period	**–**	6,273,297
Balance at end of period	**22,174,302**	22,174,302
Impairment	**(107,147,488)**	(107,147,488)
	318,396,144	318,462,762
Advances to Associate (Note 8)	**22,084,586**	22,084,586
	₱340,480,730	₱340,547,348

The equity in cumulative translation adjustments represents exchange differences arising from the translation of financial statements of the foreign operations, whose functional currency is other than Philippine Peso.

The Group's equity in the net assets of associates and the related percentages of ownership are shown below:

	Percentages of Ownership		**Carrying Amounts**	
	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)	**June 30, 2021 (Unaudited)**	December 31, 2020 (Audited)
Micro Benefits Limited	23.53%	23.53%	**₱282,146,664**	₱282,015,980
Altitude Games Pte. Ltd	21.17	21.17	**21,774,593**	20,923,654
PT Sembilan Digital Investama	49.00	49.00	**14,474,887**	15,523,128
MatchMe Ltd.	29.10	29.10	–	–
Altitude Games Inc.	21.17	21.17	–	–
			₱318,396,144	₱318,462,762
Advances to associate				
PT Sembilan Digital Investama			**22,084,586**	22,084,586
			₱340,480,730	₱340,547,348

Micro Benefits Limited

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

MatchMe Pte. Ltd.
On March 30, 2015, the Parent Company acquired 1,000,000 ordinary shares of MatchMe Pte. Ltd. ("MatchMe"), an international game development company based in Singapore, for a total consideration amounting to ₱60.47 million.

In 2016, MatchMe issued 325,385 common shares to various individuals which resulted in the decrease in the Parent Company ownership interest from 31.52% to 28.59%.

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

Altitude Games Pte. Ltd.
On December 11, 2014, the Parent Company acquired 11.76% stake for 13.33 million ordinary shares in Altitude Games, a Singaporean IT company engaged in computer game development and publishing. The Parent Company paid ₱17.98 million as consideration for the said investment.

On the same date, Mr. Nico Jose S. Nolledo, a stockholder, assigned its 11.36 million ordinary shares representing 10.02% ownership in Altitude Games pursuant to the Deed of Assignment with the Parent Company. Accordingly, the Parent Company recognized a payable to a stockholder amounting to ₱15.24 million from the said assignment which was subsequently paid in 2015.

PT Sembilan Digital Investama
On March 26, 2015, the Parent Company acquired 147 shares representing 49% shareholdings in PT Sembilan Digital Investama (SDI) amounting to ₱10.83 million. The acquisition gave the Parent Company access to PT Ninelives Interactive ("Ninelives"), a mobile content and distribution company in Indonesia, which SDI owns.

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

As at June 30, 2021 and December 31, 2020, there are no capital commitments relating to the Group's interests in its associates.

The Group considers an associate with material interest if its net assets exceed 5% of its total consolidated net assets of the Group as of reporting period and considers the relevance of the nature of activities of the entity compared to other operations of the Group. There are no significant restrictions on the Parent Company's ability to use assets and settle liabilities of the Group.

11. Property and Equipment

The Group acquired property and equipment amounting to ₱1.13 million and ₱0.56 million during the six-month period ended June 30, 2021 and June 30, 2020, respectively. Depreciation expense amounted to ₱1.04 million and ₱2.78 million for the six-month periods ended June 30, 2021 and 2020, respectively.

12. **Intangible Assets**

This account consists of:

June 30, 2021

	Goodwill	**Developed Software**	**Crypto-Currencies**	**Total**
Cost				
At beginning of period	**₱2,004,469,603**	**₱102,893,116**	**₱4,086,012**	**₱2,111,448,731**
Additions	**–**	**187,656**	**–**	**187,656**
Disposal	**–**	**–**	**(2,042,962)**	**(2,042,962)**
At end of period	**2,004,469,603**	**103,080,772**	**2,043,050**	**2,109,593,425**
Accumulated amortization				
At beginning of period	**–**	**79,508,717**	**–**	**79,508,717**
Amortization (Note 15)	**–**	**3,842,212**	**–**	**3,842,212**
At end of period	**–**	**83,350,929**	**–**	**83,350,929**
Accumulated impairment				
At beginning and end of period	**1,956,247,619**	**9,226,335**	**–**	**1,965,473,954**
Accumulated revaluation surplus				
At beginning of year	**–**	**–**	**21,371,140**	**21,371,140**
Revaluation increase	**–**	**–**	**10,727,707**	**10,727,707**
Disposal	**–**	**–**	**(12,399,291)**	**(12,399,291)**
At end of year	**–**	**–**	**19,699,556**	**19,699,556**
Net Book Value	**₱48,221,984**	**₱10,503,508**	**₱21,742,606**	**₱80,468,098**

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
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

Goodwill

Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group.

Developed software

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

Leasehold rights
Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination.

Cryptocurrencies
Cryptocurrencies pertain to units of Bitcoin held by the Group as at June 30, 2021.

The fair value of cryptocurrencies was determined using quoted market prices in active markets categorized under Level 1 of fair value hierarchy. As at June 30, 2021 and December 31, 2020, the fair value of Bitcoin is valued at USD35,026.90 per unit and USD28,790.33 per unit, respectively, while the fair value of Ether is USD 2,274.55 and USD731.93, respectively.

During the period, the Group sold cryptocurrencies with cost amounting to ₱2.04 million. As a result of the transaction, transfer from "Revaluation surplus" to "Deficit" amounting to ₱11.12 million was recognized by the Group. Increase in "Revaluation surplus" in "Other comprehensive income" amounted to ₱10.73 million for the six-month period ended June 30, 2021.

The amortization expense of intangible assets recognized in "Depreciation and amortization" under "Cost of services" in the consolidated statements of comprehensive income amounted to ₱3.84 million and ₱___ million for the six-month periods ended June 30, 2021 and 2020, respectively (see Note 16).

13. Accounts and Other Payables

This account consists of:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Payable to related parties (Note 20)	**₱153,764,950**	₱103,652,123
Trade payables	**65,841,659**	82,184,225
Nontrade payable	**52,448,519**	52,488,918
Payable to third parties	**52,191,204**	52,191,204
Accrued expenses	**22,313,146**	22,467,005
Taxes payable	**5,564,191**	5,975,256
Deferred output VAT	**4,084,559**	5,618,791
Others	**131,882,180**	137,748,265
	₱488,090,408	₱462,325,787

Trade payable represents the unpaid subcontracted services and other cost of services to third parties. These are noninterest-bearing and are normally settled within one year.

Nontrade payables include proceeds received by ODX under the Share and Token Allocation Agreement which grants the investor rights to certain shares of ODX and internally generated tokens in the future depending on the happening of certain events prior to termination of the agreement.

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 trainings, 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 of suppliers and employees' compensation which are settled within one year.

Deferred output VAT represents deferral of output VAT related to trade receivables for the services rendered by the Group. These will be recognized as output VAT and applied against input VAT upon receipt of payment.

Others consist of statutory payables to SSS, Philhealth and HDMF. This account also includes provision relating to the Token Pre-Sale Agreements ("PSA") entered into by the Group, through ODX, with various investors for the sale of ODX tokens. These are noninterest-bearing and are normally settled within one year.

The table below shows the movements in the provision relating to the PSA:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of year	**₱129,675,146**	₱142,263,284
Cost incurred for platform development	**−**	(7,663,896)
Translation adjustments	**(377,378)**	(4,924,242)
	₱129,297,768	₱129,675,146

Other provisions for probable losses amounted to ₱5.63 million as of December 31, 2020.

14. Loans Payable

This account pertains to short-term, unsecured and interest bearing 30- to 180- day term loans entered into by the Group with different local banks and non-banks.

The rollforward analysis of this account follow:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of the period	**₱41,710,283**	₱52,130,272
Proceeds from loan	**9,730,000**	−
Payment of loans	**(2,315,374)**	(10,346,413)
Translation adjustment	**−**	(73,576)
	₱49,124,909	₱41,710,283

Interest expense recognized in the consolidated statements of comprehensive income during the six-month periods ended June 30, 2021 and 2020 amounted to ₱0.88 million and ₱4.76 million, respectively (see Note 18).

There were no undrawn loan commitments, transaction costs and interest expenses capitalized as at June 30, 2021 and December 31, 2020.

15. Service Income

Service income, amounting to ₱74.61 million and ₱44.95 million for the six-month periods ended June 30, 2021 and 2020, respectively, pertain to revenues earned from mobile consumer products and services, enterprise services and knowledge process outsourcing 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.

16. **Cost of Services**

Cost of services for the six-month periods ended June 30, 2021 and 2020 consists of:

	For the six-month period ended		For the three-month period ended	
	June 30, 2020 (Unaudited)	June 30, 2020 (Unaudited)	**June 30, 2021 (Unaudited)**	June 30, 2020 (Unaudited)
Salaries, wages and employee benefits	**₱40,922,076**	₱39,190,262	**₱21,933,133**	₱20,168,520
Outsourced services	**10,851,075**	4,827,093	**8,361,468**	2,844,120
Depreciation and amortization	**3,866,048**	10,818,310	**(1,213,254)**	4,845,964
Web hosting	**1,388,490**	1,244,805	**630,468**	640,261
Rent (Note 20)	**1,245,521**	984,285	**312,536**	930,285
Consultancy fees	**465,483**	1,406,022	**182,858**	805,261
Commission	**313,526**	33,000	**109,040**	–
Utilities	**157,077**	248,795	**65,935**	118,013
Segment fee and network costs	**53,571**	343,733	**–**	118,019
Others	**1,349,689**	1,987,249	**422,148**	983,485
	₱60,612,556	₱61,083,554	**₱30,804,332**	₱31,453,928

17. **General and Administrative Expenses**

General and administrative expenses for the six-month periods ended June 30, 2021 and 2020 consists of:

	For the six-month period ended		For the three-month period ended	
	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)	**June 30, 2021 (Unaudited)**	June 30, 2020 (Unaudited)
Salaries, wages and employee benefits	**₱11,194,220**	₱19,227,509	**₱5,426,293**	₱10,574,559
Professional fees	**5,822,886**	7,807,986	**2,099,918**	3,952,437
Marketing and promotions	**2,403,049**	916,733	**1,521,384**	191,355
Transportation and travel	**1,478,427**	309,969	**630,654**	150,398
Taxes and licenses	**1,124,350**	1,666,902	**525,003**	468,980
Depreciation and amortization	**1,016,310**	4,292,612	**491,008**	1,665,994
Rent	**211,382**	1,243,085	**75,574**	311,900
Outsourced services	**582,632**	344,679	**194,339**	93,799
Dues and subscription	**549,181**	478,636	**316,830**	260,759
Utilities	**417,367**	1,023,183	**295,406**	258,531
Insurance	**400,042**	400,920	**364,678**	21,777
Entertainment, amusement and recreation	**197,725**	218,124	**95,725**	89,715
Supplies	**182,130**	158,228	**90,396**	63,751
Advertising	**167,520**	247,003	**65,442**	237,003
Seminars and trainings	**127,626**	208,527	**97,795**	1,671
Repairs and maintenance	**9,821**	240,778	**(16,856)**	7,307
Miscellaneous	**4,984,323**	595,717	**3,576,914**	300,365
	₱30,868,991	₱39,380,591	**₱15,850,503**	₱18,650,301

18. **Finance Costs and Other Income (Charges)**

Finance costs consists of:

	For the six-month period ended		For the three-month period ended	
	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)	**June 30, 2021 (Unaudited)**	June 30, 2020 (Unaudited)
Interest expense	**₱4,524,573**	₱4,810,721	**₱2,268,453**	₱2,210,570
Interest income	**(26,946)**	(570,157)	**(11,442)**	(45,386)
	₱4,497,627	₱4,240,564	**₱2,257,011**	₱2,165,184

Other income (charges) consist of:

	For the six-month period ended		For the three-month period ended	
	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)	**June 30, 2021 (Unaudited)**	June 30, 2020 (Unaudited)
Bank charges	**₱199,066**	₱222,404	**₱102,349**	₱117,815
Other income	**(5,546,121)**	(155,354)	**(5,412,059)**	(15,331)
Gain on disposal of property and equipment	**(20,508)**	–	**(20,508)**	–
Foreign exchange gains (losses)	–	(4,257)	–	(6,010)
Gain on sale of subsidiary	–	(3,190,375)	–	–
	(₱5,367,563)	(₱3,127,582)	**(₱5,330,218)**	₱96,474

19. **Operating Lease Commitments**

The Group entered into various lease agreements with third parties for the office spaces it occupies. Leases have terms ranging from one to three years and renewable subject to new terms and conditions to be mutually agreed upon by both parties.

Set out below are the movements and carrying amounts of right-of-use asset recognized as of June 30, 2021 and December 31, 2020:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cost		
Balance at beginning of period	**₱8,901,896**	₱16,396,951
Translation adjustments	–	(127,634)
Pre-termination of lease contract and disposal of right-of-use asset	–	(7,367,421)
Balance at end of period	**8,901,896**	8,901,896
Accumulated Depreciation		
Balance at beginning of period	**8,901,896**	11,784,466
Depreciation	–	1,718,755
Translation adjustments	–	78,130
Pre-termination of lease contract and disposal of right-of-use asset	–	(4,679,455)
	8,901,896	8,901,896
	₱–	₱–

The rollforward analysis of lease liability as of June 30, 2021 and December 31, 2020 follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of period	**₱–**	₱3,809,525
Accretion of interest	–	45,621
Translation adjustment	–	(107,051)
Pre-termination of lease contract	–	(1,563,987)
Payments	–	(2,184,116)
Balance at end of period	**₱–**	₱–
Current lease liability	**₱–**	₱–
Noncurrent lease liability	**₱–**	₱–

Total rent expense charged under “Cost of services” and “General and administrative expenses” in the consolidated statements of comprehensive income amounted to ₱1.46 million and ₱2.22 million for the six-month periods ended June 30, 2021 and 2020, respectively (see Notes 16 and 17).

As at June 30, 2021 and December 31, 2020, the future minimum lease payments within one year under noncancellable operating leases amounted to ₱1.32 million and ₱0.99 million, respectively.

20. Related Party Transactions

The Group, in the normal course of business, has transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture.

Terms and conditions of transactions with related parties
There have been no guarantees provided or received for any related party receivables and payables. These accounts are noninterest-bearing and are generally unsecured. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties. Impairment assessment is undertaken through examination of the financial position of the related party and market in which this related party operates.

Details of transactions with related parties and their outstanding payables to a related party as at June 30, 2021 and December 31, 2020 follow:

					Outstanding Balance			
			Amount/ Volume		**June 30, 2021**		December 31, 2020	
	Terms	**Conditions**	**June 30, 2021**	June 30, 2020	**Receivable**	**Payable**	Receivable	Payable
Associate								
Advances	Noninterest-bearing	Unsecured, no impairment	**₱250,155**	₱338,642	**₱11,193,203**	**₱–**	₱10,943,048	₱–
			250,155	338,642	**11,193,203**	–	10,943,048	–
Stockholders								
Payable to directors and officers (a-b)	Interest-bearing	Unsecured	**3,648,394**	3,909,327	–	**153,543,279**	–	149,894,885
Payable to directors and officers (c)	Noninterest-bearing	Unsecured	–	–	–	–	–	2,187,000
Advances (d)	One year; noninterest-bearing	Unsecured, no impairment	–	–	–	**117,678**	–	117,678
			3,648,394	3,909,327	–	**153,660,957**	–	152,199,563
Affiliate								
Management fee (a)	Noninterest-bearing	Unsecured	–	–	**436,800**	–	436,800	–
Advances (b)	Noninterest-bearing	Unsecured	–	–		**103,993**	–	755,283
			₱–	₱–	**436,800**	**103,993**	436,800	755,283
					₱11,630,003	**₱153,764,950**	₱11,379,848	₱152,954,846

Associates:

a. In 2017, the Parent Company entered into a US$100,000 noninterest-bearing short-term loan agreement with Altitude Games for working capital purposes. As at June 30, 2021 and December 31, 2020, receivable from Altitude Games amounted to ₱5.26 million.

b. The Parent Company made payments on behalf of its associates. As at June 30, 2021 and December 31, 2020, outstanding balance amounted to ₱5.93 million and ₱5.69 million.

Stockholders:

a. In 2017, the Parent Company entered into a loan agreement with its directors amounting to US$1,945,758 or ₱97.15 million subject to 5% interest rate per annum. The Group recognized interest expense amounting to

₱2.30 million under "Other income (charges)" in its consolidated statements of comprehensive income. As at June 30, 2020, outstanding loans and interest payable amounted to ₱88.78 million and ₱11.56 million, respectively.

b. On April 29, 2019 the BOD approved the availment of loan from the Parent Company's founders with an aggregate amount of ₱150.00 million subject to 5.50% interest rate per annum. . The Group recognized interest expense amounting to ₱1.34 million under "Other income (charges)" in its consolidated statements of comprehensive income.

   As at June 30, 2021, outstanding loans and interest payable pertaining to this transaction amounted to ₱49.30 million and ₱3.89 million, respectively.

c. Payable to directors and officers also pertain to directors' fees still outstanding as of June 30, 2021 and December 31, 2020 amounting to nil and ₱2.19 million, respectively.

d. Advances from stockholders pertain to cash advances for operational and corporate-related expenses paid by a stockholder in behalf of the Group. These are noninterest-bearing and are due and demandable.

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 June 30, 2021 and December 31, 2020 amounted to ₱0.44 million.

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 June 30, 2021 and December 31, 2020 amounted to ₱0.10 million and ₱0.76 million, respectively.

Compensation of key management personnel pertaining to short-term employee benefits amounted to ₱3.19 million for the six-month periods ended June 30, 2021 and 2020.

21. Income Taxes

Provision for (benefit from) income tax for the six-month periods ended June 30, 2021 and 2020 consists of:

	June 30	
	2021 (Unaudited)	2020 (Unaudited)
Current	**(₱695,000)**	₱–
Deferred	**–**	(1,974,025)
Final	**5,389**	113,286
	(₱689,611)	(1,860,739)

22. Acquisition of Noncontrolling Interests

<u>Allcare Technologies, Inc.</u>

In 2020, Allcare issued an aggregate of 134,800 shares to its stockholders for a total consideration of ₱11.31 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. **Equity**

The details of the number of shares as at June 30, 2021 and December 31, 2020 follow:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Authorized shares	**5,000,000,000**	5,000,000,000
Par value per share	**₱0.10**	₱0.10
Issued shares	**1,934,925,852**	1,934,925,852
Treasury shares	**62,128,975**	62,128,975
Value of shares issued	**₱193,492,585**	₱193,492,585
Value of treasury shares	**(₱99,700,819)**	(₱99,700,819)

Capital Stock and Additional Paid-in Capital (APIC)
On May 2, 2014, the Parent Company's BOD approved the subscription and issuance of 6.75 million shares with par value of ₱1.00 per share from the unissued portion of its ₱10.00 million authorized capital stock.

On May 5, 2014, the Parent Company's BOD approved the following transactions which were subsequently approved by the SEC on June 25, 2014:

- Increase in authorized capital stock from ₱10.00 million divided into 10.00 million common shares with par value of ₱1.00 per share to ₱255.00 million divided into 255.00 million common shares with par value of ₱ 1.00 per share.
- Amendments of the Parent Company's Articles of Incorporation to increase the authorized capital stock from ₱10.00 million to ₱255.00 million.
- Subscription of 61.25 million shares with par value of ₱1.00 per share, which is paid in the form of stock dividends. These represent twenty five percent of the additional increase in authorized capital stock.

On July 10, 2014, the Parent Company's BOD approved the following transactions which were subsequently approved by the SEC on September 2, 2014:

- Increase in authorized capital stock from ₱255.00 million divided into 255.00 million common shares at the par value of ₱1.00each to ₱500.00 million divided into 500.00 million common shares at the par value of ₱ 1.00 each.
- Amendments of the Parent Company's Articles of Incorporation to increase the authorized capital stock from ₱255.00 million to ₱500.00 million.
- Subscription of 61.25 million shares with par values of ₱1.00 per share, to be paid in the form of stock dividends. These represent twenty five percent of the additional increase in authorized capital stock.

In addition, the Parent Company issued the subscribed 61.25 million shares with par value of ₱1.00 per share and another 5.10 million shares with par value of ₱1.00 per share to certain executives and employees through cash payments.

On September 3, 2014, the Parent Company's BOD approved the decrease in the par value of the capital stock from ₱1.00 per share to ₱0.10 per share. Accordingly, the Parent Company applied for an Amended Articles of Incorporation to decrease the par value of the capital stock. Thus, the Parent Company cancelled all the previously issued stock certificates and reissued new stock certificates to all stockholders effecting the 10-to-1 stock split.

Initial Public Offering (IPO)
On November 12, 2014, PSE approved the 344.00 million common shares at an offer price of ₱3.97 per share (₱ 1,365.68 million) for the IPO of the Parent Company.

On November 13, 2014, the SEC granted the Parent Company permit to sell or offer its securities which consists of 1,720.00 million common shares.

The Parent Company was publicly listed on December 2, 2014.

As at December 31, 2014, ₱172.00 million of the ₱500.00 million authorized capital stock has been subscribed and issued, ₱122.55 million of which was issued through stock dividend declaration and the rest was paid in cash. The excess of subscription price over paid-up capital was recognized as APIC. The Parent Company incurred transaction costs incidental to the IPO amounting to ₱111.56 million and ₱7.35 million which were charged to "Additional paid-in capital" in the consolidated statements of financial position and "General and administrative expense" in the consolidated statements of comprehensive income, respectively.

Overnight Top-Up Placement
On April 9, 2016, the Parent Company issued and subscribed 77.70 million shares with par value of ₱0.10 for a total consideration of ₱1,243.20 million or ₱16.00 per share. The excess of subscription price over paid-up capital was recognized in APIC. The Parent Company incurred transaction costs incidental to the share issuance amounting to ₱44.82 million which were charged to "Additional paid-in capital" in the consolidated statements of financial position.

Installment Payment in Shares
On November 11, 2016, the Parent Company issued 69,939,486 common shares to the Sellers of AOC as payment of the upfront consideration in relation to the acquisition of 100% stakeholding in AOC (see Note 22). The excess of subscription price over paid-up capital amounting to ₱932.79 million was recognized as APIC.

On March 2, 2018, the Parent Company issued 67,285,706 common shares by way of block sale to implement the amendments in the share purchase agreement (see Note 23). The shares were issued at ₱3.80 per share.

Retained Earnings
Appropriations
On November 9, 2016, the BOD of the Parent Company approved the appropriation of unrestricted retained earnings for the buyback of its common shares up to the extent of the total allotment amounting to ₱170.00 million subject to the prevailing market price at the time of the share buyback.

On March 27, 2017, the BOD of the Parent Company approved the termination of the Buy-back Program adopted last November 9, 2016 appropriating an aggregate of ₱170.00 million. A total of ₱88.82 million has been used as of March 31, 2017. Accordingly, the balance of ₱81.18 million previously allocated for the Buy-back Program shall be released from such appropriations.

Dividends declaration
On May 10, 2016, the Parent Company's BOD approved the declaration of cash dividends of approximately ₱0.048 per share, or the aggregate amount of ₱86.27 million out of the Parent Company's unrestricted retained earnings for distribution to its stockholders of record as at May 31, 2016 and payable to stockholders on June 23, 2016.

Equity Reserve
In 2016, the Parent Company purchased additional shares from noncontrolling interests of Xeleb, Xeleb Tech and Storm. The transactions were accounted as an equity transaction since there was no change in control. The movements within equity are accounted for as follows:

	Consideration paid	Carrying value of noncontrolling interests	Difference recognized within Equity
Xeleb Technologies Inc.	₱45,000,000	₱3,506,647	(₱41,493,353)
Storm Technologies Inc.	10,002,330	2,382,396	(7,619,934)
Xeleb Inc.	1,650,000	7,038,398	5,388,398
	₱56,652,330	₱12,927,441	(₱43,724,889)

In 2017, a reserve amounting to ₱358.50 million was recognized for the payment resulting from amendments in the Share Purchase Agreement with Allix and the acquisition of the Parent Company's own shares (see Note 22).

Treasury Stock
On November 9, 2016, the BOD of the Parent Company approved the buyback of its common shares up to the extent of the total allotment amounting to ₱170.00 million subject to the prevailing market price at the time of the

buyback. The Parent Company commenced the program on November 14, 2016 and will end upon full usage of the approved allotment, or as otherwise may be directed by the BOD, subject to an appropriate disclosure to the SEC and PSE. As at December 31, 2016, treasury stocks acquired totaled to 10,687,400 shares and 8,532,900 shares, respectively, which amounted to ₱71.51 million.

In January and February 2017, the Parent Company acquired 2,154,500 shares for ₱17.30 million.

On March 27, 2017, the BOD of the Parent Company approved the termination of the buyback program adopted in 2016. Treasury stocks acquired under this program totaled to 10,687,400 shares amounting to ₱88.82 million.

On July 18, 2017, the Parent Company reacquired 53,298,242 common shares from Allix for a total amount US$532,983 or ₱26.65 million (see Note 22).

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 June 30, 2021 and December 31, 2020, the Parent Company has 62,128,975 treasury shares amounting to ₱99.70 million.

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 June 30, 2021, the Plan has been filed with and is pending approval of the SEC and PSE.

Capital Management
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The Group's sources of capital follow:

	June 30 2021 (Unaudited)	December 31, 2020 (Audited)
Capital stock	**₱193,492,585**	₱193,492,585
Additional paid-in capital	**3,577,903,565**	3,577,903,565
Deficit	**(3,242,200,427)**	(3,243,882,830)
	₱529,195,723	₱527,513,320

The Group is not subject to externally-imposed capital requirements. The Group regards its equity as its primary source of capital. No changes were made in the capital management policies as at June 30, 2021 and December 31, 2020.

24. Loss Per Share

Basic loss per share for the six-month periods ended June 30, 2021 and 2020 were computed as follows:

	For the six-month period ended		For the three-month period ended	
	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)	**June 30, 2021 (Unaudited)**	June 30, 2020 (Unaudited)
Net loss attributable to the equity holders of the Parent Company	**(₱9,441,150)**	(₱43,745,642)	**₱8,559,440**	(₱23,699,700)
Weighted average number of outstanding shares	**1,872,796,877**	1,870,940,210	**1,872,796,877**	1,870,940,210
Basic loss per share	**(₱0.01)**	(₱0.02)	**₱0.00**	(₱0.01)
Diluted loss per share	**(₱0.01)**	(₱0.02)	**₱0.00**	(₱0.01)

Loss per share is calculated using the consolidated net loss attributable to the equity holders of the Parent Company divided by weighted average number of shares

25. Financial Instruments

Fair Value Information

The methods and assumptions used by the Group in estimating fair value of the financial instruments are as follows:

- Cash, accounts and other receivables (except for advances to employees which are subject to liquidation), refundable deposits under other current assets, cash bond under other noncurrent assets, accounts and other payables (excluding “Taxes payable”, “Deferred output VAT”, and provision relating to PSA and statutory payables included as “Others”), loans payable, liability on written put option, payable to former shareholders of a subsidiary, dividends payable and finance lease liability under other current liabilities - Carrying amounts approximate fair values due to the relatively short-term maturities of these instruments, except for cash bond under other noncurrent assets. The difference between carrying amount and fair value is immaterial.

- Financial assets at FVOCI - Fair value is based on quoted prices published in the market.

- Financial assets at FVOCI (unquoted equity investments) - Fair values are based on the latest selling price available.

- Financial assets at FVPL (unquoted debt investments) - Fair values are based on the comparable prices adjusted for specific market factors such as nature, industry, location and market recovery rates.

- Nontrade payable - Fair values are determined using prices in such transaction which still approximate the fair values at yearend.

The fair value of financial assets at FVOCI amounting to ₱0.50 million approximate their carrying value.

Fair Value Hierarchy

The Group uses the following three-level hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Cash, accounts and other receivables, refundable deposits under other current assets, cash bond under other noncurrent assets, accounts and other payables (excluding “Taxes payable”, “Deferred output VAT”, and statutory payables included as “Others”), loans payable, liability on written put option, payable to former shareholders of a subsidiary, dividends payable and finance lease liability under other current liabilities were classified under Level 3. The fair value of these financial instruments is determined by discounting future cash flows using the applicable rates of similar types of instruments plus certain spread.

Quoted financial assets at FVOCI amounting to ₱0.50 million as at June 30, 2021 and December 31, 2020 were classified under Level 2 (see Note 8).

Unquoted financial assets at FVOCI amounting to nil as at June 30, 2021 and December 31, 2020 were classified under Level 3 (see Note 8).

As at June 30, 2021 and December 31, 2020, there have been no reclassifications from Level 1 to Level 2 or 3 categories.

Financial Risk Management and Objectives and Policies

The Group's financial instruments comprise cash, financial assets at FVPL, accounts and other receivables, financial assets at FVOCI, refundable deposits under other current assets, cash bond under other noncurrent assets, accounts and other payables (excluding taxes payable, deferred output VAT, customer's deposit and statutory payables), loans payable, liability on written put option, contingent liability and finance lease liability under other current liabilities, which arise directly from operations. The main purpose of these financial instruments is to finance the Group's operations and to earn additional income on excess funds.

Exposure to credit risk, liquidity risk and foreign currency risk arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

There were no changes in the Group's risk management objectives and policies in 2021 and 2020.

The Group's risk management policies are summarized below:

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation.

The Group's credit risk is primarily attributable to cash (excluding "cash on hand") and receivables. To manage credit risk, the Group monitors its exposure to credit risk on a continuous basis.

The Group's maximum exposure to credit risk is equal to the carrying values of its financial assets as at June 30, 2021 and December 31, 2020.

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

Cash in banks, financial assets at FVPL, financial assets at FVOCI and other assets - based on the nature of the counterparty and the Group's rating procedure. These are held by counterparty banks with minimal risk of bankruptcy and are therefore classified as high grade.

Accounts and other receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to three defaults in payment; and low grade pertains to receivables with more than three defaults in payment.

Unquoted AFS financial assets are unrated.

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its obligations as they fall due. The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirement, finance capital expenditures and service maturing debts. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds and available short-term and long term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD.

The maturity profile of the Group's financial assets and financial liabilities at June 30, 2021 and December 31, 2020 are based on contractual undiscounted payments.

As at June 30, 2021 and December 31, 2020, the Group's financial assets and financial liabilities have a maturity of less than one year.

26. Segment Reporting

The industry segments where the Group operates follow:

- Mobile consumer services - includes airtime management, content development and management and marketing and advertising solutions
- Enterprise services - includes platform development and customization, system integration, mobile platform consultancy services, management of off-the-shelf application and social media related services. This also includes IT staff augmentation and various enterprise solutions-based services to telecommunication companies and other companies for network and applications development
- Other services – includes consultancy services in the field of human resource management, trading in general, sourcing for and supplying of goods to import and export goods

The following tables regarding business segment revenue and profit information for the six-month periods ended June 30, 2021 and 2020:

2021 (Unaudited)

	Mobile consumer services	Enterprise service	Other services	Intersegment Adjustments	Consolidated
INCOME					
Service income	**₱17,947,301**	**₱44,483,916**	**₱12,179,254**	**₱–**	**₱74,610,471**
Sale of goods	–	–	**20,682,437**	–	**20,682,437**
	17,947,301	**44,483,916**	**32,861,691**	–	**95,292,908**
COST AND EXPENSES	**(45,819,569)**	**(28,907,587)**	**(31,212,045)**		**(105,939,201)**
Equity in net losses of associates	–	–	–	**(66,618)**	**(66,618)**
Finance cost and other charges	**2,472,903**	**(820,286)**	**(782,681)**	–	**869,936**
	(25,399,365)	**14,756,043**	**866,965**	**(66,618)**	**(9,842,975)**
Provision for (benefit from) income tax	**(497,093)**	**(115,066)**	**(77,452)**	–	**(689,611)**
Net income (loss)	**(₱24,902,272)**	**₱14,871,109**	**₱944,417**	**(₱66,618)**	**(₱9,153,364)**
Net income (loss) attributable to:					
Equity holders of Xurpas Inc.					**(₱9,441,150)**
Noncontrolling interests					**287,786**
					(₱9,153,364)

2020 (Unaudited)

	Mobile consumer services	Enterprise service	Other services	Intersegment Adjustments	Consolidated
INCOME					
Service income	₱20,606,999	₱32,379,049	₱4,601,304	(₱12,636,369)	₱44,950,983
Sale of goods	–	–	21,719,611	–	21,719,611
	20,606,999	32,379,049	26,320,915	(12,636,369)	66,670,594
COST AND EXPENSES	(47,571,611)	(31,201,248)	(38,825,610)	(3,035,168)	(120,633,637)
Equity in net losses of associates	–	–	–	4,648,778	4,648,778
Finance cost and other charges	(7,525,692)	(99,205)	(678,460)	7,190,375	(1,112,982)
	(34,490,304)	1,078,596	(13,183,155)	(3,832,384)	(50,427,247)
Provision for (benefit from) income tax	(110,704)	(280)	(2,302)	1,974,025	1,860,739
Net income (loss)	(₱34,601,008)	₱1,078,316	(₱13,185,457)	(₱1,858,359)	(₱48,566,508)
Net loss attributable to:					
Equity holders of Xurpas Inc.					(₱43,745,642)
Noncontrolling interests					(4,820,866)
					(₱48,566,508)

27. Notes to Consolidated Statement of Cash Flows

Disclosed below is the rollforward of liabilities under financing activities:

	January 1, 2021	**Cash flows**	**Non-cash changes**	**Foreign exchange movement**	**June 30, 2021**
Loans payable	**₱41,710,283**	**₱7,414,626**	**₱–**	**₱–**	**₱49,124,909**
Advances from stockholders	**49,302,723**	**–**	**–**	**–**	**49,302,723**
Total liabilities from financing activities	**₱90,451,893**	**₱7,414,626**	**₱–**	**₱–**	**₱98,427,632**

	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

28. Approval of Financial Statements

The unaudited interim condensed consolidated financial statements of the Group as at June 30, 2021 and December 31, 2020 and for the six-month periods ended June 30, 2021 and 2020 were approved and authorized for issue by the BOD on August 13, 2021.

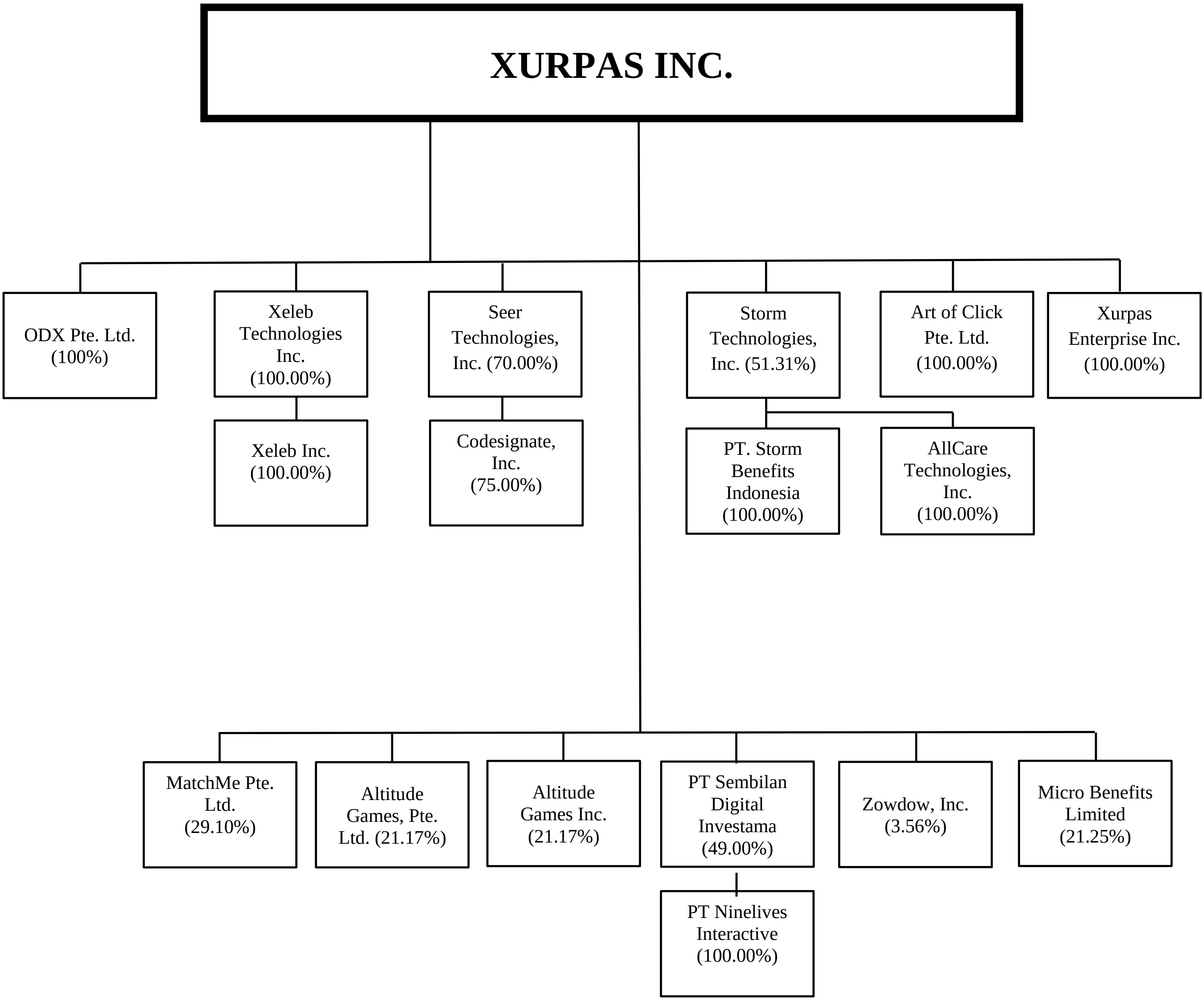
AGING OF RECEIVABLES

The aging analysis of accounts receivable as of June 30, 2021 presented per class follows:

		Days past due				
	Current	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**>90 days**	**Total**
Trade receivable	**₱9,772,501**	**₱4,510,776**	**₱2,813,307**	**₱2,520,383**	**₱10,210,126**	**₱29,827,093**
Receivable from related parties	**11,630,003**	**–**	**–**	**–**	**–**	**11,630,003**
Advances to employees	**541,360**	**–**	**–**	**–**	**–**	**541,360**
Others	**25,315,416**	**–**	**–**	**–**	**–**	**25,315,416**
	₱47,259,280	**₱4,510,776**	**₱2,813,307**	**₱2,520,383**	**₱6,680,474**	**₱67,313,872**

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 OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

Unappropriated Retained Earnings, beginning, as restated	(₱2,990,096,532)
Less adjustments:	
Impairment loss	2,541,884,618
Unrealized foreign exchange gain -net (except those attributable to Cash and Cash Equivalents	(18,805,198)
Unappropriated Retained Earnings, as adjusted, beginning	(448,211,914)
Net Income based on the face of financial statement	(31,524,754)
Less: Non-actual/unrealized income net of tax	
Amount of provision for deferred tax during the year	–
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	–
Fair value adjustment (M2M gains)	–
Impairment loss	–
Net Income Actual/Realized	(31,524,754)
Less: Other adjustments	
Dividend declarations during the period	–
Reversal of appropriation for share buy-back transactions	–
Reversal of appropriation for dividend declaration	–
Appropriations during the year	–
	–
Unappropriated retained earnings, end available for dividend distribution	₱–

XURPAS INC. AND SUBSIDIARIES
FINANCIAL RATIOS

Financial Ratios	June 30, 2021	December 31, 2020
A. Current ratios		
Current ratios	27%	31%
Quick ratios	21%	27%
B. Debt-to-equity ratios	591%	609%
C. Asset-to-equity ratios	596%	613%
D. Interest rate coverage ratios	(118%)	(592%)
E. Profitability ratios		
Net income margin	(10%)	(34%)
Gross margin	21%	5%
Operating margin	0%	(19%)
Return on total assets	(2%)	(9%)
Return on equity	(9%)	(53%)

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Financial Summary

Key Financial Data In PhP Millions	For the six-month period ended June 30					
	2021		2020		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Revenues						
Mobile consumer services	17.95	19%	7.97	12%	9.98	125%
Enterprise services	44.48	47%	32.38	49%	12.10	37%
Other services	32.86	35%	26.32	39%	6.54	25%
Total Revenues	**95.29**	**100%**	**66.67**	**100%**	**28.62**	**43%**
Cost of Services	60.61	64%	61.08	92%	(0.47)	-1%
Cost of Goods Sold	14.46	15%	20.17	30%	(5.71)	-28%
Gross Profit (Loss)	**20.22**	**21%**	**(14.58)**	**-22%**	**34.81**	**-239%**
General and Administrative Expenses	30.87	32%	39.38	59%	(8.51)	-22%
Equity in Net Losses (Earnings) of Associates	0.07	0%	(4.65)	-7%	4.72	-101%
Finance Costs - Net	4.50	5%	4.24	6%	0.26	6%
Other Charges (Income) - net	(5.37)	-6%	(3.13)	-5%	(2.24)	72%
Loss Before Income Tax	**(9.84)**	**-10%**	**(50.43)**	**-76%**	**40.58**	**-80%**
Provision for (Benefit from) Income Tax	(0.69)	-1%	(1.86)	-3%	1.17	-63%
Net Loss	**(9.15)**	**-10%**	**(48.57)**	**-73%**	**39.41**	**-81%**
Other Comprehensive Income (Loss)	9.59	10%	14.98	22%	(5.39)	-36%
Total Comprehensive Income (Loss)	**0.44**	**0%**	**(33.59)**	**-50%**	**34.03**	**-101%**

	30-Jun-21 Amount	31-Dec-20 Amount	Amount Change	% Increase (Decrease)
Total Assets	600.80	617.06	(16.26)	-3%
Total Liabilities	595.71	612.41	(16.71)	-3%
Total Equity	5.09	4.65	0.44	9%

The Group's total revenue in the first half of 2021 was ₱95.29 million, a 43% increase from the same period of 2020, resulted in a net loss of ₱9.15 million, an 81% improvement in comparison to ₱48.57 million in June 2020. For the first half of 2021, the Group had a comprehensive income of ₱0.44 million, which was a 101% improvement from the comprehensive loss, the previous year. Majority of the revenue was driven by enterprise services which generated ₱44.48 million or 47% of the total revenue. This was followed by other services and mobile consumer services which generated ₱32.86 million and ₱17.95 million respectively in the first half of 2021.

The blended cost of services as of June 30, 2021, slightly declined from ₱61.08 million to ₱60.61 million as compared to the six-month period ended June 30, 2020. Cost of goods sold attributable to other services also decreased to ₱14.46 million for the six-month period ended June 30, 2021 compared to ₱20.17 million incurred for the first half of 2020.

Gross margin on total revenues went up from a gross loss of ₱14.58 million during the first half of 2020 to a gross profit of ₱20.22 million for the period ended June 30, 2021.

General and administrative expenses (GAEx) decreased by 22%, from ₱39.38 million for the first half of 2020 to ₱30.87 million for the same period in 2021. Overall, the decrease in cost of services and GAEx was primarily driven by the cost reduction initiatives of the Group. The Company also shares in the recorded net loss of the associate companies it has invested in which amounted to ₱0.07 million for the six-month period ended June 30, 2021, a 101% decrease from first half of 2020 which contributed ₱4.65 million in earnings.

Consolidated total assets slightly dropped by 3% from ₱617.06 million for the period ended December 31, 2020 to ₱600.80 million of the first six months of 2021. Consolidated total liabilities also went down by 3% from ₱612.41 million as of December 31, 2020 to ₱595.71 million on June 30, 2021 due to a decrease in trade payables and contract liabilities. In line with this, the consolidated total equity went up to ₱5.09 million on June 30, 2021, from an equity of ₱4.65 million as of December 31, 2021. This increase is brought by the total comprehensive income provided in the first half of 2021 amounting to ₱0.44 million.

Segment Financial Performance

For the 6-month period ended June 30, 2021 In PhP Millions	Mobile Consumer Services	Enterprise Services	Other Services	Intersegment Adjustments	Consolidated
Revenue from services	17.95	44.48	12.18	-	74.61
Revenue from sale of goods	-	-	20.68	-	20.68
Total Service Revenues	**17.95**	**44.48**	**32.86**	**-**	**95.29**
Operating expenses	45.82	28.91	31.21	-	105.94
Equity in net earnings of associates	-	-	-	0.07	0.07
Other charges (income) - net	(2.47)	0.82	0.78	-	(0.87)
Total Expenses	**43.35**	**29.73**	**31.99**	**0.07**	**105.14**
Operating Income (Loss)	**(25.40)**	**14.76**	**0.87**	**(0.07)**	**(9.84)**
Benefit from (provision for) income tax	0.50	0.12	0.08	-	0.69
Net Income (Loss)	**(24.90)**	**14.87**	**0.94**	**(0.07)**	**(9.15)**

Xurpas Group operates under mobile consumer services, enterprise services and other services. Prior to eliminations, for the six-month period ended June 30, 2021, the Enterprise Services generated majority of the total revenues amounting to ₱44.48 million. This is followed by other services, represented by Storm Flex Systems Inc., and mobile consumer services which generated ₱32.86 million and ₱17.95 million respectively. Out of the three business segments, two of them posted a net income for the first half of 2021. Enterprise services and other services contributed ₱14.87 million and ₱0.94 million to the bottom line.

Profitability

For the six-month period ended June 30, 2021, compared with the six-month period ended June 30, 2020.

Revenues

The consolidated revenues of the Group for the six-month period ended June 30, 2021, amounted to ₱95.29 million, an increase of 43% from ₱66.67 million the same period of the previous year.

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

Segment	Description	Subsidiaries
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing	• Xurpas Parent Company • Xurpas Enterprise
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 of HMO and other pre-need employee benefits to small teams and freelancers.	• Storm Technologies

In PhP Millions	For the six-month period ended June 30					
	2021		2020		Amount	% Increase
	Amount	Percentage	Amount	Percentage	Change	(Decrease)
Revenues						
Enterprise services	44.48	47%	32.38	49%	12.10	37%
Mobile consumer services	17.95	19%	7.97	12%	9.98	125%
Other services	32.86	34%	26.32	39%	6.54	25%
Total Revenues	**95.29**	**100%**	**66.67**	**100%**	**28.62**	**43%**

For the first half of 2021, enterprise services, provided by Seer, Xurpas Enterprise and Xurpas, Inc., generated the highest percentage of the total revenues at ₱44.48 million which comprises 47% of total. This is mainly caused by the material increase of services produced through staff augmentation amounting to ₱34.46 million in the first half of 2021 as compared to the ₱3.62 million in the first half of 2020. Other services and mobile consumer services also generated revenues amounting to ₱32.86 million (34%) and ₱17.95 million (19%) respectively.

In comparison with the first half of 2020, all segments increased in terms of revenues for the same period in 2021. Enterprise services produced the largest absolute increase of revenue amounting to ₱12.10 million (37%) from the first half of 2020 due to the substantial growth in staff augmentation during the period. Likewise, mobile consumer services and other services also generated increase in revenues amounting to ₱9.98 million (125%) and ₱6.54 million (25%) from the previous year respectively. Under other services, growth of its revenue has been primarily contributed by the ongoing expansion of Allcare, a majority-owned subsidiary of Storm Technologies, which generated an increase of ₱7.57 million (185%) from the first half of 2020; from ₱4.08 million in 1H2020 to ₱11.65 million in 1H2021.

Expenses

In PhP Millions	For the six-month period ended June 30					
	2021		2020		Amount	% Increase
	Amount	Percentage	Amount	Percentage	Change	(Decrease)
Expenses						
Cost of Services	60.61	57%	61.08	50%	(0.47)	-1%
Cost of Goods Sold	14.46	14%	20.17	17%	(5.71)	-28%
General and Administrative Expenses	30.87	29%	39.38	33%	(8.51)	-22%
Total Expenses	**105.94**	**100%**	**120.63**	**100%**	**(14.69)**	**-12%**

The Group's consolidated expenses during the period ended June 30, 2021 amounted to ₱105.94 million, a 12% decrease from the same period of the previous year at ₱120.63 million. For the first six months of 2021, cost of services accounted for the bulk of expenses totaling ₱60.61 million or 57% of the Group's consolidated expenses. For the same period in 2020, cost of services amounted to ₱61.08 million, which comprised 50% of overall expenses. There has also been a downward trend in GAEx amounting to ₱8.51 million (22%) for the period ended June 30, 2021. Decline in overall expenses is a result of the company's continuing cost reduction efforts.

Cost of Services

In PhP Millions	For the six-month period ended June 30					
	2021		2020		Amount	% Increase
	Amount	%	Amount	%	Change	(Decrease)
Cost of Services						
Salaries, wages and employee benefits	40.92	68%	39.19	64%	1.73	4%
Outsourced services	10.85	18%	4.83	8%	6.02	125%
Depreciation and amortization	3.87	6%	10.82	18%	(6.95)	-64%
Others	4.97	8%	6.25	10%	(1.27)	-20%
Total Expenses	**60.61**	**100%**	**61.08**	**100%**	**(0.47)**	**-1%**

The cost of services for the first half of 2021 amounted to ₱60.61 million, a slight decrease from the ₱61.08 million in the same period of the previous year. Major part of the cost of services came from salaries and wages which amounted to ₱40.92 million or 68% of the total cost of services for the period. The Group also saw a rise in outsourced services as it ramped up its staff augmentation services.

Cost of Goods Sold

For six-month period ended June 30, 2021, cost of goods sold took up 14% of the Group's consolidated expenses, amounting to ₱14.46 million. It was a decrease of 28% from its level of ₱20.17 million on June 30, 2020. The cost of goods sold is directly attributable to the traditional marketplace/sale of goods business of Storm Technologies.

General and Administrative Expenses

In PhP Millions	For the six-month period ended June 30					
	2021		2020		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Salaries, wages and employee benefits	11.19	36%	19.23	49%	(8.03)	-42%
Professional fees	5.82	19%	7.81	20%	(1.99)	-25%
Marketing and promotions	2.40	8%	0.92	2%	1.49	162%
Others	11.45	37%	11.43	29%	0.02	0%
Total Expenses	**30.87**	**100%**	**39.38**	**100%**	**(8.51)**	**-22%**

General and administrative expenses relating to the Group's operations, for the first six months of 2021, amounted to ₱30.87 million, lower by 22% compared to previous year's same period level of ₱39.38 million. Salaries and wages accounted for 36% in the first half of 2021 and decreased by 42% vis-à-vis same period in 2020. Professional fees and marketing and promotions account for 19% and 8% of the total GAEx respectively. The notable increase in marketing and promotions is a result of the Group's substantial efforts in business development, which consequently resulted in the increase of revenues for the period.

Equity in Net Loss of Associates

The equity of the Group in the net loss of its associate companies for the six-month period ended June 30, 2021, amounted to ₱0.07 million, which deteriorated by 101% compared to the ₱4.65 million net earnings share generated for the same period in 2020.

Finance Costs - net

For the six-month periods ended June 30, 2021 and 2020, the Group posted finance costs of ₱4.50 million and ₱4.24 million, respectively. Increase in finance costs was mainly attributable to the decline in interest income from cash in banks earned during the year

Other Income - net

For the first half of 2021, the Group recognized other income amounting to ₱5.37 million, higher by 72% compared to previous year's same period level of ₱3.13 million. Growth in other income was mainly due to derecognition of long-outstanding payables and recovery of previously written off receivables.

Loss before Income Tax

The Group's net loss before taxes for the six-month period ended June 30, 2021, resulted to ₱9.84 million. This amount improved by 80% or a decrease of ₱40.58 million in net loss from the first half of 2020.

Provision for (Benefit from) Income Tax

The Group only recognized ₱0.69 million benefit from income tax for the six- month period ended June 30, 2021 vis-à-vis ₱1.86 million provision for income benefit as of June 2020. The decrease is due to the lower net loss before taxes in the first half of 2021 as well as lower income tax rate due to implementation of the CREATE law.

Net Loss

The Group posted a consolidated net loss of ₱9.15 million for the period ended June 30, 2021, a significant improvement of 81% from the ₱48.57 million net loss incurred in the first half of 2020.

Other Comprehensive Income

In June 2021, the Group posted a ₱9.59 million in other comprehensive income. This figure was a 36% decrease from the ₱14.98 million generated in the six-month ended 2020 due to the decrease in unrealized gain from translation of financial statements of AOC and ODX.

Total Comprehensive Income (Loss)

As of June 30, 2021, the Group's total comprehensive income amounted to ₱0.44 million, which improved by 101% in relation to the total comprehensive loss of ₱33.59 million as of June 30, 2020.

Financial Position

As of June 30, 2021, compared to December 31, 2020.

Assets

Cash and Cash Equivalents

The Group's consolidated cash and cash equivalents amounted to ₱50.21 million for the six-month period ended June 30, 2021. This is a net decrease of 26% or ₱17.53 million from the consolidated cash of ₱67.74 million as of December 31, 2020. The movements in the Group's cash are explained further in the cash flow portion under Liquidity and Capital Resources.

Accounts and Other Receivables

The Group's consolidated accounts and other receivables amounted to ₱44.98 million and ₱70.29 million as of June 30, 2021, and December 31, 2020, respectively. The decrease of ₱25.31 million was primarily attributed to the collection of trade receivables.

Contract Asset

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

The Group's consolidated contract asset increased by ₱17.28 million, from ₱5.00 million as of December 31, 2020 to ₱22.27 million as of June 30, 2021, due to increase in staff augmentation projects.

Other Current Assets

As of June 30, 2021, the Group's consolidated other current assets totaled ₱37.98 million, an increase of ₱15.18 million or 67% from its previous level on December 31, 2020 of ₱22.80 million. Inventories, prepaid expenses, creditable withholding taxes and Input VAT comprise majority of other current assets.

Financial assets at FVOCI

This account pertains to quoted and unquoted equity investments in Club Punta Fuego and Zowdow Inc. As of June 30, 2021, carrying value and net unrealized loss on financial assets at FVOCI recognized in the consolidated statement of financial position remained unchanged from its previous level on December 31, 2020. Both periods have balances amounting to ₱0.50 million.

Investment in and Advances to Associates

As of June 30, 2021, the Group's consolidated investment in associates decreased to ₱340.48 million from ₱340.55 million during December 31, 2020. The breakdown of the carrying amounts of these investments are as follows: Micro Benefits Limited (₱282.15 million), Altitude Games Pte Ltd. (₱21.78 million), and SDI (₱14.47 million). Aside from that, advances amounting to ₱22.08M were made to SDI.

Property and Equipment

The Group's consolidated property and equipment was ₱4.25 million on June 30, 2021 and as of December 31, 2020. Acquisitions amounted to ₱1.13 million during the six-month period ended June 30, 2021 and ₱0.56 million as of the period ended June 30, 2020 were made respectively. There are also disposals amounting to ₱0.09 million as of June 30, 2021. Depreciation expense incurred for the six-month periods ended June 30, 2021 and 2020 were ₱1.04 million and ₱2.78 million respectively.

Intangible Assets

As of June 30, 2021, intangible assets amounted to ₱80.47 million which decreased from the ₱87.84 million balance as of December 31, 2020. This is composed of goodwill, customer relationship, developed software, and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group. As of June 30, 2021, goodwill was at ₱48.22 million.
- Developed software pertains to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As of June 30, 2021, net book value of developed software was ₱10.50 million. Additions and amortization of developed software for the six-month period ended June 30, 2021 amounted to ₱0.19 million and ₱3.84 million, respectively.
- Cryptocurrencies pertain to units of Bitcoin and Ether held by the Group as of June 30, 2021, valued at ₱21.74 million. During the first half of 2021, the Group sold cryptocurrencies with net book value amounting to ₱14.44 million. Revaluation surplus in relation to the remaining cryptocurrencies amounted to ₱10.73 million.

Other Noncurrent Assets

Other noncurrent assets amounted to ₱19.65 million as of June 30, 2021 vis-à-vis the ₱18.10 million balance as of December 31, 2020. This is mainly due to the increase in Seer and Storm's creditable withholding tax from collection of their trade receivables.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables was at ₱488.09 million as of June 30, 2021. The increase of 6% or ₱25.76 million from the ₱462.33 million balance as of December 31, 2020 is primarily due to the reclassification of advances from stockholders from non-current liabilities to current liabilities. The payables comprise of other payables, trade payables, payable to related parties, nontrade payables, accrued expenses, deferred output VAT and taxes payables.

Loans Payable

The Group recorded ₱49.12 million in current loans as of June 30, 2021, and ₱41.71 million as of December 31, 2020. This is mainly attributable to the loans of Storm and Seer which are short-term and interest-bearing. Proceeds from loan and payments made during the first half of 2021 amounted to ₱9.73 million and ₱2.32 million, respectively.

Contract Liability

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

The Group's consolidated contract liability as of June 30, 2021, amounted to ₱31.67 million, a decrease of 2% from the December 31, 2020 figure of ₱32.26 million.

Advances from stockholders – net of current portion

This account pertains to the loan agreement entered 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. As of June 30, 2021, outstanding balance amounting to ₱49.30 million was reclassified to current liabilities under "Accounts and Other Payables".

Pension Liability

The accrued pension of the Group was at ₱26.82 million as of June 30, 2021. This amount was unchanged from its balance as of December 31, 2020.

Equity

Total Equity

The total equity of the Group increased from ₱4.65 million as of December 31, 2020 to ₱5.09 million as of June 30, 2021. The increase is brought by the total comprehensive income incurred for the period which was credited to its equity accounts.

Liquidity and Capital Resources

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

Cashflows

	For the six-month period ended June 30	
	2021	**2020**
In PhP Millions	**Amount**	**Amount**
Net cash used in Operating Activities	(21.05)	(57.18)
Net cash provided by (used in) Investing Activities	(2.76)	(3.27)
Net cash used in Financing Activities	7.41	(6.30)
Effect of foreign currency exchange changes in cash	(1.13)	11.96
Net increase (decrease) in cash	(17.53)	(54.78)
Cash at beginning of period	67.74	153.93
Cash at end of period	**50.21**	**99.15**

Cash Flows from Operating Activities

For the first six months of 2021, operating loss before changes in working capital of ₱0.42 million was coupled with the corresponding decrease in working capital resulted to ₱20.89 million net cash used from operations. In consideration of the interest paid and received and income taxes paid, this resulted to a net cash used in operating activities of ₱21.05 million.

Cash Flows from Investing Activities

The Group's consolidated cash flows used in investing activities for the first six months of 2021 was ₱2.76 million compared to ₱3.27 million used in the same period of 2020.

Cash Flows from Financing Activities

The cash flow provided in financing activities for the first half of 2021 was ₱7.41 million which is an increase from net cash used of ₱6.30 million in the same period of 2020. The net cash flow used in financing activities were from the proceeds from and payment of loan payables of Storm Technologies and Seer Technologies, Inc.

Capital Expenditure

The Group's capital expenditures for the six-month period ended June 30, 2021 and the year ended December 31, 2020 amounted to ₱1.13 million and ₱1.24 million, respectively.

Key Financial Data In PhP Millions	June 30, 2021 Additions	December 31, 2020 Additions
IT Equipment	0.81	1.17
Leasehold Improvements	0.32	-
Office Equipment	-	0.07
Furnitures and Fixtures	-	-
	1.13	**1.24**

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 six-month period ended June 30		For the year ended December 31, 2020
	2021	2020	
Liquidity Ratios			
Current Ratio	**27%**	34%	31%
Quick Ratio	**21%**	27%	27%
Asset-to-Equity Ratio	**596%**	694%	613%
Profitability Ratios			
Net Loss Margin	**-10%**	-66%	-34%
Gross Margin	**21%**	-22%	5%
Operating Margin	**0%**	-46%	-19%
Return on Total Assets	**-2%**	-6%	-9%
Return on Equity	**-9%**	-40%	-53%
Debt Ratios			
Debt-to-Equity Ratio	**5.91x**	7.02x	6.09x
Interest Coverage Ratio	**-1.18x**	-9.48x	-5.92x

Liquidity Ratios

Current Ratio and Quick Ratio as of June 30, 2021, were 27% and 21%, respectively. Both decreased from their respective figures of 31% and 27% as of December 31, 2020. The decrease was primarily driven by the higher current liabilities and the decrease of current assets of the Group for the comparable period.

Asset-to-Equity Ratio

The decrease in the asset-to-equity ratio from 613% as of December 31, 2020 to 596% as of June 30, 2021 was generally due to the decrease in the Group's consolidated assets.

Profitability Ratios

Both the decrease of net loss and increase of gross profit for the period ended June 30, 2021, in relation to the same period of the prior year, contributed to the upward movement of the profitability ratios for the comparable periods. Net loss margin for the period went up to -10% from -66% in 2020. The operating margin also went up from -46% in 2020 to a breakeven in 2021. Return on total assets is at -2% from -6% in 2020 and return on equity is at -9% from -40% in 2020. Due to the substantial increase in gross profit, the gross margin ratio for the period ended June 30, 2021 increased to 21% from -22% of the same period last year.

Debt Ratio

Debt to Equity as of June 30, 2021, declined to 5.91x from 6.09x as of December 31, 2020. The decrease in the gearing ratio was attributed to lower total liabilities. Interest coverage ratio for the first half of 2021 also went up to -1.18x from -9.48x on June 30, 2020 due to higher earnings before interest and taxes and lower interest expense for the reporting period.

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

Current Ratios

1. Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
2. Quick ratio	$\frac{\text{Current assets – Other current assets}}{\text{Current liabilities}}$
Asset-to-equity Ratio	$\frac{\text{Total assets}}{\text{Total equity attributable to Parent Company}}$

Profitability Ratios

1. Net income ratio	$\frac{\text{Net income attributable to Parent Company}}{\text{Service income + Sale of goods}}$
2. Gross margin	$\frac{\text{(Service income + Sale of goods) – (Cost of services + Cost of goods sold)}}{\text{Service income + Sale of goods}}$
3. Operating margin	$\frac{\text{Earnings before interest, tax, depreciation and amortization}}{\text{Service income + Sale of goods}}$
4. Return on total assets	$\frac{\text{Net income attributable to Parent Company}}{\text{Average total assets}}$
5. Return on total equity	$\frac{\text{Net income attributable to Parent Company}}{\text{Average total equity attributable to the Parent Company}}$

Debt Ratios

1. Debt-to-equity ratio	$\frac{\text{Total Liabilities}}{\text{Total equity attributable to Parent Company}}$
2. Interest coverage ratio	$\frac{\text{Earnings before interest and tax}}{\text{Interest expense}}$

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.

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

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

vii. 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.

PART II--OTHER INFORMATION

There are no other information for this period not previously reported in SEC Form 17-C that needs to be reported in this section.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned, on AUG 1 3 2021.

Issuer: **XURPAS INC.**

By:

NICO JOSE S. NOLLEDO
Chairman of the Board

ALEXANDER D. CORPUZ
President

FERNANDO JUDE F. GARCIA
Treasurer