NOTICE OF 2022 ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders of Xurpas Inc. (the "Company") will be conducted virtually through the Zoom Videoconference facility [Zoom ID: 88182681598] on August 9, 2022 at 9 o'clock in the morning with the following agenda:

AGENDA

1. Call to Order
2. Certification of Notice and Quorum
3. Review and Approval of Minutes of the Previous Meeting held on August 11, 2021
4. Message of the Chairman
5. Annual Report of the President and Approval of the 2021 Audited Financial Statements
6. Amendment of By-Laws
7. Election of Directors and Independent Directors
8. Appointment of External Auditor
9. Ratification of previous acts of the Directors and Management
10. Adjournment

The Company will **not** conduct a face-to-face or in person meeting. Subject to validation procedures, stockholders may attend the meeting *remotely*.

For **Registration** to participate and/or vote in absentia, please visit: http://asm2022.xurpas.com Registration starts on July 1, 2022. Stockholders who will join by proxy may also visit and register in the same link. PSE Trading Participants / Brokers may also submit the following to the Corporate Secretary (corpsec@xurpas.com): (1) the list of stockholders (together with e-mail address of the stockholders) who have indicated that they wish to attend the meeting remotely and/or vote in absentia or through remote communication; (2) a certification on the number of the shares held by the said stockholder as of Record Date. **The Company is not soliciting proxies.**

Only stockholders of record at the close of business day on **June 30, 2022** ("Record Date") are entitled to notice of meeting, attendance to the live webcast of the meeting, and to vote through remote communication or *in absentia*. **Attendance and voting shall be subject to validation procedures.**

June 20, 2022.

ATTY. MARK S. GORRICETA
Corporate Secretary, Chief Legal Officer and
Chief Compliance Officer

All submissions shall be subject to validation procedures of Xurpas Inc. The deadline for Registration, Voting *in absentia* and Proxy Submission is on **August 1, 2022**. Validation of all submitted ballots for the voting *in absentia* and proxies shall be done on **August 4, 2022**. The security code for the virtual stockholders' meeting for each registered stockholder shall be sent via e-mail on **August 5, 2022.** If you need any assistance, you may contact us at corpsec@xurpas.com.

Access to Xurpas Inc.'s Notice and Agenda, Definitive Information Statement, Proxy and other documents required for the Annual Stockholders Meeting may be accessed through Xurpas Inc.'s website at http://www.xurpas.com. You can also request for soft or hard copies of the meeting materials through an email request to corpsec@xurpas.com.

Please submit all questions and comments to corpsec@xurpas.com on or before August 5, 2022, 5:00 p.m.

EXPLANATION OF AGENDA ITEMS

Call to Order

The Chairman of the Meeting will formally open the meeting at approximately 9:00 in the morning. Live webcast of the Meeting will be accessible via Zoom ID: 88182681598. Stockholders who have registered via http:/asm2022.xurpas.com will be given the security code through e-mail on August 5, 2022.

Certification on Notice and Quorum

Xurpas Inc. (the "**Company**") shall distribute the Definitive Information Statement through (a) a disclosure with the Philippine Stock Exchange Electronic Disclosure Generation Technology ("PSE EDGE"); and (b) posting at the Xurpas' website (http://www.xurpas.com).

In accordance with Section 23 and 57 of the Revised Corporation Code, and pursuant to SEC Memorandum Circular No. 6 series of 2020[1] which allow stockholders' meetings to be conducted by way of remote communication or *in absentia* and voting exercised through remote communication or *in absentia,* the Company shall provide a link which will be accessed by the stockholders to participate and vote *in absentia* on the matters presented for resolution at the meeting.

Stockholders who will attend the meeting through remote communication or *in absentia* shall be deemed present for purposes of quorum. The Corporate Secretary shall also certify the existence of a quorum.

The following are the rules of conduct and procedure for the meeting:

1. Stockholders may attend the meeting remotely provided that they have submitted the registration requirements via http:/asm2022.xurpas.com (**"Registration").** The deadline for Registration is on **August 1, 2022.**
2. Stockholders may also submit their proxies through http:/asm2022.xurpas.com. The **deadline for submission of Proxy is on August 1, 2022, 5:00 P.M.** The validation of the proxies shall be conducted on **August 4, 2022.**
3. Questions and comments may be sent prior to or during the meeting at corpsec@xurpas.com and shall be limited to the items in the Agenda. Deadline for submission of questions and comments is on **August 5, 2022, 5:00 P.M.**
4. Stockholders who have registered to participate in the meeting by remote communication shall be included in determining the quorum, together with the stockholders who voted *in absentia* and submitted their proxy.
5. Voting
    - 5.1. Stockholders may cast their votes by submitting their ballots via http:/asm2022.xurpas.com
    - 5.2. Stockholders may issue a Proxy authorizing the Chairman of the meeting to vote on their behalf via http:/asm2022.xurpas.com
6. The Corporate Secretary shall tabulate and validate all votes received on August 4, 2022.
7. The meeting proceedings shall be recorded in audio format and uploaded in the Company's website within seven (7) business days from the meeting.

Approval of the Minutes of the Previous Meeting

The minutes of the meeting held on August 11, 2021 are attached in the Information Statement and posted at the company website.

Message of the Chairman

The Chairman of the Board, Mr. Jonathan Gerard A. Gurango, shall deliver his message to the stockholders of the Company.

[1] Re: Guidelines on the attendance and participation of directors, trustees, stockholders, members, and other persons of corporations in regular and annual meetings through teleconferencing, video conferencing and other remote or electronic means of communication dated March 12, 2020.

Annual Report of the President

The President, Mr. Alexander D. Corpuz, shall deliver a report to the stockholders on the performance of the Company in 2021 and for the first quarter of 2022. All other information that needs to be reported pursuant to the Revised Corporation Code shall likewise be presented by the President. Mr. Corpuz will also present to the stockholders for approval the 2021 Annual Report and Audited Financial Statements of the Company.

Amendment of By-Laws

On May 7, 2020, the stockholders approved the following amendments to the By-Laws:

1. Notice to stockholders be sent through electronic mail and such other alternative modes as may be allowed by the SEC; and
2. Participation through remote communication or in absentia; and
3. Voting through remote communication or in absentia.

The Board will also secure ratification of the Company's stockholders to proceed with the foregoing amendment of By-Laws. In addition, the Company also proposed to amend the By-Laws to reflect (a) Change of Annual Meeting to every 2nd Wednesday of August; and (b) that the Chairman of the Board shall preside in all meetings of the stockholders.

Election of Directors and Independent Directors

The following have been nominated to be part of the Board of the Company:

(1) Jonathan Gerard A. Gurango
(2) Alexander D. Corpuz
(3) Fernando Jude F. Garcia
(4) Wilfredo O. Racaza
(5) Atty. Mercedita S. Nolledo
(6) Imelda C. Tiongson, *Independent*
(7) Bartolome S. Silayan, Jr., *Independent*

Every stockholder entitled to vote shall have the right to vote *in absentia* or by proxy the number of shares outstanding in his name at the time of the election. The stockholder may vote his shares for as many persons as there are directors to be elected.

Appointment of External Auditor

Sycip Gorres Velayo & Co. (SGV & Co.) has been nominated as the Company's external auditor for the fiscal year 2022.

Ratification of previous acts of the Directors and Management

All previous acts of the Board and Management from January 1, 2021 to June 20, 2022 are provided in Annex K of the Information Statement. The foregoing matters shall be subject to the ratification of the stockholders.

XURPAS INC.
2022 Annual Stockholders' Meeting
August 9, 2022
Instructions for Attendance to the Stockholders' Meeting in absentia, Voting in Absentia and Submission of Proxy

Please prepare the following:

1. Name, Valid E-mail Address, Contact Number
2. Valid Government-Issued Identification Card (ID)
3. Broker's Certification (if applicable)
4. For Corporate Shareholders, Secretary's Certificate attesting to the authority of the Authorized Representative to act on behalf of the Corporation / Submit the Forms

Stockholders of Record as of June 30, 2022 are entitled to attend the virtual Stockholders' Meeting and Vote in Absentia. Register via http:/asm2022.xurpas.com

Registration and Voting *in absentia* starts on July 1, 2022
Deadline for Registration, Voting *in absentia* and/or Submission of Proxy is on August 1, 2022.

Registered Stockholders of Xurpas Inc. as of Record Date will receive their security code for the virtual Stockholders' Meeting via e-mail on August August 5, 2022.

The meeting will be accessible (live) on August 9, 2022 at 9:00 AM via Zoom Videoconference facility (Zoom ID: 88182681598)

You may contact us at corpsec@xurpas.com if you need any assistance.
Xurpas Inc. will **not** conduct a face-to-face or in person meeting. The stockholders may attend the meeting *remotely* through a videoconference facility.

XURPAS INC.
REGISTRATION FORM,
VOTING IN ABSENTIA AND/OR PROXY FORM
To be accomplished via http:/asm2022.xurpas.com
Registration Starts on July 1, 2022

I. Registration

For Individual Shareholder	*Please fill up*	**For Corporate Shareholders**	*Please fill up*
Name		Corporate Name	
Contact Number		Name of Authorized Representative	
E-mail Address		Contact Number	
		E-mail Address	

For Individual Stockholder: Valid Government-Issued Identification Card For Corporate Shareholders: Valid Government-Issued Identification Card of the Authorized Representative	*Please upload*
Broker's Certification (*if applicable*)	*Please upload*
Secretary's Certificate (*for Corporate Shareholders*)	*Please upload*

(Yes or No)	I hereby certify that I am a stockholder of Xurpas Inc. as of Record Date (**June 30, 2022**) and I signify my intention to attend the virtual stockholders' meeting on **August 9, 2022** at 9:00 AM. The instructions to attend the stockholders' meeting and security code will be sent to you in the e-mail address you have indicated herein on **August 5, 2022.**

II. Voting *in Absentia* or Issuance of Proxy

Please choose one (1)			
Voting in Absentia *Please accomplish Ballot*		**Proxy** I, being a stockholder of Xurpas Inc. constitutes and appoints the Chairman of the meeting to be my proxy, to represent and vote all shares registered in my name of, and which I beneficially own, at the annual meeting of the stockholders on August 9, 2022 at 9:00 a.m. and any adjournment(s) and postponement(s) thereof, hereby ratifying and confirming any and all actions taken on matters which may properly come before such meeting or adjournment(s) thereof.	

III. **Ballot**

	Matters for Approval	For	Against	Abstain
1.	Approval of Minutes of Previous Meeting held on August 11, 2021			
2.	Annual Report and Approval of the 2021 Audited Financial Statements			
3.	Amendment of By-Laws			
4.	Election of Directors and Independent Directors			
	• Jonathan Gerard A. Gurango			
	• Alexander D. Corpuz.			
	• Fernando Jude F. Garcia			
	• Wilfredo O. Racaza			
	• Atty. Mercedita S. Nolledo			
	• Bartolome S. Silayan, Jr., *Independent*			
	• Imelda C. Tiongson, *Independent*			
5.	Appointment of External Auditor			
	• Sycip Gorres Velayo & Co.			
6.	Ratification of previous acts of the Directors and Management			

Other Terms and Conditions (You will not be able to proceed with the submission if any item is left blank)	
	I hereby certify that the number of votes covered by this Ballot shall be in accordance with the total number of Xurpas Inc. registered in my name as of record date.
	In case of an account with *joint owners*, or an account in an *and/or capacity*, I hereby certify that I have secured the consent of all other owners in the submission of this Ballot.
	In case of a corporate shareholder, I hereby certify that I am an authorized representative of the corporation and I am duly authorized to submit this Proxy.
	If my shares are lodged with PDTC or registered under the name of a broker, bank or other fiduciary, I hereby authorize Xurpas Inc. or any of its duly authorized representative to request and secure the necessary certification from *PDTC or my broker* on the number of shares which are registered in my name as of record date and issue the said certification in accordance with this Form.
	I further hereby certify that my Xurpas Inc. shares are lodged with the following brokers:
	Stockholder's data will be collected, stored, processed and used exclusively for the purposes of electronic registration, voting in absentia and/or submission of Proxy for the Electronic Stockholders' Meeting of Xurpas Inc. In order to meet privacy obligations under the Data Privacy Act of 2012, Stockholder's registrations will be stored in accordance with the statutory retention periods. Detailed information of Xurpas Inc.'s Data Privacy Policy is provided in http://www.xurpas.com.

Name of Broker	Contact Person	Contact Details

Xurpas Inc. reserves the right to request a hard copy of the Registration Form with physical signatures from the stockholder, if necessary.

By signing below, I hereby certify that any and all information contained in this Registration Form, or provided in connection herewith, is true and complete and that Xurpas may rely on the accuracy of any such information.

[Name and Signature of Stockholder]

REMINDER:

This Registration Form shall be accomplished and submitted **on or before August 1, 2022 5:00 p.m**. Stockholders may also accomplish this Registration Form and submit directly to corpsec@xurpas.com together with a valid government-issued identification card, certification from the Broker (for scripless shares) and Secretary's Certificate (for corporate shareholders). Validation of proxies shall be held on August 4, 2022. Security Code will be sent to the e-mail of the stockholders who have submitted their registration on August 5, 2022. Notarization of this Registration Form is not required.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [✓] Preliminary Information Statement

   [ ] Definitive Information Statement

2. Name of Registrant as specified in its charter **XURPAS INC.**

3. **PHILIPPINES**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **A200117708**

5. BIR Tax Identification Code **219-934-330**

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

7. Registrant's telephone number, including area code **(02) 8889-6467**

8. Date, time and place of the meeting of security holders:

   Date: August 9, 2022, Tuesday
   Time: 9:00 a.m.
   Place: The meeting shall be held at its principal office -
   Unit 804 Antel 2000 Corporate Center 121 Valero St.
   Salcedo Village, Makati City the presiding officer and virtually for the other attendees.

   Zoom Meeting ID: 88182681598

Registration and Voting in Absentia and/or Proxy Submission	Registration will start on July 1, 2022	http://asm2022.xurpas.com
Annual Stockholders' Meeting	Live on August 9 2022, 9:00 A.M.	Videoconference Facility Zoom Meeting ID: 88182681598 The Security Code will be sent via e-mail on or before August 5, 2022.

9. Approximate date on which the Information Statement is first to be sent or given to security holders **July 5, 2022**

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor: **Not Applicable**
Address and Telephone No. **Not Applicable**

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares	**2,054,615,059**

12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes [✓] No [ ]

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

1,797,700,660 common shares of the Corporation are listed with the Philippine Stock Exchange.

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. **Date, time and place of meeting of security holders.**

The Annual Stockholders' Meeting of Xurpas Inc. ("**Xurpas**" or the "**Corporation**" or the "**Company**") will be held on the following date at the following address:

Date:	**August 9, 2022, Tuesday**
Time:	**9:00 a.m.**
Place:	Unit 804 Antel 2000 Corporate Center 121 Valero St. Salcedo Village, Makati City **Stockholders' may attend virtually via Zoom Videoconference Facility:** Zoom Meeting ID: 88182681598

Registration and Voting in Absentia and/or Submission of Proxy	Registration starts on July 1, 2022	http://asm2022.xurpas.com
Annual Stockholders' Meeting	Live on August 9, 2022, 9:00 A.M.	Zoom Meeting ID: 88182681598 The Security Code will be sent via e-mail on or before August 5, 2022.

Complete mailing address of registrant:	**Unit 804 Antel 2000 Corporate Center 121 Valero St. Salcedo Village, Makati City, 1227**
Approximate mailing date Of this information statement And Proxy Form:	**July 11, 2022 to be distributed via PSE EDGE and posted at http://www.xurpas.com**

Item 2. **Dissenters' Right of Appraisal**

There are no matters or proposed actions as specified in the attached Notice of Annual Meeting that may give rise to a possible exercise by stockholders of their appraisal right under Section 80 of the Revised Corporation Code of the Philippines.

Section 80, Title X: Appraisal Right of the Revised Corporation Code of the Philippines, provides that any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of his shares in the following instances:

(a) in case of any amendment to the articles of incorporation that has the effect of changing or restricting the rights of any stockholder or class of shares, or authorizing preferences in any respect superior to those of outstanding shares of any class, or extending or shortening the term of corporate existence;

(b) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets;

(c) in case of merger or consolidation; and

(d) in case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

This appraisal right may be exercised by any stockholder who has voted against the proposed corporate action, by making a written demand on the corporation for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken: provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right.

The Corporation shall apply and observe the rules identified in Title X of the Revised Corporation Code on exercise of Appraisal Right.

Item 3. **Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

a. The incumbent directors and executive officers, those nominated for election as independent director, and their associates, have no substantial interest in any matter to be acted upon at the meeting other than election to the office.

b. No director has informed the Corporation of his opposition to any matter to be acted upon at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

a. **Class of voting shares**

Number of outstanding shares as of June 30, 2022	:	**2,054,615,059 common shares**
Number of votes per share	:	**One vote each share of stock held as of record date of June 30, 2022**

b. **Record date**

All stockholders of record as of June 30, 2022 are entitled to notice and to vote at the meeting.

c. **Election of directors and cumulative voting rights**

The election of directors and independent directors should be by ballot and cumulative voting is allowed. A stockholder (a) may vote such number of his/her shares for as many persons as there are directors to be elected, or (b) may cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or (c) may distribute them on the same principle among as many candidates as he/she shall see fit, provided, that the total number of votes cast shall not exceed the number of shares owned by the stockholder.

Every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares outstanding in his name at the time of the election. The stockholder may vote his shares for as many persons as there are directors to be elected.

The stockholder may also cumulate his shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates he may see fit; provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected. There is no condition precedent to the exercise of the stockholders' right to cumulative voting.

D. Security ownership of certain record and beneficial owners and management

1. **Security ownership of certain record and beneficial owners**

As of May 30, 2022, the Corporation is not aware of any person who is directly or indirectly the record or beneficial owner of more than 5% of the Corporation's capital stock except as set forth below:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares and Nature of Ownership (Direct or Indirect)	Percent of Class
Common	**Fernando Jude F. Garcia** North Lane,	Fernando Jude F. Garcia	Filipino	375,073,960 (Direct)	18.26%

	Jem 2 Subd., Tandang Sora, Quezon City (Director, Chief Technology Officer and Treasurer)				
Common	**Raymond Gerard S. Racaza** One Salcedo Place, Jaime Velasquez St., Salcedo Village, Makati City	Raymond Gerard S. Racaza	Filipino	375,765,960 (Direct)	18.29%
Common	**Nico Jose S. Nolledo** Urdaneta Tower, Ayala Avenue, Makati City	Nico Jose S. Nolledo	Filipino	464,875,041 (Direct) and 39,169,763 (Indirect)[1]	24.53%
Common	**PCD Nominee Corp. (Filipino)**	PCD participants acting for themselves and for their customers[2]	Filipino	526,999,231[3] (Direct)	25.65%
Common	**PCD Nominee Corp. (Non-Filipino)**	PCD participants acting for themselves and for their customers[4]	Non-Filipino	254,397,595 (Direct)	12.38%

As of May 31, 2022, 12.38% of the outstanding shares of the Corporation are held by foreigners.

[1] Shares registered in the name of Eden International Holdings Pte. Ltd.

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

[3] List of Stockholders issued by the Stock Transfer Agent reflects that PCD Nominee (Filipino) holds 1,413,288,179 common shares in Xurpas Inc as of May 31, 2022. We updated this to remove shares in the name of Mr. Nico Jose S. Nolledo, Mr. Fernando Jude F. Garcia, Mr. Raymond Gerard S. Racaza, and Xurpas' Treasury Shares.

[4] List of Stockholders issued by the Stock Transfer Agent reflects that PCD Nominee (Non-Filipino) holds 293,567,358 common shares in Xurpas Inc. as of May 31, 2022. We updated this to remove shares in the name of Eden International Holdings Pte. Ltd.

2. **Security ownership of directors and management**

As of June 13, 2022, the Corporation's directors and executive officers own the following number of shares:

Title of Class	Name of Owner and Position	Citizenship	No. of Shares and Nature of Ownership (Direct or Indirect)	Percent of Class
Common	**Jonathan Gerard A. Gurango** Chairman and Chief Executive Officer	Filipino	169,399 (Direct)	0.01%
Common	**Alexander D. Corpuz** Director, President, Chief Finance Officer and Chief Information Officer	Filipino	1,000 (Direct)	Nil
Common	**Fernando Jude F. Garcia** Director, Chief Technology Officer and Treasurer	Filipino	375,073,960 (Direct)	18.26%
Common	**Mercedita S. Nolledo** Director	Filipino	2,378,338 (Direct)	0.12%
Common	**Wilfredo O. Racaza** Director	Filipino	1,060 (Direct)	Nil
Common	**Imelda C. Tiongson** Independent Director	Filipino	1,000 (Direct)	Nil
Common	**Bartolome S. Silayan, Jr.** Independent Director	Filipino	2,000 (Direct)	Nil
Total (Directors and Officers as a Group)			377,626,757	18.38%

3. **Voting Trust Holders of 5% or More**

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

4. **Changes in Control**

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

Item 5. **Directors and Executive Officers**

(i) **Board of Directors, Independent Directors and Executive Officers**

On August 11, 2021, the Corporation held its 2021 Annual Stockholders' Meeting wherein eight (8) directors were elected as such for the ensuing year. Three (3) out of the eight (8) directors are independent.

Effective June 6, 2022, Mr. Nico Jose S. Nolledo resigned as Chairman of the Board and as a Director for personal reasons. He is no longer nominated as director, but will remain as an Adviser to the Board of Directors.

The following are nominated as directors of the Corporation:

Directors	Nationality	Position	Age	Year Position was Assumed
Jonathan Gerard A. Gurango	Filipino	Executive Director (Chairman and Chief Executive Officer)	64	2022[5]
Alexander D. Corpuz	Filipino	Executive Director (President, Chief Finance Officer and Chief Information Officer)	55	2019
Fernando Jude F. Garcia	Filipino	Executive Director (Treasurer and Chief Technology Officer)	48	2001
Mercedita S. Nolledo	Filipino	Non-Executive Director	81	2001
Wilfredo O. Racaza	Filipino	Non-Executive Director	73	2001
Imelda C. Tiongson	Filipino	Independent Director	56	2020
Bartolome Silayan, Jr.	Filipino	Independent Director	53	2020
Mark S. Gorriceta	Filipino	Corporate Secretary, Chief Legal Officer and Chief Compliance Officer	44	2014

Background Information

Jonathan Gerard A. Gurango, 64, Filipino, served as an independent director of the Corporation from 2014 to 2022. He assumed the position of Chairman and Chief Executive Officer effective June 6, 2022. Mr. Gurango has a solid track record in forming and running successful software companies. He founded Match Data Systems (MDS) in Seattle, USA in 1987, MDS Philippines in 1991, and MDS Australia in 1996. In 1999, he sold MDS to Great Plains Software, which was acquired by Microsoft in 2001. Mr. Gurango served as the Asia Pacific Regional Director for Microsoft Business Solutions, before he left in 2003 to form Gurango Software. In 2007, he was inducted into the Hall of Fame for Microsoft's Most Valuable Professionals, in recognition of his mastery of software technology and business. In 2006, the Philippine Center for Entrepreneurship acknowledged him as one of the country's Ten Most Inspiring Technopreneurs. After leading Gurango Software into the most successful Microsoft Dynamics partner in the Philippines, he co-founded several software start-ups and was the President of the Philippine Software Industry Association until 2014. He is presently the Chairman of the Capiz ICT Council, and a director of SERVIO Technologies, Kation Technologies, OfficeGuru, TendoPay, and the Mijares-Gurango Craniofacial Foundation. Mr. Gurango studied Industrial Engineering at the University of the Philippines, Diliman, Quezon City. He also studied Electrical Engineering at the University of Washington, Seattle, Washington, USA.

Alexander D. Corpuz, Filipino, 55, was appointed as Director and President of the Corporation effective February 1, 2019. He has also been the Corporation's Chief Finance Officer since 2014 and Chief Information Officer since 2018. Mr. Corpuz has 31 years of experience in the field of finance, ten years of which was in investment and commercial banking. He was Vice President of Bank of America in 2001, before serving as CFO for Liberty Telecoms, Information Gateway, Mañosa Group of Companies and Hatchd Inc. Mr. Corpuz holds a Bachelor of Science in Business Administration degree

[5] Mr. Jonathan Gerard A. Gurango was elected as Independent Director of Xurpas Inc. from 2014 to 2022.

from University of the Philippines, Diliman, Cum Laude. He obtained his Masters in Business Management from the Asian Institute of Management, Makati City. He is a member of the Financial Executives Institute of the Philippines (FINEX).

Fernando Jude F. Garcia, Filipino, 48, has been the Chief Technology Officer and Director of the Corporation since November 2001. He was also appointed as Treasurer effective February 1, 2019. He also served as Corporate Secretary of the Corporation until December 2014. He created the Corporation's Griffin Platform, the mobile consumer content gateway and platform for all of the Corporation's mobile consumer content products and services. He also created the Corporation's modular middleware system that can easily integrate with any modern billing gateway. He is the chief engineer responsible for the Corporation's software architecture and systems integration. Examples of such systems and protocols are the following: SMS (CIMD2/EMI-UCP/SMPP), MMS (EIAF/MM7), Voice Services (SIP), Billing/IN (Diameter/UCIP/ParlayX2.1), Security (IPSEC), Publish-subscribe Systems and Video Streaming (RTMP/HLS) and blockchain technology (BTC/ETH). He is also responsible for architecting the Corporation's fully Cloud-based system infrastructure. Before founding the Corporation, he was a software developer in iAyala. Mr. Garcia holds a Bachelor of Science degree in Applied Physics from the University of the Philippines in Diliman, Quezon City.

Wilfredo O. Racaza, Filipino, 73, has been a Director of the Corporation since November 2001.Mr. Racaza has 49 years of marketing and finance experience under his belt. He was the head of New Business Development in Mobil Oil Philippines for 15 years. He previously worked as an insurance executive in Manulife Financial Philippines for 33 years. He is a Registered Financial Consultant (Graduated Cum Laude in May 2015). He has garnered numerous accolades and multiple awards such as Branch of the Year recognitions and consistent agency sales awards. He has been a consistent awardee in the General Agents and Managers Association (GAMA) of the Philippines from 2003 to Present. Mr. Racaza holds a Bachelor of Science in Commerce Degree Major in Accountancy from Xavier University-Ateneo de Cagayan in Cagayan de Oro City.

Mercedita S. Nolledo, 81, Filipino, has been a Director of the Corporation since November 2001. Atty. Nolledo is currently a director of Anvaya Golf and Nature Club, Inc., and Michigan Holdings, Inc. and a member of the Advisory Board of Ayala Land, Inc. and Bank of the Philippine Islands. She is the Chairman of BPI Investment Management Corporation. She is currently an independent director of D&L Industries, Inc. She is a member of the Board of Trustees of Ayala Foundation, Inc. and BPI Foundation, Inc. She has served as a director of Cebu Holdings, Inc. from 1993 to 2006 and of Ayala Corporation from 2004 to 2010. Atty. Nolledo was formerly Corporate Secretary and General Counsel of the Ayala Group of Companies and the Senior Managing Director of the Ayala Corporation. She served as Executive Vice President, director and Corporate Secretary of Ayala Land, Inc. and as the firm's Treasurer. Atty. Nolledo placed second in the Certified Public Accountant exams in 1960 and also placed second in the 1965 bar exams. She holds a Bachelor of Science degree in Business Administration, magna cum laude, from the University of Philippines. Atty. Nolledo holds a Bachelor of Laws degree, cum laude, from the University of the Philippines.

Imelda C. Tiongson, 56, Filipino, has been an Independent Director of the Corporation since May 7, 2020. She is currently the President of Opal Portfolio Investments (SPV-AMC) Inc. and recently appointed Chairperson and Independent director of Pru Life UK PH and Bangko Sentral ng Pilipinas Open Finance Oversight Committee.

In addition, she is also involved in several advocacy organizations; Trustee of the Institute of Corporate Directors (ICD) and Head of Technology Governance Committee, Vice Chairwoman of the Governance Committee of the Management Association of the Philippines, Trustee of Fintech Alliance.ph and Head of Techno Ethics and Trustee of Fintech Philippines Association. She is also a lecturer of various organizations namely; ICD and Ateneo Graduate School of Business - Center for Continuing Education.

She previously held senior executive positions in National Australia Bank and Philippine National Bank with an aggregate total of 22 years. She was also a Director of Vitarich Corporation and a Board Advisor of East Asia Power Corporation as Creditor-nominee, representing PNB.

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

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

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

Mark S. Gorriceta, 44, Filipino, has been the Corporate Secretary and Chief Legal Officer of the Corporation since 2014. He was also appointed as Chief Compliance Officer of the Corporation in 2018. Atty. Gorriceta has been in the practice of law for sixteen years. He acts as legal counsel to several other listed companies, its subsidiaries or affiliates. Atty. Gorriceta also serves as Chief Legal Counsel and/or Corporate Secretary to several leading online and tech companies in the Philippines. He is the Managing Partner and head of the Corporate Group of Gorriceta Africa Cauton & Saavedra. A member of the Philippine Bar since 2005, he holds a Bachelor of Arts, Political Science degree from the Ateneo de Manila University. He also attended certificate courses in Finance at the Asian Institute of Management in Makati City. Atty. Gorriceta is a faculty member of the Ateneo de Manila University's Center for Continuing Education. He teaches Mergers & Acquisitions for the Advanced Module Diploma Course in Corporate Finance.

Attendance in Board Meetings

The attendance of the directors in the meetings of the Board held in 2021 is as follows:

Directors	Number of Meetings Held and Attended	Percentage
Nico Jose S. Nolledo	9/9	100%
Alexander D. Corpuz	9/9	100%
Fernando Jude F. Garcia	9/9	100%
Wilfredo O. Racaza	9/9	100%
Mercedita S. Nolledo	9/9	100%
Jonathan Gerard A. Gurango	9/9	100%
Imelda C. Tiongson	8/9	89%
Bartolome S. Silayan, Jr.	9/9	100%
Total Number of Meetings	**9**	**-**

In compliance with its Manual on Corporate Governance, the Corporation has established committees to perform certain management functions and achieve sound corporate governance. The following are the current members of the committees:

Director	Executive	Corporate Governance	Board Risk Oversight	Nomination	Audit and RPT	Personnel and Compensation
Fernando Jude F. Garcia	M					C
Alexander D. Corpuz	M			M		
Mercedita S. Nolledo					M	
Wilfredo O. Racaza			M	M		M
Jonathan Gerard A. Gurango	C	M		C		M
Imelda C. Tiongson		C	C		M	
Bartolome S. Silayan, Jr.		M	M		C	

C- Chairman
M- Member

Nomination of Directors

The Corporation's Nomination Committee pre-screened and accepted the nominations for the following directors:

- Jonathan Gerard A. Gurango,
- Alexander D. Corpuz
- Fernando Jude F. Garcia
- Atty. Mercedita S. Nolledo
- Wilfredo O. Racaza
- Bartolome Silayan, Jr., *Independent*
- Imelda C. Tiongson, *Independent*

The Nomination Committee evaluated the qualifications of the nominees and prepared the final list of nominees in accordance with the criteria provided in the Securities Regulation Code ("SRC"), the Corporation's Manual on Corporate Governance and the Corporation's By-Laws.

The Nomination Committee is headed by Mr. Jonathan Gerard A. Gurango and its members are: Mr. Wilfredo O. Racaza and Mr. Alexander D. Corpuz.

Only nominees whose names appear on the final list of candidates are eligible for election as directors. No nominations will be entertained or allowed on the floor during the Annual Stockholders' Meeting.

The Board elects the officers of the Corporation annually during its organizational meeting.

Independent Directors

The following are the nominees to act as Independent Directors:

- Bartolome Silayan, Jr.
- Imelda C. Tiongson

Mr. Fernando Jude F. Garcia nominated the incumbent independent directors. Mr. Garcia and each of the nominated independent director are not related by consanguinity or affinity up to the fourth civil degree.

The certifications signed by the Independent Directors are attached herein as Annex "B1-B2".

(ii) **Significant Employees**

The Corporation values the contribution of each employee no matter how big or small and considers all its employees significant. There is no "significant employee" as defined in the SRC.

(iii) **Family Relationships**

Mr. Nico Jose S. Nolledo, Chairman, is the son of Atty. Mercedita S. Nolledo, a director. Mr. Nico Jose S. Nolledo resigned as Chairman and Director effective June 6, 2022.

Considering the foregoing, there are no family relationships between the current members of the Board and the key officers.

(iv) **Involvement in Certain Legal Proceedings**

There are no material legal proceedings, bankruptcy petition, conviction by final judgment, order, judgment or decree or any violation of a securities or commodities law for the past five years to which the Corporation or any of its subsidiaries or affiliates or its directors or executive officers is a party or of which any of its material properties is subject in any court or administrative government agency.

As of this report, the Corporation is not a party to any litigation or arbitration proceedings of material importance, which could be expected to have a material adverse effect on the Corporation or on the results of its operations. No litigation or claim of material importance is known to be pending or threated against the Corporation or any of its properties.

(v) **Certain Relationships and Related Transactions**

In the conduct of its day-to-day business, the Corporation engages in related party transactions such as service and licensing agreements, always at arms-length and taking into consideration the best interest of the Corporation.

The Corporation has secured loans from its key shareholders. On February 20, 2019, the board of directors approved the execution of a loan agreement wherein the key shareholders of the Corporation agreed to extend an aggregate of Php150 million loan to be used to fund enterprise projects and for general corporate purposes. See Note 19 of the Corporation's consolidated financial statements for transactions as of December 31, 2021.

On January 20, 2022, Xurpas entered into a Subscription Agreement with one of its principal shareholders, Nico Jose S. Nolledo, wherein it will issue new Xurpas Shares for a subscription price of Php100,000,000.10. On March 21, 2022, upon receipt of full payment of the Subscription Price, the Corporation recorded the issuance of 181,818,182 common shares (the "Subscription Shares") on its corporate books; however, the Subscription Shares have not been listed with the Philippine Stock Exchange as of date.

(vi) **Ownership Structure and Parent Corporation**

As of date, Mr. Fernando Jude F. Garcia owns 18.26% of the Corporation. He actively manages the Corporation's business activities, and is currently a director and officer in the Corporation

The other two (2) founders, Mr. Nico Jose S. Nolledo and Mr. Raymond Gerard S. Racaza have resigned from any management role and currently owns 42.82% of the Corporation.

Xurpas Inc. has no parent company.

(vii) **Resignation of directors**

Mr. Raymond Gerard S. Racaza has resigned as Director effective January 30, 2019. Mr. Alvin D. Lao has resigned as Independent Director effective May 22, 2019. Mr. Nico Jose S. Nolledo resigned as Chairman of the Board and as a Director effective June 6, 2022.

Mr. Raymond Gerard S. Racaza, Mr. Alvin D. Lao and Mr. Nico Jose S. Nolledo do not have any known disagreement with the Corporation's affairs and they resigned for personal reasons.

Item 6. **Compensation of Directors and Executive Officers**

a. Executive Compensation.

Year	Position	Salary	Bonus	Other	Total
2022 (Projected)	Chief Executive Officer, President/ Chief Finance Officer, Treasurer/ Chief Technology Officer, Head of Sales, Head of Technical Operations, Head of Accounts	₱11,400,000.00			₱11,400,000.00
	Board of Directors	N/A	N/A	1,465,000	1,465,000
2021 (Actual)	President/ Chief Finance Officer, Treasurer/ Chief Technology Officer, Head of Sales, Head of Technical Operations, Head of Accounts	₱8,790,358.00	N/A	N/A	₱8,790,358.00
	Board of Directors	N/A	N/A	1,465,000	1,465,000
2020 (Actual)	President/ Chief Finance Officer, Treasurer/ Chief Technology Officer, Head of Sales, Head of Technical Operations, Head of Accounts	19,840,353	N/A	N/A	19,840,353
	Board of Directors	N/A	N/A	2,670,000	2,670,000
2019 (Actual)	President/ Chief Finance Officer, Treasurer/ Chief Technology Officer, Head of Sales, Head of Technical Operations, Head of Accounts	19,840,353	N/A	N/A	19,840,353
	Board of Directors	N/A	N/A	2,080,000	2,080,000
2018 (Actual)	President/ Chief Finance Officer, Head of Sales, Head of Technical Operations, Head of Accounts	17,240,353	N/A	N/A	17,240,353
	Board of Directors	N/A	N/A	1,865,000	1,865,000

	2022 (Estimate)	₱11,400,000	N/A	₱1,465,000	₱12,865,000
Total	2021	₱8,790,358	N/A	₱1,465,000	₱12,865,000
	2020	₱19,840,353	N/A	₱2,670,000	₱22,510,353
	2019	₱19,840,353	N/A	₱2,080,000	₱21,920,353
	2018	₱17,240,353	N/A	₱1,865,000	₱19,105,353

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

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

b. Compensation of Directors

The directors receive a standard per diem of Php20,000.00 for every meeting attended, which may be adjusted, as decided by the Personnel and Compensation Committee. Non-executive directors have no compensation aside from their per diem.

c. Other Arrangements

The Corporation has no other existing arrangements such as bonus, profit sharing, stock options, warrants, rights, or other compensation plans or arrangements with its directors. The Corporation has applied for an Employee Stock Option Plan, approval of which is currently pending with the Securities and Exchange Commission and the Philippine Stock Exchange. The details are as follows:

Title and Amount of Securities	A minimum of 0.5% to a maximum of 1.5% of the outstanding capital stock of the Corporation's common share are reserved for the Plan, but in no case shall the aggregate number of shares represented by outstanding options exceed 1% of fully-diluted shares, inclusive of shares represented by such outstanding options.
Price	Not in any case be less than the Fair Market Value ("FMV") of the Corporation's shares, or such lower purchase price as may be allowed under the rules of the PSE or the SEC subject to adjustment in case of change in the FMV of the Corporation's shares by virtue of stock dividends, stock splits or any of the events stated in Article 5.2 of the Plan. However, in no case shall it be less than the subscription price of ₱3.97 at which the Corporation's shares were initially offered for sale to the public in December 2014.
Option Expiry Date	3rd Year anniversary of the option grant date.
Exercise of Privilege	<table><tr><td>During the first year of the effectivity of the grant</td><td>1/3 of the total grant</td></tr><tr><td>During the second year of the effectivity of the grant</td><td>1/3 of the total grant</td></tr><tr><td>During the third year of the</td><td>1/3 of the total grant</td></tr></table>

	effectivity date of the grant or such shorter or longer period as the Committee may prescribe from date of effectivity thereof or the "Vesting Period".
Participants[6]	All such full time and regular employees of the Corporation and such other qualified persons determined by the Personnel and Compensation Committee from those recommended by the Executive Committee from a list of all such full-time and regular employees of the Corporation, its subsidiaries and/or affiliates are eligible to participate in the Plan. The Committee shall have the sole discretion to determine from the list recommended employees who will be granted options under the Plan, taking into consideration certain criteria such as, but not limited to the exceptional performance of the employee or his/her valuable contribution to the business of the Corporation, its subsidiaries and/or affiliates

The above application is pending approval of the Securities and Exchange Commission.

d. Employment Contracts, Termination of Employment, Change-in-Control Arrangements

The Executive Officers have entered into employment contracts with the Corporation which identifies their job functionalities. The Corporation does not have any compensatory plan or arrangements such as bonus, profit sharing, stock options, warrants, rights or other compensation plans or arrangements that results from the resignation, retirement of employment, or any other termination of an executive officer's employment with the Corporation, or from a change in control of the Corporation.

e. Warrants and Options Outstanding

The Corporation does not have any stock options, warrants or similar plans for any of its directors or officers. The Corporation has applied with the SEC for an Employee Stock Option Plan, approval of which is currently pending with the Securities and Exchange Commission and the Philippine Stock Exchange.

Item 7. Independent Public Accountants

SyCip, Gorres, Velayo & Company ("SGV & Co.") has been its external auditor since 2008. SGV & Co. is in compliance with the SRC requirement of rotating the handling partner every five consecutive years. A two-year *cooling off period* shall be observed in the re-engagement of the handling partner.

The handling partner who conducted the audit for the calendar year 2021 is Mr. Dolmar C. Montañez. He has been the handling partner for the audit of the Corporation' since calendar year 2017. He is also the recommended partner-in-charge for calendar year 2022.

The Board approved the re-appointment of SGV & Co. as the Corporation's external auditor for 2022. The re-appointment of SGV will be presented to the stockholders for their approval at the annual stockholders' meeting.

[6] The amount of options to be received by the Directors/Officers, or all other employees of the Xurpas' group is not determinable as of date.

The Corporation has no disagreements with SGV & Co. on accounting principles and practices, financial statement disclosures, or auditing scope or procedures.

Representatives of SGV & Co. will attend the annual stockholders' meeting and will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions.

Item 8. Compensation Plans

There are no matters or actions to be taken up with respect to any stock option, warrants, or rights plan.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

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

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

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

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

In the approval made by the Board on September 20, 2020, the distribution of the shares to be issued has been identified. Moreover, there was a minor increase in the number of shares to be issued to the Subscribers to maintain the agreed upon percentage which is at 47.68% of the total outstanding shares of Xurpas. We note that Xurpas sold 966,667 Xurpas shares taken out of its treasury shares in July 2020. Consequently, the number of shares to be issued to the Wavemaker Subscribers also increased.

On September 20, 2020, the Corporation and the Subscribers executed the Subscription Agreement for the issuance of the Subscription Shares.

On December 20, 2021, the Corporation received a written notification from Frederick Manlunas of the Wavemaker Group terminating the Subscription Agreement, Stock Purchase Agreement, and such other agreements executed with the Company on September 20, 2020 due to failure to Close the transaction by December 31, 2020. Accordingly, no Xurpas shares were issued in favor of the subscribers. Moreover, Xurpas did not receive any Wavemaker Shares in Wavemaker Group Inc. pursuant to the Stock Purchase Agreement.

<u>Accordingly, the Corporation is not securing any approval in relation to the foregoing transaction.</u>

Item 10. Modification or Exchange of Securities

There are no matters or actions to be taken up for the modification of any class of the Corporation's securities or the issuance or authorization for issuance of one class of the Corporation's securities in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

a. Management Report (includes Management's Discussion and Analysis) is attached as Annex "D";
b. 2021 Annual Report is attached as Annex "E"; and
c. Unaudited Consolidated Financial Statements as of March 31, 2022 is attached as Annex "F".

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

The proposed acquisition of shares in Wavemaker Group Inc. was terminated in December 20, 2021. Accordingly, there are no matters or actions to be taken up in the meeting with respect to mergers, consolidations, acquisitions and similar matters.

Item 13. Acquisition or Disposition of Property

There are no matters or actions to be taken up in the meeting with respect to acquisition or disposition of any property requiring stockholders' approval.

Item 14. Restatement of Accounts

There are no matters or actions to be taken up in the meeting with respect to the restatement of any asset, capital or surplus account of the Corporation.

<u>D. OTHER MATTERS</u>

Item 15. Action with Respect to Reports

The following matters will be considered and acted upon at the meeting:

a. Approval of the Minutes of the Previous Stockholders' Meeting held on August 11, 2021

   The Minutes of the 2021 Annual Stockholders' Meeting held last August 11, 2021 is attached as Annex "A" herein and is available in the Corporation's website.

b. Approval of 2021 Audited Financial Statements

   The 2021 Consolidated Audited Financial Statements is attached as Annex "E".

c. Ratification of acts of the Directors and Management

   The Schedule of Acts of Directors / Management for Ratification is attached as Annex "G".

There are no other items to be submitted for approval or consideration.

Item 16. **Other Matters**

1. The minutes of the special stockholders' meeting held on August 11, 2021 will be presented to the stockholders for approval. See attached Annex "A" for a copy of the minutes of the previous meeting.

2. The Corporation will present its Audited Financial Statements for the year ending December 31, 2021 and the Interim Report as of March 31, 2022 to inform the stockholders on the current business operations of the Corporation. The following shall likewise be included in the discussion:

    a. An assessment of the corporation's performance;
    b. A discussion on the corporation's internal controls or risk management systems, and a statement of all external audit and non-audit fees;
    c. An explanation of the dividend policy and the reasons for nonpayment thereof; and
    d. Discussion on related party transactions.

3. Prior to election of directors, their profiles, which shall include, among others, their qualifications and relevant experience, length of service in the corporation, trainings and continuing education attended, and their board representations in other corporations shall be presented to the stockholders. The attendance report of the Board shall likewise be included in the discussion.

Item 17. Amendment of Charter, By-Laws or Other Documents

On May 7, 2020, the stockholders approved the amendments to the following provisions of the by-laws:

1. Notice of meeting to be distributed through electronic means, or such other manner as the Securities and Exchange may allow;
2. Participation of stockholders in a meeting through remote communication, or *in absentia*; and
3. Exercise by the stockholders of its right to vote by remote communication or *in absentia*.

The Corporation has not secured the approval of the Securities and Exchange Commission in relation to the foregoing as of date. Accordingly, the Corporation would like again to secure the approval of the stockholders to proceed with the foregoing amendment, including the additional amendment in relation to: (a) Change in Annual Meeting to every 2nd Wednesday of August (See Article II Section 1); and (b) allowing the Chairman of the Board of Directors to preside in stockholders' meetings (See Article II Section 6).

The following are the proposed amendments in the Corporation's By-Laws:

	Current	**Proposed Amendment**
Article II, Section 1	**Section 1.** Annual/Regular Meetings – The annual/regular meetings of stockholders shall be held every 2nd Monday of May of each year, if a legal holiday then on the day following.	**Section 1.** Annual/Regular Meetings – The annual/regular meetings of stockholders shall be held every <u>2nd Wednesday of August</u> of each year, if a legal holiday then on the day following.
Article II, Section 4	**Section 4.** Notice of Meeting – Notices for regular or special meetings of stockholders may be sent by the Secretary by personal delivery or by mail	**Section 4.** Notice of Meeting – Notices for regular or special meetings of stockholders may be sent by the Secretary by personal delivery, by mail<u>, electronic</u>

	at least two (2) weeks prior to the date of the meeting to each stockholder of record at his last known address. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called. When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned is announced at the meeting at which the adjourned is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.	<u>mail or such other manner as may be allowed by the Securities and Exchange Commission</u> at least two (2) weeks prior to the date of the meeting to each stockholder of record at his last known address. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called. When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned is announced at the meeting at which the adjourned is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.
Article II, Section 5	**Section 5.** Quorum – Unless otherwise provided by law, in all regular or special meeting of stockholders, a majority of the outstanding capital stock must be present or represented in order to constitute a quorum. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of stock shall be present.	**Section 5.** Quorum – Unless otherwise provided by law, in all regular or special meeting of stockholders, a majority of the outstanding capital stock must be present or represented in order to constitute a quorum. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of stock shall be present. <u>A stockholder who participates through remote communication or *in absentia* shall be deemed present for purposes of quorum.</u>
Article II, Section 6	**Section 6.** Conduct of Meeting – Meetings of the stockholders shall be presided over by the President, or in his absence, by a chairman to be chosen by the stockholders. The Secretary shall act as secretary of every meeting but if not present, the chairman of the meeting shall appoint a secretary of the meeting.	**Section 6.** Conduct of Meeting – Meetings of the stockholders shall be presided over by the <u>Chairman of the Board</u>, or in his absence, by a chairman to be chosen by the stockholders. The Secretary shall act as secretary of every meeting but if not present, the chairman of the meeting shall appoint a secretary of the meeting.
Article II, Section 7	**Section 7.** Manner of Voting – At all meetings of stockholders, a stockholder may vote in person or by proxy. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary. Proxies must be filed with the Secretary, Assistant Secretary or transfer agent of the corporation at least seven (7) days	**Section 7.** Manner of Voting – A stockholder may vote in person, <u>through a proxy or through remote communication or *in absentia* subject to compliance with rules and regulations as may be issued by the Securities and Exchange Commission.</u> Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the

	before the day of the meeting. Proxies filed with the Secretary, Assistant Secretary or transfer agent of the corporation may be revoked by the stockholders either in an instrument in writing duly presented to the Secretary, Assistant Secretary or transfer agent of the corporation at least three (3) days before the day of the meeting or by their personal presence at the meeting. Validation of proxies shall be done at least five (5) days before the day of the meeting by the Secretary or by a special committee of inspectors composed of the Secretary, Assistant Secretary and a representative of the transfer agent of the corporation. The decision of the Secretary or the special committee of inspectors, as the case may be, on the validity of the proxies shall be final and binding until and unless set aside by a court of competent jurisdiction.	Secretary. Proxies must be filed with the Secretary, Assistant Secretary or transfer agent of the corporation at least seven (7) days before the day of the meeting. Proxies filed with the Secretary, Assistant Secretary or transfer agent of the corporation may be revoked by the stockholders either in an instrument in writing duly presented to the Secretary, Assistant Secretary or transfer agent of the corporation at least three (3) days before the day of the meeting or by their personal presence at the meeting. Validation of proxies shall be done at least five (5) days before the day of the meeting by the Secretary or by a special committee of inspectors composed of the Secretary, Assistant Secretary and a representative of the transfer agent of the corporation. The decision of the Secretary or the special committee of inspectors, as the case may be, on the validity of the proxies shall be final and binding until and unless set aside by a court of competent jurisdiction.

Item 18. Other Proposed Action

These are the following proposed actions to be taken during the meeting on August 9, 2022:

1. Review and Approval of Minutes of the Previous Meeting held on August 11, 2021
2. Approval of 2021 Audited Financial Statements
3. Amendment of By-Laws
4. Election of Directors and Independent Directors
5. Appointment of External Auditor
6. Ratification of previous acts of the Directors and Management

There are no other matters to be taken up during the meeting.

Item 19. **Voting Procedures**

- Vote Required

  - Majority vote of the outstanding capital stock present and represented at the meeting where a quorum exist shall be sufficient.

- Method of Voting

  - The Board has approved that the conduct of the Annual Stockholders' Meeting on August 9, 2021 shall be through remote communication or in absentia (Virtual Meeting). Consequently, the Board also approved that a stockholder shall be allowed to vote by remote communication or in absentia. The stockholder may also appoint the Chairman of the meeting as his proxy.

A stockholder may register, vote in absentia or submit his proxy via http://asm2022.xurpas.com. Deadline for registration, voting in absentia and proxy submission is on August 1, 2022, 5:00 PM. A stockholder voting electronically or in *absentia* shall be deemed present for purposes of quorum. Proxies may also be submitted via e-mail at corpsec@xurpas.com. Deadline for submission of Proxies is on August 1, 2022, 5:00 p.m. Validation of proxies shall be done on August 4, 2022.

Item 20. Participation of Shareholders by Remote Communication

In light of the current conditions and in support of the efforts to contain the outbreak of Covid-19, the Corporation will dispense with the physical attendance of stockholders at the meeting and will only allow attendance via remote communication and voting in absentia.

- To register, vote *in absentia* and submit proxies for the stockholders' meeting, please visit http://asm2022.xurpas.com. Deadline for registration is on August 1, 2022, 5:00 pm.

- The live webcast of the meeting shall be accessible through Zoom Meeting ID: 88182681598 82330742820 The stockholders who have registered through Xurpas' Registration Link shall receive the security code via e-mail on August 5, 2022. Only stockholders who have successfully registered on or before August 1, 2022 5:00 PM shall be allowed to attend the virtual stockholders' meeting on August 9, 2022.

Undertaking to Provide Annual Report

Upon written request of a stockholder, the Corporation undertakes to furnish said stockholder, without charge, a copy of its Annual Report or SEC Form 17-A. Such written request may be addressed to:

> **MR. ALEXANDER D. CORPUZ**
> President
> Xurpas Inc.
> Unit 804 Antel 2000 Corporate Center 121 Valero St.
> Salcedo Village, Makati City

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on June 20, 2022

By:

ATTY. MARK S. GORRICETA
Corporate Secretary, Chief Legal Officer and
Chief Compliance Officer

ANNEXES

ANNEX "A"

MINUTES OF THE
2021 ANNUAL STOCKHOLDERS' MEETING OF
XURPAS INC.
August 11, 2021 at 9:00 A.M.

The 2021 Annual Stockholders' Meeting of **Xurpas Inc.** (the "**Corporation**") was held on August 11, 2021 at 9:00 a.m. The Chairman of the Meeting, Mr. Alexander D. Corpuz, presided the meeting and was present at Xurpas' principal office located at Unit 804 Antel 2000 Corporate Center, 121 Valero St., Salcedo Village, Makati City, 1227.

Stockholders Present:

Total No. of Shares of Stockholders Present/Represented by Proxy:	1,076,078,239
Percentage of Shares Present & Represented by Proxy:	57.46%

Directors and Officers Present:

Mr. Nico Jose S. Nolledo	Chairman
Mr. Alexander D. Corpuz	President, Chief Finance Officer and Chief Information Officer
Mr. Fernando Jude F. Garcia	Treasurer and Chief Technology Officer
Atty. Mercedita S. Nolledo	Director
Mr. Wilfredo O. Racaza	Director
Mr. Jonathan Gerard A. Gurango	Independent Director
Ms. Imelda C. Tiongson	Independent Director
Mr. Bartolome S. Silayan, Jr.	Independent Director
Atty. Mark S. Gorriceta	Corporate Secretary, Chief Legal Officer and Chief Compliance Officer

Others Present:

The representatives of SyCip Gorres Velayo & Co., the Company's external auditor, were also present during the meeting.

I. CALL TO ORDER

After the Philippine National Anthem, Mr. Alexander D. Corpuz ("**Mr. Corpuz**"), the President of the Corporation and Chairman of the meeting pursuant to the Corporation's By-Laws, called the Meeting to order. He welcomed the stockholders, members of the board of directors (the "**Board**") and the officers of the Corporation to the 2021 Annual Stockholders' Meeting.

He informed the stockholders that the Meeting shall be recorded.

II. CERTIFICATION OF NOTICE AND QUORUM

The Corporate Secretary, Atty. Mark S. Gorriceta ("Atty. **Gorriceta**"), certified that the notice of the time, date, mode of conduct and purpose of the Meeting was sent through delivery by courier to stockholders of record, a disclosure via the PSE Edge Portal and was made available on the Corporation's website. He stated that the stockholders were notified of the meeting in accordance with the By-Laws and applicable rules of the Securities and Exchange Commission. He likewise certified that stockholders owning 57.46% of the outstanding shares as of Record Date are present via remote communication or through proxy. Therefore, there is a quorum for the Meeting.

Upon certification by Atty. Gorriceta, Mr. Corpuz announced that the Meeting was duly convened and ready to proceed with its business.

III. PROCEDURE FOR DISCUSSION AND VOTING

Mr. Corpuz requested Atty. Gorriceta to explain the rules of conduct and voting procedures to facilitate the orderly flow of the Meeting.

Procedure for Discussion

Atty. Gorriceta explained that stockholders were given the opportunity to email their questions and comments at corpsec@xurpas.com. Questions and comments will be read aloud and addressed during the Question and Answer Period, which shall take place after all matters for approval have been discussed.

Atty. Gorriceta also mentioned that the Corporation will only read questions and comments that are relevant to the Agenda for the said Meeting. Management undertakes to reply by email to questions and comments not taken up during the Meeting.

Procedure for Voting

Atty. Gorriceta stated that each stockholder was given an opportunity to cast their votes by submitting their ballots via the online registration link circulated by the Corporation, and that stockholders may likewise participate in the voting by submitting a Proxy.

He said that in accordance with the Definitive Information Statement of the Corporation, the deadline for the submission of the ballots and/or proxies was last August 4, 2021, 5:00 P.M. Consequently, the Corporation tabulated all votes on August 6, 2021.

Atty. Gorriceta also stated that it is assumed that all participants of the Meeting have already submitted their votes or proxies when they registered online. Atty. Gorriceta went on to explain that each outstanding share of stock entitles the registered stockholder to one vote. For the election of directors, stockholders are allowed to cumulate their votes and the candidates receiving the highest votes will be declared elected.

Atty. Gorriceta mentioned that the voting process was also explained in the Corporation's By-Laws and the Definitive Information Statement circulated via PSE Edge Portal and the Corporation's website.

IV. APPROVAL OF THE MINUTES OF THE 2020 ANNUAL STOCKHOLDERS' MEETING

Mr. Corpuz then proceeded with the first item on the Agenda, which is the approval of the minutes of the Annual Stockholders' Meeting held on November 27, 2020.

Atty. Gorriceta presented to the stockholders the number of stockholders present, and the list of directors and officers who attended the previous stockholders' meeting. Atty. Gorriceta explained that procedure for discussion at the last stockholders' meeting. He stated that the stockholders had the opportunity to email their questions and comments at corpsec@xurpas.com. Questions and comments were then read aloud and addressed during the Question and Answer Period, which took place after all matters for approval have been discussed.

Atty. Gorriceta then explained the procedure for voting at the last stockholders' meeting, wherein each stockholder was also given an opportunity to cast their votes by submitting their ballots or proxy via the online registration link circulated by the Corporation. In accordance with the filed Definitive Information Statement of the Corporation, the deadline for the submission of the ballots and/or proxies was last November 20, 2020. Consequently, the Corporation tabulated all votes last November 23, 2020. It is assumed that all participants of the Meeting have already submitted their votes or proxies when they registered online.

Atty. Gorriceta also stated that each outstanding share of stock entitles the registered stockholder to one vote. For the election of independent directors, stockholders are allowed to cumulate their votes and the candidates receiving the highest votes will be declared elected.

Further to this, Atty. Gorriceta stated that copies of the minutes of the Special Annual Stockholders' Meeting held last November 27, 2020 have been uploaded on the Corporation's website and was included in the Definitive Information Statement disclosed via the PSE Edge Portal.

Atty. Gorriceta then said that stockholders holding at least 99.97% of those present in the meeting approved the minutes and adopted the following resolution:

> "**RESOLVED**, that the stockholders of **XURPAS INC.** approve the minutes of the Annual Stockholders' Meeting held on November 27, 2020."

Voting Results:

	No. of Common Shares	% of Total Outstanding Shares
For	**1,075,777,239**	99.97%

V. MESSAGE OF THE CHAIRMAN

The next item in the agenda is the message from the Chairman of the Board of Directors, Mr. Nico Jose S. Nolledo ("**Mr. Nolledo**"). Mr. Nolledo began his message by stating that Covid-19 has continued to substantially impact the Philippine Economy that resulted in multiple digital shifts, identified as follows:

1. **The highly engaged digital online user**

   He said that Philippines has been known as social media capital of the world even before the Covid-19 pandemic. Hours spent online per day continued to increase due to Covid-19.

2. Businesses are forced to move online

   A lot of brands have already closed. As such, businesses are moving to the internet to reach out to their customers.

   Mr. Nolledo also said that based on their press releases, GCash targets P2 trillion worth of transactions this year, while Jollibee is in a rush to build cloud kitchens to offset dining in restrictions in their stores and sales. He also noted that the Sy Family of the SM Group created a venture fund to invest in fast-growing start-ups not only in the Philippines but also in Southeast Asia.

3. Digitally Native Vertical Brands

   Mr. Nolledo pointed out that a lot of brands are now being born in the internet. Brands that are mainly sold virtually such as Elana are now referred to as digital native vertical brands or DNVB. Mr. Nolledo explained that for DNVBs, the company's management controls the entire customer experience, from the factory directly to the consumer. Such end-to-end approach where DNVBs lives on the internet is a trend that has been successful and popular in other markets and is now coming to the Philippines. According to Mr. Nolledo, a number of brands across multiple categories, services and products here in the Philippines are now being widely known.

   He discussed an example of an extremely successful DVNB, which is called Colourette. He stated that the founder of this brand actually posted on Tiktok that during one of the big sale days on Shopee and Lazada, Colourette was able to garner up to 32,800 orders in just 35 minutes. According to Mr. Nolledo, these brands are able to generate substantial revenues by leveraging off online platforms.

4. Ecommerce 3.0

    Mr. Nolledo then informed the stockholders that there is also a shift in commerce. He said that we are moving towards the so-called "3.0 version" of commerce, the 1.0 version being the retail commerce that we are familiar with, and the 2.0 version being the rise of big e-commerce platforms such as Shopee and Lazada. Now, Mr. Nolledo pointed out that there is a shift towards on-demand commerce such as brands like GrabFood and FoodPanda, which have become very successful in the space. Structurally, the 3.0 version of e-commerce is a third generation commerce, where a lot of new innovations and changes can be seen. Food has become a very popular category here due to the fact that orders can be delivered within a short period of time. The logistics infrastructure is also very different. There are no longer big warehouses with big trucks. Instead, there are two-wheeled vehicles picking up from a kitchen or store that bring orders within a certain time period to people with certain preferences.

5. The rise of the solopreneur

    Mr. Nolledo also mentioned the rise of solo entrepreneurs. Because a lot of people lost their jobs, Filipinos needed to look for ways to generate income aside from traditional employment. Displaced workers considered GrabFood Delivery or Angkas Riders as alternative sources of income. There are others who created their own Youtube channels and became key opinion leaders (KOLs) and influencers who found a way to generate personal income for themselves. The number of tools have sprouted up to service the next generation of workers or the gig economy workers.

6. The Play to Earn Economy

    Mr. Nolledo proceeded to discuss an interesting new shift in the industry, which is called the "Play-to-Earn" economy. He stated that this shift was made possible by the surge in prices of cryptocurrency during the last eight to nine months. He shared that a game called Axie Infinity has captured the imagination and entrepreneurial ingenuity of a number of Filipinos players who have been able to convert cryptocurrency into Philippine Pesos and actually created a livelihood out of this.

Mr. Nolledo then discussed that Xurpas continues with the process of re-building its business, leveraging off the trends that can be seen as well as the opportunities brought about by digital services., The Corporation is working with the regulators to finalize and complete its most awaited transaction, which is the acquisition of Wavemaker Group Inc.

Mr. Nolledo discussed that on the enterprise side, which has leveraged off relationships with different brands and SMEs, the Corporation has seen a growth in its revenue by up to 21%. In fact in the second quarter of 2020, there was a 136% growth for this segment. According to Mr. Nolledo, said growth is attributed to companies who want to avail of the Corporation's staff augmentation and software development services to be able to accelerate their digital transformation initiatives.

Mr. Nolledo informed the stockholders that one of Xurpas' affiliates, Altitude Games, has secured several development contracts with foreign gamer development publishers and was able to spun off a company called Play Check Games, a blockchain games studio that builds Play-to-Earn games.

Mr. Nolledo said that Microbenefits continues to make progress. It established a partnership with the Responsible Business Alliance (RBA), a US-based group of global electronics / IT Companies, wherein they will use Microbenefits' software tools for their members. Mr. Nolledo foresees that Microbenefits will be able to successfully grow its platform and find product market.

Meanwhile, Storm Technologies ("**Storm**") rebranded and upgraded its current system. Mr. Nolledo stated that there is a lot more flexibility now because the company is not only able to service large corporations with tons of employees but are also able to onboard smaller SMEs to avail of the various benefits in its marketplace.

Storm's majority-owned subsidiary, AllCare, has substantially grown. Mr. Nolledo announced that it grew 10x from 2019 to the close of 2020 with minimal cash in its balance sheet. AllCare was also able to grow its cash position in the past year. According to Mr. Nolledo, total memberships and lifetime memberships have increased substantially. He highlighted that all members for 2020 renewed its membership with the company for 2021 which evidences the product fit that AllCare offers. AllCare continues to innovate by launching several new products.

Finally, Mr. Nolledo informed the stockholders that the Corporation continues to engage with the regulators regarding Wavemaker. He shared that he continues to be very excited about this opportunity.

VI. ANNUAL REPORT OF THE PRESIDENT AND APPROVAL OF THE 2020 AUDITED FINANCIAL STATEMENTS

Mr. Corpuz then informed the stockholders that the next item in the agenda is the Annual Report of the President.

Mr. Corpuz started off by saying that in 2020, with the Covid-19 pandemic as a background, Xurpas was able to generate almost the same as pre-pandemic 2019 revenue level [excluding Yondu Inc. ("**Yondu**")]. He continued by stating that after the second quarter decline in revenues as a result of the pandemic, steady growth in the revenues of the enterprise segment and of Storm was seen in the quarters that followed.

According to Mr. Corpuz, there was heavier reliance on digital marketing to promote the services of Xurpas. The Corporation has increased business and identified opportunities with companies and local government units (LGUs) wanting to embark on digital transformation or those projects requiring augmentation of their IT staff.

Mr. Corpuz proceeded to discuss the Corporation's financial performance in 2020. Xurpas ended with Php174 million in revenue in 2020, which is an 82% drop in revenues from the Php972 million in 2019. Mr. Corpuz stated that it is important to note that up to September 2019, the revenues of Yondu were still recorded. Excluding Yondu, revenues decreased by 5% year on year from Php183 million in 2019 to Php174 million in 2020.

Analyzing further the 82% decrease in revenue, Mr. Corpuz declared that this is mostly due to Yondu not being part of the group anymore. Accordingly, there was a 90% decline in revenue for the enterprise business. According to Mr. Corpuz, business for 2020 comprise mainly of custom software development. Nonetheless, staff augmentation remained to be a growing business. He further stated that without Yondu, the enterprise business actually increased its revenues by 34% from Php66 million in 2019 to Php88 million in 2020.

Mr. Corpuz shared that the Corporation recorded a 10% increase in the mobile consumer business mostly from digital marketing and/or digital rewards. Mr. Corpuz also noted that Storm's revenue declined by 34% for the period, mostly from the lower sale of goods that can be attributed to the pandemic. Notwithstanding this decline, he shared that there was a growth in the revenues of Storm's subsidiary, AllCare, which offers HMO and pre-need employee benefits to small teams and freelancers. This product has become essential because of the growing gig economy sector comprised by these freelancers whose situation was brought about by the pandemic.

The net loss of Php69 million for 2020 is a 97% improvement from the Php2.6 billion loss of the previous year.

Mr. Corpuz proceeded to discuss the Corporation's financial performance in the first quarter of 2021. He stated that Xurpas ended with a Php40 million revenue in the first quarter of 2021, which is a 16% decline in revenues vis-à-vis its recorded Php47 million in revenue for the first quarter of 2020.

Analyzing further the 16% decrease in revenue, Mr. Corpuz stated that this is mostly due to the slow start of the enterprise business, mainly the software development business, which decreased by 47% vis-à-vis the same period as last year. Although, the growth in the staff augmentation business was sustained. Storm's revenues increased by 3% from Php20.9 million in the first quarter of 2020 to Php21.57 million in the first quarter of 2021. He continued by stating that the remaining small volume business under mobile consumer increased from less than a million in the first quarter of 2020 to Php4.8 million in the first quarter of 2021.

Finally, he stated that the net loss of Php17 million during the first quarter is a 19% improvement from the Php21 million loss incurred for the previous year.

Mr. Corpuz assured the stockholders that moving forward, Xurpas will continue to take advantage of the opportunities arising from the increase in demand for digital services both in the government and private sectors. Xurpas will maintain its focus on (i) staff augmentation enterprise business and (ii) AllCare, and it will continue to tap other markets for both staff augmentation and custom software development.

Dividend Policy

Mr. Corpuz then discussed the Corporation's dividend policy. Mr. Corpuz informed the stockholders that the Corporation has not declared dividends since 2018. Considering the challenges faced by the Corporation in recent years, Mr. Corpuz emphasized that Xurpas cannot provide assurance on when it will declare and pay dividends. In making a decision to declare dividends, the Board will consider various factors, including the Corporation's cash, gearing, return on equity and retained earnings, the results of its operations or the Corporation's financial condition at the end of the year and such other factors as the Board may deem appropriate.

Mr. Corpuz also informed the stockholders that the Corporation's Board may, at any time, modify such dividend payout ratio depending on the results of operations and future projects and plans of the corporation.

However, he assured the stockholders that Management is doing its best to improve the Corporation's financial performance to be able to increase shareholder value and accordingly, declare dividends.

Related Party Transactions Policy

Mr. Corpuz also informed the stockholders that the Board has formalized the Corporation's related party transactions policy which was adopted on October 28, 2019. The policy provides that all related party transactions shall be conducted:

1. At arm's length, which would serve only to the best interests of the Corporation and accordingly, its stockholders;
2. Fairly and with transparency;
3. With no particular group or individual who will benefit at the expense of any of the public investors or minority shareholders; and
4. Ensure that transactions are properly approved and disclosed in accordance with applicable laws, rules and regulations.

Mr. Corpuz also provided an update to the Stockholders regarding the Corporation's most recent disclosures. Material Related Party Transactions for 2020 include the following:

- The advances to subsidiaries include payments to and in behalf of Xurpas Enterprise, AOC, Seer and ODX for their operational expenditures.
- Xurpas received advances from ODX to finance the research and development expenditures for ODX Platform and its overall business development.
- As of December 31, 2020, advances to subsidiaries include short-term interest-bearing loans to Storm Technologies.
- On April 29, 2019, the Parent Company entered into a loan agreement with its directors amounting to P150.00 million subject to 5.50% interest rate per annum.
- Other Related Party Transactions are identified in Note 19 of the Parent Company's Financial Statements.

Sustainability Report

Given the need to operate in a sustainable manner, Mr. Corpuz informed the stockholders that the Corporation has become aware of possible ways its contribution to the economic, environmental and social impacts. He said that the material topics included in this report are limited to the operational matters which have direct and significant effects in relation to the Corporation's sustainability and the interest of its identified stakeholders (shareholders, employees, customers and suppliers).

As an Information Technology company, Mr. Corpuz identified that the Corporation's main contribution to sustainability is the provision of digital transformation through its technical capabilities. He also noted that as an Information Technology company, the effects of the Corporation's operations mainly affect the economic and social aspects of sustainability.

Mr. Corpuz then recognized that the Board is responsible for the Corporation's risk management and internal control system and for reviewing its adequacy and integrity. In the establishment of risk management and internal control system, the directors consider the materiality of relevant risks, the likelihood of losses to be incurred, and the cost of control. According to Mr. Corpuz, the purpose of this risk management and internal control system is to manage and minimize rather than eliminate the risk of failure to achieve the company's objectives. There is no assurance against risk of material losses.

Mr. Corpuz then informed the stockholders that the Board conducts a periodic review of the effectiveness of risk management and internal control processes. He stated that the Board is of the view that there is adequate risk management and internal control system in place.

Mr. Corpuz then took the opportunity to inform the stockholders that the following matters were discussed in the Definitive Information Statement that is posted in PSE Edge and Xurpas' website:

1. Material information on the current stockholders, and their voting rights;
2. Detailed Discussion on the Company's performance;
3. Financial report for the preceding year;
4. Director disclosures on self-dealings and related party transactions;
5. Profiles of directors nominated;
6. Attendance report for the Company's directors;
7. Appraisal reports for the member of the Board and the criteria and procedure for assessment; and
8. A report on the annual compensation of the directors, as well as the aggregate compensation of the President/Chief Executive Officer, and the Company's top four most highly compensated officers.

Thereafter, the stockholders of the Corporation approved the 2020 Audited Financial Statements and adopted the following resolution:

> "**RESOLVED**, that the stockholders of **Xurpas Inc.** (the "**Corporation**") note the Corporation's Annual Report and to approve the Consolidated Audited Financial Statements of the Corporation as of December 31, 2020, as audited by Sycip Gorres Velayo & Co."

Voting Results:

	No. of Common Shares	%
For	1,075,777,239	99.97

VII. ELECTION OF DIRECTORS AND INDEPENDENT DIRECTORS

Mr. Corpuz stated that the next item in the agenda is the election of the members of the Board for the ensuing year. He called on Atty. Gorriceta to explain the nomination process.

Atty. Gorriceta enumerated the names of the following nominees to the Board which have been accepted by the Corporation's Nomination Committee:

1. Nico Jose S. Nolledo;
2. Alexander D. Corpuz;
3. Fernando Jude F. Garcia;
4. Mercedita S. Nolledo;
5. Wilfredo O. Racaza;
6. Jonathan Gerard A. Gurango, *Independent Director;*
7. Imelda C. Tiongson, *Independent Director;* and
8. Bartolome S. Silayan, Jr., *Independent Director.*

Atty. Gorriceta mentioned that all nominees possessed all the qualifications and none of the disqualifications under the Corporation's By-Laws and Manual on Corporate Governance and are eligible to be nominated and elected as directors of the Corporation. The qualifications of the directors were flashed on the screed and were included in the Information Statement which was sent to the stockholders as of record date and disclosed through the PSE Edge portal. For directors' compensation, directors receive a standard per diem of Php20,000.00 for every meeting attended while the Chairman is entitled to a per diem of Php25,000.00 for every meeting. Nonexecutive directors have no compensation aside from their per diem, while directors who hold executive positions receive compensation in addition to their per diem. The total compensation received by the directors and key officers were also flashed on the screen.

Atty. Gorriceta also presented the attendance in meetings of the Board for calendar year 2020. Atty. Gorriceta stated that based on the tabulation of votes, each of the eight (8) nominees has garnered at least 99.97% votes from those present in the meeting. Given this, he certified that each nominee has received enough votes for election to the Board.

Atty. Gorriceta then said that stockholders holding at least 97% of those present in the meeting approved the following resolution:

> "**RESOLVED,** the stockholders of Xurpas Inc. (the "Corporation") to elect the following as directors of the Corporation to serve as such beginning today until their successors are elected and qualified:
>
> Nico Jose S. Nolledo
> Alexander D. Corpuz
> Fernando Jude F. Garcia
> Wilfredo O. Racaza
> Mercedita S. Nolledo
> Jonathan Gerard A. Gurango (Independent Director)
> Bartolome S. Silayan, Jr. (Independent Director)
> Imelda C. Tiongson (Independent Director)"

Voting Results:

Name	Number of Votes	%
Nico Jose S. Nolledo	1,075,777,239	99.97%
Alexander D. Corpuz	1,075,878,239	99.98%
Fernando Jude F. Garcia	1,075,878,239	99.98%
Wilfredo O. Racaza	1,075,777,239	99.97%
Atty. Mercedita S. Nolledo	1,075,777,239	99.97%
Jonathan Gerard A. Gurango	1,075,878,239	99.98%
Imelda C. Tiongson	1,075,878,239	99.98%
Bartolome S. Silayan, Jr.	1,075,878,239	99.98%

On behalf of the elected directors, Mr. Corpuz thanked the stockholders for their continued trust and support.

VIII. APPOINTMENT OF EXTERNAL AUDITOR

Mr. Corpuz informed the stockholders that the next item in the agenda is the appointment of the Corporation's External Auditor. He also stated that the Audit Committee has evaluated the performance of the Corporation's current External Auditor, SyCip Gorres Velayo & Co. ("**SGV**"). which has been the Corporation's External Auditor since 2008. He mentioned the estimated audit fees for 2021.

Atty. Gorriceta certified that stockholders holding at least 99.98% of the total outstanding shares of the Corporation approved the re-election of SGV as the external auditor of the Corporation for 2021 and approved SGV's audit fee, and adopted the following resolution:

> "**RESOLVED**, as endorsed by the Board of Directors, to approve the reappointment of SyCip Gorres Velayo & Co. as the Corporation's External Auditor for the year 2021."

Voting Results:

	No. of Common Shares	% of Total Outstanding Shares
For	1,075,878,239	99.98%

IX. RATIFICATION PREVIOUS ACTS OF THE DIRECTORS AND MANAGEMENT

Mr. Corpuz then proceeded to the next item on the Agenda, which is the ratification of previous acts of the Directors and Management from October 6, 2020 until June 16, 2021. He stated that copies of the matters approved have been uploaded on the Corporation's website and was included in the Definitive Information Statement disclosed via the PSE Edge Portal.

Below is a list of matters approved by the Directors and Management for the respective period:

DATE OF MEETING	MATTERS APPROVED
October 9, 2020	The Board of Directors of Xurpas Inc. approved to move the Record Date.
October 29, 2020	The Board of Directors of Xurpas Inc. submitted a copy of the Notice of Meeting with revised Agenda for the 2020 Annual Stockholders' Meeting.
November 10, 2020	The Board approved the following: (a) Unaudited Consolidated Financial Statements of Xurpas Inc. and its subsidiaries for the period ended September 30, 2020 ("Report"). The Audit Committee endorsed the Report to the Board of Directors. The Board approved the Report and delegated to Management the finalization of the same. (b) Board Risk Oversight Committee Charter.
November 27, 2020	Xurpas had its Organizational Meeting identifying the officers, and composition of the committees.
February 16, 2021	The Board of Directors of Xurpas Inc. approved the Corporation's transfer of principal office to Unit 804 Antel 2000 Corporate Center, 121 Valero St., Salcedo Village, Makati City, 1227 effective March 31, 2021.
April 26, 2021	The Board of Directors of Xurpas Inc. approved to postpone the 2021 Annual Stockholders' Meeting to August 11, 2021, Wednesday.
June 15, 2021	The Board of Directors of Xurpas Inc. approved the 2020 Audited Financial Statements and 2020 Audited Consolidated Financial Statements.
June 16, 2021	The Board of Directors of Xurpas Inc. approved the Unaudited Financial Statements for the period ended March 31, 2021.

Atty. Gorriceta certified that stockholders holding at least 99.97% of the total outstanding shares of the Corporation ratified all previous acts of the Board and Management from October 9, 2020 to June 16, 2021.

On motion duly seconded, the stockholders approved the ratification of previous actions of the Directors and Management, and adopted the following resolution:

> "**RESOLVED**, that the stockholders of the Corporation ratify all actions of the Directors and Management from October 6, 2020 to June 16, 2021."

Voting Results:

	No. of Common Shares	% of Total Outstanding Shares
For	**1,075,777,239**	99.97%

X. QUESTION AND ANSWER

Mr. Corpuz then announced that the Board will proceed to answer the questions raised by the stockholders.

1. What is the status of the Wavemaker transaction and what is causing the delay? When do we expect the lifting of the trading suspension on Xurpas?

Mr. Corpuz responded to this question by stating that Xurpas continues to work with the regulators, PSE and SEC, to get approval for the proposed purchase of Wavemaker Group Inc. Mr. Corpuz expressed the Board's wish to expedite the necessary approvals. However, the Board understands that the regulators are simply doing their job and that the Corporation has to undergo the process. Although Wavemaker's business model is very similar to a lot of venture capital structures, the Board understands that this type of business may be new to the regulators. As such, the PSE and SEC are very careful in ensuring that they are able to adopt the measures needed to sufficiently protect the public or the minority shareholders.

Mr. Corpuz informed the shareholders that the company submitted all information requested by the regulators and that the Board continues to work with them in the hopes of closing the deal. The Board believes that it is in the best interest of all the stakeholders.

2. What are Xurpas' immediate plans to improve its financial condition?

Mr. Corpuz answered this question by stating that the company is organically rebuilding its way back towards profitability by focusing on its enterprise business, especially IT staff augmentation and custom software development. The Board is seeing an increased demand of such services, which Mr. Corpuz himself believes is reflected in the narrowing of the company's financial losses. They also see potential for serving clients in overseas markets, and actually aims to pursue it.

Mr. Corpuz then assured the shareholders that the company's financial condition will improve even further once the Wavemaker transaction is completed as Xurpas would benefit from the management fees and declared interests, which would flow directly to the company's bottom line.

3. At the start of the pandemic, technology was widely adopted, and there was a surge in demand for technology products and services. What's the current state of the tech industry, and how is Xurpas utilizing the current demand for tech companies?

Mr. Corpuz stated that the Board recognizes the current demand for IT services across multiple industries and in both the public and private sectors, as stated in the earlier presentations. Such demand presents an opportunity for Xurpas, which the company is actively pursuing.

4. When do we expect the lifting of the trading suspension on Xurpas?

Mr. Corpuz responded by stating that the lifting of the trading suspension is still being reviewed by the regulators, as mentioned in his answer to the first question. Mr. Corpuz assured the stockholders that they are closely working and fully cooperating with them to ensure that the situation is resolved. Mr. Corpuz continued by stating that the Board is alarmed with the length of the suspension and that they are internally discussing the company's options to move forward.

Mr. Corpuz then informed the stockholders that due to insufficient time, the Corporation will not be able to read and address all questions and/or comments during this Meeting. Management will reply by email to questions and comments not taken up during the Meeting.

XI. ADJOURNMENT

There being no further business to discuss, upon motion duly made, the Meeting was adjourned.

Prepared by:

ATTY. MARK S. GORRICETA
Corporate Secretary

Attested by:

ALEXANDER D. CORPUZ
Chairman of the Meeting

Annex "B-1"

CERTIFICATION

I, **IMELDA C. TIONGSON**, Filipino, of legal age and resident 53 Pres. Magsaysay Street South Admiral Paranaque after having been duly sworn to in accordance with law do hereby declare that:

1. I am a Lead Independent Director of **Xurpas Inc.** (the "**Corporation**");

2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE (indicate year)
OPAL PORTFOLIO INVESTMENTS (SPV-AMC) INC.	President and CEO	15 Years 2007
Institute of Corporate Directors	Trustee/Treasurer and Lead Trustee of Technology Governance	6 years 2016
Fintech Philippines Association	Trustee and Head of Governance	3 years 2019
Fintech Alliance Association	Trustee and Chair of Techno/Ethics	3 years 2019
Womenbiz Philippines	Trustee and Treasurer	3 months April 2022
Prudential Life UK Philippines	Chairperson and Independent Director	6 months
Seedin Technologies Inc.	Independent Director	1and ½ years 2020
BSP Open Finance Oversight Committee Transition Group	Committee and Lead Governance	6 months January 2022

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities and Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any of the directors/officers/substantial shareholders of the Corporation, its subsidiaries, and affiliates nor a relative in any other way than the relationship provided under Rule 38 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not an officer or director of any government agencies or Government-Owned and Controlled Corporations.

7. I shall faithfully and diligently comply with my duties and responsibilities as

independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Manual on Corporate Governance for Publicly Listed Companies and other SEC issuances.

8. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Executed on JUN 15 2022.

IMELDA C. TIONGSON
Affiant

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

SUBSCRIBED AND SWORN to before me this JUN 15 2022 at ____________, affiant personally appeared before me and exhibited to me her SSS ID 33-1959400-0.

Doc. No. 277;
Page No. 57;
Book No. 220;
Series of 2022.

ATTY. JOHN DOMINGO A. PONCE, JR.
NOTARY PUBLIC
APPOINTMENT No. M-068 / MAKATI CITY
UNTIL December 31, 2023
PTR No. 8853517 / 01-03-2022 /MAKATI CITY
IBP No. 171184 /12-22-2021 / RIZAL
MCLE COMPLIANCE No. VI-0027026 / 05-28-2019
ROLL NO. 36452 / TIN No. 106-099-102-000
Unit G-14 Makati Executive Tower 3
Sen. Gil Puyat Avenue, Pio del Pilar,
Makati City, Metro Manila

Annex "B-2"

CERTIFICATION

I, **BARTOLOME SILAYAN, JR.**, Filipino, of legal age and a resident of 16 San Martin Street, Magallanes Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Xurpas Inc.** (the "**Corporation**");

2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE (indicate year)
Phoenix One Knowledge Solutions Inc.	President	2005 - present
Cafisglobal Inc.	President	2013 - present
Sugarbee Inc.	Treasurer	2010 - present
Panalo Express Ventures	Director	2019 – present
Tveez Inc.	Director	2015 - present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities and Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any of the directors/officers/substantial shareholders of the Corporation, its subsidiaries, and affiliates nor a relative in any other way than the relationship provided under Rule 38 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not an officer or director of any government agencies or Government-Owned and Controlled Corporations.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Manual on Corporate Governance for Publicly Listed Companies and other SEC issuances.

8. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Executed on JUN 2 0 2022.

BARTOLOME SILAYAN, JR
Affiant

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

SUBSCRIBED AND SWORN to before me this JUN 2 0 2022 at PASIG CITY, affiant personally appeared before me and exhibited to me his Driver's License No. N-06-84-031099 expiring on November 1, 2022.

Doc. No. 129;
Page No. 27;
Book No. 7;
Series of 2022.

ATTY. MARIEL CLAIRE D. GONZALES
PTR No. 8131937 January 11, 2022/ Pasig City
IBP LIFETIME No. 017254 / 06-09-17
Roll No. 69080
MCLE Compliance VII-0004030; 07-19-21
Gorriceta Africa Cauton & Saavedra Law Office
15th Flr. Strata 2000 Building, F. Ortigas Jr. Road
Pasig City, Tel. No. (02) 86960687/ 77390278
Appointment No. 147 (2019-2020)
Commission extended until 30 June 2022

Annex "C"

CERTIFICATION

I, **MARK S. GORRICETA**, of legal age, Filipino, and with office address at 15F Strata 2000, F. Ortigas Jr. Road, Ortigas Center, Pasig City, Philippines, after having been duly sworn to in accordance with law, hereby depose and say that:

1. I am the Corporate Secretary of Xurpas Inc. (the "Corporation"), a corporation duly organized and existing under the laws of the Republic of the Philippines with office address at Unit 804 Antel 2000 Corporate Center, 121 Valero St., Salcedo Village, Makati City, 1227;

2. In connection with the Annual Stockholders' Meeting of the Corporation scheduled on August 9, 2022, 9:00 a.m. via remote communication, I hereby certify that none of the Corporation's directors or officers are connected with any government agencies or instrumentalities; and

3. I am executing this Certification in compliance with the requirements of the Securities and Exchange Commission.

Executed on JUN 17 2022 at Pasig City.

ATTY. MARK S. GORRICETA
Corporate Secretary

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

SUBSCRIBED AND SWORN to before me this JUN 17 2022 day of ________ 2022, affiant exhibiting to me his Passport No. P4531123B issued at DFA NCR East, valid until January 23, 2030.

Doc. No. 11;
Page No. 4;
Book No. 11;
Series of 2022.

EDRIAN M. APAYA
PTR No. 8131748/01-04-2022/Pasig City
IBP No. 178878/01-04-22/Masbati City
Roll No. 64655
MCLE Compliance VI-0025830; 04-16-2019
Unit 704, The Infinity Building
26th Street, Bonifacio Global City, Taguig City
Email address:emapaya@gorricetalaw.com
Telephone No. 5196892
Appointment No. 79 (2020-2021) - Taguig City
Commission extended until 30 June 2022

XURPAS INC.
MANAGEMENT REPORT
For the 2022 Annual Stockholders' Meeting
To be held on August 9, 2022
Pursuant to SRC Rule 20(4)(1)

1. Financial Statements

- Please refer to Annex "E" for the 2021 Annual Report of Xurpas Inc. and its subsidiaries (the "**Group**"); and
- Please refer to Annex "F" for the Consolidated Unaudited Financial Statements of the Group for the period ended March 31, 2022.

2. There were no disagreements with accountants on accounting and financial disclosures.

Sycip Gorres Velayo & Co. ("SGV & Co.") has acted as the Group's independent auditor since 2008. The Corporation has not had any material disagreement on accounting and financial disclosure with SGV & Co.

Representatives of SGV & Co. will be present during the Annual Stockholders' Meeting in the event that there are questions that will be addressed to them.

3. Management's Discussion and Analysis or Plan of Operation

The Corporation's business units comprise of: (i) Mobile consumer products and services; (ii) Enterprise solutions; and (iii) Other services (HR technology services). After its initial public offering in December 2014, the Corporation made several investments in various technology companies, within and outside of the Philippines.

In 2018, the Corporation's business was severely affected when its Telco partner implemented new and stricter opt-in guidelines for customers who sign up for VAS subscription. The Corporation's revenue from its mobile consumer services significantly declined as a result of this. Moreover, the Corporation's wholly owned subsidiary, Art of Click Pte. Ltd., was severely affected by the challenges faced by the digital advertising industry.

In 2019, the Corporation evaluated its business segments to maximize its resources and opportunities. As part of its restructuring program, the Corporation initiated the following measurers:

- Sale of its 51% shareholdings in Yondu Inc. The sale will provide the Corporation additional liquidity, retire debt, and allow the Corporation to focus on high-value, emerging, innovative, and disruptive technologies and platforms impacting both enterprise and consumer commerce.

- Dissolve Xeleb Technologies Inc. and Xeleb Inc. (collectively referred to as "Xeleb"). All residual businesses of Xeleb will be carried over to the parent company. This strategy will eliminate expenses incurred in maintaining a separate entity.

The Corporation has also implemented corporate restructuring programs to minimize on costs and expenses.

- On March 30, 2020, Xurpas suspended the business operations of its wholly owned subsidiary in Singapore, Art of Click Pte. Ltd ("Art of Click").

  Art of Click, a start-up firm established in 2011 and purchased by Xurpas in 2016, specializes in mobile marketing solutions for advertisers, publishers, app developers and other operators.

Art of Click encountered financial difficulties in 2017 because (1) it lost several key clients; and (2) there was a decline in the ad network industry due to the growing dominance of companies such as Facebook and Google. Throughout this period, Xurpas has been supporting its subsidiary and has implemented drastic cost-cutting measures.

Xurpas decided to suspend Art of Click's business operations because of the anticipated further losses to be incurred due to business challenges brought on by the Corona Virus (Covid-19) pandemic.

- On March 30, 2020, 80% of CTX Technologies Inc. ("CTX") was sold to Mr. Fernando Jude F. Garcia.

  CTX was incorporated in 2018 primarily for the proposed virtual currency exchange business of the Xurpas Group. With the decline of the virtual currency market in 2019 and the unclear regulations involving digital assets, Xurpas' Management has previously decided to place CTX's proposed business activities on hold. CTX has not provided any material business for Xurpas, and has no revenue contribution to the Group since its incorporation.

  Total Equity / Book Value of CTX is at approximately One Million Pesos as of December 31, 2019. Mr. Garcia Purchased 80% of CTX at ₱4.00 million.

- On September 20, 2020, Xurpas sold the remaining 20% of CTX to Mr. Garcia at ₱1.20 million.

The Board also approved the purchase of 100% of Wavemaker Group, Inc. on September 20, 2020. However, on December 20, 2021, the transaction with Wavemaker Group, Inc. did not push through and was terminated.

On January 20, 2022, Nico Jose S. Nolledo, Founder and ex-Chairman, infused equity amounting to ₱100.00 million. The proceeds will be used for the expansion of Xurpas' enterprise business, specifically the IT staff augmentation business, employee benefits enhancement, equipment replacement, research and development, and general corporate purposes.

Xurpas continues to strengthen its enterprise services business, focusing on the following: IT staff augmentation, growing its services under business solutions and seizing the opportunities brought by Web 3.0.

1. <u>IT Staff Augmentation:</u> Since the demand remains strong for IT staff augmentation, evidenced by the continuing increase in revenue for 2021, the Company will build and augment its current business by vigorously seeking new clients while at the same time maintaining and growing its business relationships with its existing long-term clients. The Company believes that the increased requirements of both private companies and public entities for digital transformation, especially in a post COVID environment, creates multiple opportunities for its enterprise business.

2. <u>Digital Business Solutions:</u> Xurpas also plans to expand its digital business solutions service and product offering, catering to the large untapped SME market. Xurpas will help these companies enable their digital transformations by providing tools and solutions to address their business needs in financial, production/manufacturing, people, marketing, sales, and customer management. These products will provide similar functionalities and benefits as global brands used by multinationals and large local companies, but will be offered at a significantly lower-cost, to accommodate the budgets of local SME's. These SMEs comprise a large percentage of the market. Xurpas shall implement this with a curated technology platform and an ecosystem of partners.

3. <u>Web 3.0:</u> This is the third generation of web services and the next stage in the evolution of the internet. Web 3.0 will largely be built on three new layers of emerging technologies – edge computing infrastructure (superfast 5G data speeds), decentralized data infrastructure (data formats

and software that are open, coupled with the advancements in blockchain technology) and Artificial Intelligence or AI driven services (expanding capabilities of AI and machine learning or ML). Xurpas shall leverage its existing global network going into Web 3.0 and shall tap the massive opportunity it offers for staff augmentation and custom development work.

First Quarter of 2022 compared with First Quarter of 2021

Summary

Key Financial Data In PhP Millions	For the three-month period ended March 31					
	2022		2021		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Mobile consumer services	6.85	14%	4.82	13%	2.03	42%
Enterprise services	30.87	65%	13.25	33%	17.62	133%
Other services	9.98	21%	21.57	54%	(11.59)	-54%
Total Revenues	**47.70**	**100%**	**39.64**	**100%**	**8.06**	**20%**
Cost of Services	39.21	82%	29.81	75%	9.40	32%
Cost of Goods Sold	-	0%	10.17	26%	(10.17)	-100%
Gross Profit (Loss)	**8.49**	**18%**	**(0.34)**	**-1%**	**8.83**	**-2619%**
General and Administrative Expenses	17.00	36%	15.02	38%	1.98	13%
Equity in Net Losses (Earnings) of Associates	(5.44)	-11%	(0.76)	-2%	(4.68)	620%
Finance Cost and Other charges - net	2.01	4%	2.20	6%	(0.19)	-9%
Loss Before Income Tax	**(5.08)**	**-11%**	**(16.80)**	**-42%**	**11.72**	**-70%**
Provision for (Benefit from) Income Tax	-	0%	-	0%	-	-
Net Loss	**(5.08)**	**-11%**	**(16.80)**	**-42%**	**11.72**	**-70%**
Other Comprehensive Income/(Loss)	(10.73)	-22%	19.01	48%	(29.74)	-156%
Total Comprehensive Loss	**(15.81)**	**-33%**	**2.21**	**6%**	**(18.02)**	**-816%**
	March 31, 2022 Amount		**Dec. 31, 2021 Amount**		**Amount Change**	**% Increase**
Total Assets	694.60		605.94		88.66	15%
Total Liabilities	618.32		613.85		4.47	1%
Total Equity	76.29		(7.91)		84.19	-1065%

The Group's total revenue in the first quarter of 2022 was ₱47.70 million, a 20% increase from the same period of 2021, resulting in a net loss of ₱5.08 million (a 70% improvement in comparison to ₱16.80 million net loss in March 2021). Majority of the increase in revenue was driven by the enterprise services which generated ₱30.87 million or 65% of total revenue followed by the other services and mobile consumer services which generated ₱9.98 million and ₱6.85 million respectively.

The blended cost of services as of March 31, 2022, slightly went up from ₱29.81 million to ₱39.21 million as compared to the three-month period ended March 31, 2021 due to the corresponding increase in revenues primarily under IT staff augmentation. Cost of goods sold (COGS) attributable to other services generated by Storm Technologies Inc. was ₱10.17 million for Q1 of 2021 compared to nil for the first quarter of 2022.

Gross profit margins on total revenues went up from negative ₱0.34 million (1Q2021) to ₱8.26 million, for the period ended March 31, 2022 and is driven by the increase in revenues for the period.

General and administrative expenses (GAEX) increased by 13%, from ₱15.02 million for the first quarter of 2021 to ₱17.00 million for the same period in 2022. Overall, the increase in cost of services and GAEX results from the increase in revenue. The Company also shares in the recorded net earnings of the associate companies it has invested in, which amounted to ₱5.44 million for the three-month period ended March 31, 2022 (a 620% increase from first quarter of 2021).

Consolidated total assets increased by 15% from ₱605.94 million for the period ended December 31, 2021, to ₱694.60 million in the first 3 months of 2022. This is primarily brought by the increase in cash due to the subscription agreement entered between Xurpas Inc. and Nico Jose S. Nolledo, one of its founders and chairman, for the issuance of new Xurpas Shares for consideration of ₱100 million. This will primarily be used for the expansion of its core enterprise business, specifically the IT staff augmentation business, and other necessary enhancements that can contribute to the Company's growth and expansion. Consolidated total liabilities also slightly increased by 1% from ₱613.85 million as of December 31, 2021, to ₱618.32 million on March 31, 2022. Lastly, resulting from the capital infusion, consolidated total equity went up to ₱76.29 million on March 31, 2022, from December 31, 2021, reversing the negative ₱7.91 million

Segment Financial Performance

For the three-month period ended March 31, 2022 In PhP Millions	Mobile Consumer Services	Enterprise Services	Other Services	Intersegment Adjustments	Consolidated
Revenue from services	8.59	30.87	9.98	(1.74)	47.70
Revenue from sale of goods	-	-	-	-	-
Total Service Revenues	**8.59**	**30.87**	**9.98**	**(1.74)**	**47.70**
Operating expenses	13.93	32.08	11.94	(1.74)	56.21
Equity in net earnings of associates	-	-	-	(5.44)	(5.44)
Other charges (income) - net	0.81	1.19	0.01	-	2.01
Total Expenses	**14.74**	**33.27**	**11.95**	**(7.18)**	**52.78**
Operating Income (Loss)	**(6.15)**	**(2.40)**	**(1.97)**	**5.44**	**(5.08)**
Benefit from income tax	(0.00)	(0.00)	-	-	(0.00)
Net Income (Loss)	**(6.15)**	**(2.40)**	**(1.97)**	**5.44**	**(5.08)**

Xurpas Group operates under mobile consumer services, enterprise services and other services segments. Prior to eliminations, for the three-month period ended March 31, 2022, the enterprise services generated 65% of total revenues or ₱30.87 million. Other services and mobile consumer services then generated ₱9.98 million and ₱6.85 million respectively.

Profitability

For the three-month period ended March 31, 2022, compared with the three-month period ended March 31, 2021.

Revenues

The consolidated revenues of the Group for the three-month period ended March 31, 2022, amounted to ₱47.70 million, an increase of 20% from ₱39.64 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
Enterprise services	Revenues derived from information technology (IT) staff augmentation and consultancy services, the provision of mobile platform solutions to corporate and government clients, 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; and subscriptions offering HMO and other pre-need employee benefits to small teams and freelancers.	● Storm Technologies ● Allcare

In PhP Millions	For the three-month period ended March 31					
	2022		2021		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Revenues						
Enterprise services	30.87	65%	13.25	33%	17.62	133%
Other services	9.98	21%	21.57	54%	(11.59)	-54%
Mobile consumer services	6.85	14%	4.82	12%	2.03	42%
Total Revenues	**47.70**	**100%**	**39.64**	**100%**	**8.06**	**20%**

For the first quarter of 2022, enterprise services generated the most revenue at ₱30.87 million or 65% of total revenues. The 133% increase is primarily steered by the management's directive to maximize and expand the growth in its IT staff augmentation. On the other hand, revenues generated from other services went down from ₱21.57 million as of March 2021 to ₱9.98 million in March 2022 which accounted for 21% of total revenues. The decrease is caused by the lower sales generated by Storm Technologies, Inc for the 1st quarter of 2022 due to its slowdown in flex benefits operations, partially offset by the increase in the subscriptions offered to small teams and freelancers for HMO and similar pre-need benefits. Lastly, revenues under mobile consumer services comprise 14% of the revenues or at ₱6.85 million which also increased from the prior period.

Expenses

In PhP Millions	For the three-month period ended March 31					
	2022		2021		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	39.21	70%	29.81	54%	9.40	32%
Cost of Goods Sold	-	0%	10.17	19%	(10.17)	-100%
General and Administrative Expenses	17.00	30%	15.02	27%	1.98	13%
Total Expenses	**56.21**	**100%**	**55.00**	**100%**	**1.21**	**2%**

The Group's consolidated expenses during the three-month period ended March 31, 2022, amounted to ₱56.21 million, a 2% increase from the same period of the previous year at ₱55.00 million. For the first three months of 2022, cost of services accounted for the bulk of expenses, totaling ₱39.21 million or 70% of the Group's consolidated expenses. For the same period in 2021, cost of services amounted to ₱29.81 million, which comprised 54% of overall expenses. Increase in overall expenses was a result of the company's increase in revenue and increase in manpower compared with the prior period.

Cost of Services

In PhP Millions	For the three-month period ended March 31					
	2022		2021		Amount Change	% Increase (Decrease)
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	31.85	81%	18.99	64%	12.86	68%
Outsourced services	5.63	14%	2.49	8%	3.14	126%
Depreciation and amortization	0.27	1%	5.08	17%	(4.81)	-95%
Others	1.46	4%	3.25	11%	(1.79)	-55%
Total Expenses	**39.21**	**100%**	**29.81**	**100%**	**9.40**	**32%**

The cost of services for the first quarter of 2022 amounted to ₱39.21 million, an increase from the same period of the previous year of ₱29.81 million. 81% of cost of services came from salaries and wages at ₱31.85 million and is a 68% increase from the prior year of the same period. This is pushed by the increase in manpower relating to IT staff augmentation.

General and Administrative Expenses (GAEX)

In PhP Millions	For the three-month period ended March 31					
	2022		2021		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Salaries, wages and employee benefits	7.47	44%	5.77	38%	1.70	30%
Professional fees	2.46	14%	3.72	25%	(1.26)	-34%
Outsourced services	1.21	7%	0.42	3%	0.79	190%
Others	5.85	35%	5.11	34%	0.74	15%
Total Expenses	**17.00**	**100%**	**15.02**	**100%**	**1.98**	**13%**

General and administrative expenses relating to the Group's operations, for the first three months of 2022 amounted to ₱17.00 million, higher by 13% compared to previous year's same period level of ₱15.02 million. Salaries and wages accounted for 44% in the first quarter of 2022 and increased by 30% vis-à-vis same period in 2021 due to increase in manpower for the year. On the other hand, professional fees, outsourced services and other expenses accounted for 14%, 7% and 35% respectively which all increased in the period except for the professional fees which decreased by 34% due to lesser services availed from its consultants compared with the same period of prior year.

Equity in Net Earnings of Associates

The equity of the Group in the net earnings of its associate companies for the three-month period ended March 31, 2022, amounted to ₱5.44 million, 620% higher than the ₱0.76 million net earnings for the comparable period. The associates that generated earnings for the period are Altitude SG and 9Lives; while Microbenefits, on the other hand, incurred a loss.

Other Charges (Income) – net

For the first three months of 2022, the Group recognized other charges, net amounting to ₱2.01 million. This account mainly consists of interest expense and bank charges totaling to ₱1.90 million ₱0.11 million respectively. Decrease in this account is due to the lower finance costs incurred in the period.

Loss before Income Tax

The Group's net loss before taxes for the three-month period ended March 31, 2022, was ₱5.08 million. The net loss before taxes for the Group improved by 70% or ₱11.72 million from the same period ended March 31, 2021, which posted a figure of ₱16.80 million.

Provision for (Benefit from) Income Tax

The Group recognized ₱3,021 provision for income tax for the three- month period ended March 31, 2022 vis-à-vis ₱3,101 provision for income benefit as of March 31, 2021.

Net Loss

The Group posted a consolidated net loss of ₱5.08 million for the three-month period ended March 31, 2022, an improvement of 70% from the previous year's same period of ₱16.08 million.

Other Comprehensive Income

In March 2022, the Group posted a ₱10.73 million other comprehensive loss. This figure was a 156% decrease from March 2021 of ₱19.01 million due to the decrease in revaluation of crypto currency.

Total Comprehensive Income (Loss)

As of March 31, 2022, the Group's total comprehensive loss amounted to ₱15.81 million, 816% lower compared to total comprehensive income of ₱2.21 million as of March 31, 2021.

Financial Position

As of March 31, 2022, compared to December 31, 2021.

Assets

Cash and Cash Equivalents

The Group's consolidated cash and cash equivalents amounted to ₱119.88 million for the three-month period ended March 31, 2022, a net increase of 233% or ₱83.93 million from consolidated cash of ₱35.95 million as of December 31, 2021 which is primarily due to the capital infusion that occurred in the first quarter of 2022.

Accounts and Other Receivables

The Group's consolidated accounts and other receivables amounted to ₱57.22 million and ₱66.54 million as of March 31, 2022, and December 31, 2021, respectively. The decrease of ₱9.32 million was mostly attributed to the decrease 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 assets totaling ₱29.76 million on December 31, 2021, increased by ₱15.72 million as of March 31, 2022, to ₱45.48 million.

Other Current Assets

As of March 31, 2022, the Group's consolidated other current assets totaled ₱21.76 million, an increase of ₱0.68 million or 3% from its previous level on December 31, 2021, of ₱21.09 million. Prepaid expenses, creditable withholding taxes and Input VAT comprised the majority of other current assets.

Financial assets at FVOCI

This account pertains to quoted and unquoted equity investments in Club Punta Fuego and Zowdow Inc. As of March 31, 2022, 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, 2021, which both amounted to ₱0.60 million.

Investment and Advances to Associates

As of March 31, 2022, the Group's consolidated investment in associates increased from ₱336.22 million during December 31, 2021, to ₱336.77 million. The breakdown of the carrying amounts of these investments are as follows: Micro Benefits Limited (₱268.84 million), Altitude Games Pte Ltd. (₱22.36

million), and SDI (₱23.48 million). Further, advances to SDI as of March 31, 2022 amounted to ₱22.08 million.

Property and Equipment

The Group's consolidated property and equipment was ₱4.91 million on March 31, 2022, vis-à-vis ₱4.66 million as of December 31, 2021. The Group acquired property and equipment amounting to 0.54 million and 0.41 million during the three-month period ended March 31, 2022, and March 31, 2021, respectively. Depreciation expense amounted to 0.29 million and 0.53 million for the three-month periods ended March 31, 2022, and 2021, respectively.

Right-of-use (ROU) Asset

Right-of-use asset as of March 31, 2022 and December 31, 2021 amounted to ₱0.92 million and ₱1.17 million, respectively. Depreciation expense pertaining to ROU asset amounted to ₱0.25 million for the first quarter of 2022.

Intangible Assets

As of March 31, 2022, intangible assets amounted to ₱87.61 million which decreased from December 31, 2021, balance of ₱88.51 million. The components are goodwill, customer relationship, developed software, and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group. As of March 31, 2022, 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 March 31, 2022, net book value of developed software was ₱7.12 million. Amortization of developed software for the three-month period ended March 31, 2022, amounted to ₱0.27 million.
- Cryptocurrencies pertain to units of Bitcoin held by the Group as of March 31, 2022, valued at ₱32.28 million.

Other Noncurrent Assets

Other noncurrent assets amounted to ₱19.44 million as of March 31, 2022. This figure is 9% lower than the ₱21.43 million figure posted as of December 31, 2021.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables was at ₱383.68 million as of March 31, 2022. It decreased by 0.5% or ₱1.98 million from the December 31, 2021, figure of ₱381.70 million mainly due to the decline of trade payables and accrued expenses.

The payables consisted of other payables, trade payables, payables to related parties, nontrade payables, accrued expenses, deferred output VAT and taxes payables.

Advances from Stockholders

This account pertains to the loan agreements entered by the Parent Company in 2017 and 2019 amounting to ₱143.56 million as of March 31, 2022 and December 31, 2021.

Loans Payable

The Group recorded ₱30.44 million in current loans on March 31, 2022, and ₱29.73 million as of December 31, 2021. This is mainly attributable to the loans of Storm and Seer which are interest-bearing and short-term.

Contract Liability

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

The Group's consolidated contract liability as of March 31, 2022, amounted to ₱28.64 million, an increase of 11% from the December 31, 2021, figure of ₱25.76 million.

Lease Liability

As of March 31, 2022, lease liability amounted to ₱0.94 million and is pertaining to the office space of Xurpas in Antel.

Pension Liability

The accrued pension of the Group was at ₱22.83 million as of March 31, 2022, which was unchanged from its levels on December 31, 2021.

Equity

Total Equity

The Group recorded total equity of ₱76.29 million as of March 31, 2022, a 1,065% increase from December 31, 2021 with a figure of negative ₱7.91 million. The increase was mainly due to the capital infusion that occurred in the first quarter of 2022.

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 Parent Company and Seer Technologies Inc. which are short term in nature. The Group is not in breach or default on any loan or other form of indebtedness.

<u>Cashflows</u>

	For the three-month period ended March 31	
	2022	2021
In PhP Millions	**Amount**	**Amount**
Net cash used in Operating Activities	(12.18)	(4.56)
Net cash provided by (used in) Investing Activities	1.45	(2.22)
Net cash provided by Financing Activities	99.86	8.55
Effect of foreign currency exchange changes in cash	(5.20)	2.40
Net decrease in cash	83.93	4.17
Cash at beginning of period	35.95	67.74
Cash at end of period	**119.88**	**71.91**

Cash Flows from Operating Activities

For the first three months of 2022, operating loss before changes in working capital of ₱7.80 million was coupled with the corresponding decrease in receivables, trade payables, contract liabilities and increase in other current assets, and contract assets resulted in ₱12.98 million net cash used for operations. Together with interest received, interest expense and income taxes paid, this resulted in a net cash used in operating activities of ₱12.18 million.

Cash Flows from Investing Activities

The Group's consolidated cash flows provided by investing activities for the first three months of 2022 was ₱1.45 million compared to ₱2.22 million used in the same period of 2021. This comprises payments upon acquisition of property and equipment and proceeds generated from disposal of other non-current assets.

Cash Flows from Financing Activities

The cash flow provided in financing activities for the first quarter of 2022 was ₱99.86 million which increased from net cash provided of ₱8.55 million in the same period in 2021 The cash flow provided in financing activities were mainly from the proceeds of the equity infusion that have transpired in the beginning of the first quarter of 2022 amounting to ₱100.00 million and is slightly decreased by payment of loans amounting to ₱0.14 million.

Capital Expenditure

The Group's capital expenditures for the three-month period ended March 31, 2022, and the year ended December 31, 2021, amounted to ₱0.54 million and ₱5.19 million, respectively.

Key Financial Data In PhP Millions	**March 31, 2022 Additions**	**December 31, 2021 Additions**
Right-of-use asset	-	2.01
Developed Software	-	0.39
IT Equipment	0.54	2.44
Leasehold Improvements	-	0.32
Office Equipment	-	0.03
Furnitures and Fixtures	-	-
	0.54	**5.19**

Key Performance Indicators

The key performance indicators disclosed below present the financial performance of the Group as a whole. These are different from those in the 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 three-month period ended March 31		For the year ended December 31, 2021
	2022	2021	
Liquidity Ratios			
Current Ratio	**42%**	30%	26%
Quick Ratio	**38%**	23%	22%
Asset-to-Equity Ratio	**364%**	602%	575%
Profitability Ratios			
Net Loss Margin	**-8%**	-45%	-4%
Gross Margin	**18%**	-1%	18%
Operating Margin	**-5%**	-23%	-4%
Return on Total Assets	**-1%**	-3%	-1%
Return on Equity	**-3%**	-18%	-8%
Debt Ratios			
Debt-to-Equity Ratio	**3.24x**	5.95x	5.82x
Interest Coverage Ratio	**-1.65x**	-6.45x	-2.18x

Liquidity Ratios

Current Ratio and Quick Ratio for the three-month period ended March 31, 2022, were 42% and 38%, respectively, an increase from their respective 30% and 23% figures during the same period of 2021. The decrease in both ratios was primarily from the higher current liabilities and a decrease of current assets of the Group for that period.

Asset-to-Equity Ratio

There is a decrease in the asset-to-equity ratio from 602% on March 31, 2021, to 364% on March 31, 2022 due to a higher increase in equity in 2022.

Profitability Ratios

All profitability ratios such as net loss margin, gross margin, operating margin, return on total assets and return on equity improved to (8%), 18%, (5%), (1%) and (3%) respectively from their prior year rations. This is due to the lower net loss generated this first quarter of 2022 compared with the same period of last year.

Debt Ratio

Debt to Equity on March 31, 2022, decreased to 3.24x from 5.95x as of March 31, 2021. The increase in the gearing ratio was attributed to increased loan payable to local banks and non-banks. Interest coverage ratio as of March 31, 2022, was at -1.65x compared to -6.45x on March 31, 2021.

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

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

Other Disclosures:

i. <u>Liquidity</u>. 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. <u>Events that will trigger Direct or Contingent Financial Obligation.</u> 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. <u>Material Off-balance sheet Transactions, Arrangements, Obligations</u>. Likewise, there were no material 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. <u>Material Commitments for Capital Expenditure</u>. There are no material commitments for capital expenditures.

v. <u>Material Events/ Uncertainties</u>. 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 2022 are being addressed through the following: developing aggressive lead generation via digital marketing; forging alliances to enhance distribution and cross selling opportunities; and focusing on strengthening its enterprise services business, specifically, the following: IT staff augmentation, business solutions and Web 3.0.

v. <u>Results of Operations</u>. There were no significant elements of income or loss that did not arise from continuing operations.

vi. <u>Seasonality</u>. The Group is not subject to the seasonality of revenue realization. With the current revenue trends in Storm, the seasonality is not apparent.

Full year 2021 compared with 2020

Summary

Key Financial Data In PhP Millions	For the year ended December 31					
	2021		2020		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Mobile consumer services	40.55	19%	22.00	13%	18.55	84%
Enterprise services	117.57	56%	88.24	51%	29.33	33%
Other services	51.91	25%	63.77	37%	(11.86)	-19%
Total Revenues	**210.03**	**100%**	**174.01**	**100%**	**36.01**	**21%**
Cost of Services	158.88	76%	127.19	73%	31.69	25%
Cost of Goods Sold	13.92	7%	38.01	22%	(24.09)	-63%
Gross Profit (Loss)	**37.23**	**18%**	**8.81**	**5%**	**28.41**	**323%**
General and Administrative Expenses	85.25	41%	119.85	69%	(34.60)	-29%
Equity in Net Losses (Earnings) of Associates	0.32	0%	7.75	4%	(7.43)	-96%
Finance Costs and Other Income - net	(19.22)	-9%	(45.25)	-26%	26.02	-58%
Loss Before Income Tax	**(29.12)**	**-14%**	**(73.54)**	**-42%**	**44.42**	**-60%**
Provision for (Benefit from) Income Tax	(2.96)	-1%	(4.72)	-3%	1.76	-37%
Net Loss	**(26.16)**	**-12%**	**(68.82)**	**-40%**	**42.66**	**-62%**
Other Comprehensive Income (Loss)	13.60	6%	36.03	21%	(22.43)	-62%
Total Comprehensive Loss	**(12.56)**	**-6%**	**(32.79)**	**-19%**	**20.23**	**-62%**
	Dec. 31, 2021 Amount		**Dec. 31, 2020 Amount**		**Amount Change**	**% Increase**
Total Assets	605.94		617.06		(11.12)	-2%
Total Liabilities	613.85		612.41		1.44	1%
Total Equity	(7.91)		4.65		(12.56)	-270%

In 2021, the Group generated revenue of ₱210.03 million which was 21% higher than 2020 revenue of ₱174.01 million. Likewise, net loss also went down by 62% from ₱68.82 million in 2020 to ₱26.16 million in 2021. The enterprise segment generated the majority of the revenue with 56% contribution or ₱117.57 million, followed by other revenues and mobile consumer services which generated 25% and 19% respectively. It should be noted that the revenue generated by the enterprise services was significantly higher in 2021 and is aligned with the Group's 2021 directive to focus on expanding this segment due to its demand and potential contribution to the Company's growth.

The aggregate cost of services of the Group increased from ₱127.19 million in 2020 to ₱158.88 million in 2021 or 25% increase. The rise is brought by the increase in salaries and wages and outsourced services parallel to the increase of its corresponding revenue.

The Group's general and administrative expenses (GAEX) went down from ₱119.85 million in 2020 to ₱85.25 million in 2021 or 29% decrease. GAEX in 2020 was higher primarily due to the provision for impairment loss totaling to ₱16.03 million. Other GAEX items such as salaries and wages, professional fees, rent, utilities, taxes and licenses, advertising, and seminars and training decreased as part of the continuing cost cutting measures implemented by the Company.

The Group recorded a 96% decline for the equity in net losses of associates, from ₱7.75 million in 2020 to an equity in net loss of ₱0.32 million in 2021. The finance costs and other income charges (net) incurred by the Group were ₱19.22 million and ₱45.25 million in 2021 and 2020, respectively. Lower finance cost was mainly due to lower interest expense paid for outstanding loans from local banks and non-banks. For the other income, there was also a decrease in this account due to the absence of penalties earned from late payment of customers, gain on sale of a subsidiary and foreign exchange gain which was present in 2020.

In 2021, the Group reported a benefit from income tax amounting to ₱2.96 million as compared to last year wherein the Group recognized ₱4.72 million benefit from income tax.

The total comprehensive loss of the Group was ₱12.56 million in 2021, which was 62% lower than the 2020 figure of ₱32.79 million.

The Group's total assets in 2021 amounted to ₱605.94 million, a minimal decrease of 2% from 2020 recorded total assets of ₱617.06 million. The decline in assets was mostly due to lower current assets, namely, cash. Total liabilities, however, increased from ₱612.4 million in 2020 to ₱613.85 million as a result mainly of higher accounts and other payables. Lastly, the Group's total equity went down from ₱4.65 million in 2020 to a capital deficiency of ₱7.91 million in 2021 contributed by total comprehensive loss incurred by the end of the year.

Segment Financial Performance

For the year ended December 31, 2021 In PhP Millions	Mobile Consumer Services	Enterprise Services	Other Services	Intersegment Adjustments	Consolidated
Revenue from services	40.55	153.62	27.27	(36.05)	185.39
Revenue from sale of goods	-	-	24.64	-	24.64
Total Service Revenues	**40.55**	**153.62**	**51.91**	**(36.05)**	**210.03**
Operating expenses	54.34	178.16	73.19	(47.64)	258.05
Equity in net earnings of associates	-	-	-	0.32	0.32
Other charges (income) - net	(24.56)	5.83	(0.47)	(0.02)	(19.22)
Total Expenses	**29.78**	**183.99**	**72.72**	**(47.34)**	**239.15**
Operating Income (Loss)	**10.77**	**(30.37)**	**(20.81)**	**11.29**	**(29.12)**
Benefit from (provision for) income tax	0.24	2.76	(0.04)	-	2.96
Net Income (Loss)	**11.01**	**(27.61)**	**(20.85)**	**11.29**	**(26.16)**

In 2021, the mobile consumer services posted revenue, operating income, and net income of ₱40.55 million, ₱10.77 million and ₱11.01 million respectively. The net income earned by the mobile consumer segment was mainly attributable to the gain on derecognition of long-outstanding payables of AOC amounting to ₱16.91 million.

Enterprise services had an operating loss and net loss of ₱30.37 million and ₱27.61 million, respectively, from revenues of ₱153.62 million. Likewise, the other services segment did not have a positive contribution to the Group.

Profitability

For the twelve-month period ended December 31, 2021, compared with the twelve-month period ended December 31, 2020.

Revenues

The consolidated service revenues of the Group for the year ended December 31, 2021, amounted to ₱210.03 million, an increase of 21% from ₱174.01 million for the year ended December 31, 2020.

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

Segment	Description	Subsidiaries
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing.	• Xurpas Parent Company
Enterprise services	Revenues derived from the provision of mobile platform solutions to corporate and	• Seer • Xurpas Enterprise

	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	● Xurpas Parent Company
Other services	Revenues derived from services related to the proprietary platform called "Flex Benefits System" and "Ace" (formerly "Kudos") which allows employees to convert their employee benefits to other benefits which includes sale of goods; subscriptions offering HMO and other pre-need employee benefits to small teams and freelancers.	● Storm Technologies ● AllCare

In PhP Millions	For the year ended December 31					
	2021		2020		Amount	% Increase
	Amount	Percentage	Amount	Percentage	Change	(Decrease)
Revenues						
Enterprise services	117.57	56%	88.24	51%	29.33	33%
Mobile consumer services	40.55	19%	22.00	13%	18.55	84%
Other services	51.91	25%	63.77	36%	(11.86)	-19%
Total Revenues	**210.03**	**100%**	**174.01**	**100%**	**36.02**	**21%**

Revenues from enterprise services, which accounted for 56% of total revenues, generated the highest percentage of the total revenues at ₱117.57 million. This is mainly driven by the Group's focus on staff augmentation services which resulted in a substantial growth in revenues amounting to ₱90.67 million in 2021 as compared to the ₱16.14 million in 2020 or a 462% increase. Other services generated ₱51.91 million or 25% of the total revenue. This figure was 19% lower than 2020 revenue of ₱63.77 million. Despite the decrease brought by the slowdown of the Storm marketplace, this was offset by AllCare, which generated an impressive increase in revenues of 203%, from ₱8.70 million in 2020 to ₱26.35 million in 2021. Lastly, mobile consumer services, on the other hand, generated ₱40.55 million or 19% of the total revenue. This figure was an 84% increase from 2020 revenues pertaining to this segment.

Expenses

In PhP Millions	For the year ended December 31					
	2021		2020		Amount	% Increase
	Amount	Percentage	Amount	Percentage	Change	(Decrease)
Expenses						
Cost of Services	158.88	62%	127.19	45%	31.69	25%
Cost of Goods Sold	13.92	5%	38.01	13%	(24.09)	-63%
General and Administrative Expenses	85.25	33%	119.85	42%	(34.60)	-29%
Total Expenses	**258.05**	**100%**	**285.05**	**100%**	**(27.00)**	**-9%**

The Group's consolidated expenses in 2021 amounted to ₱258.05 million, a 9% decrease from previous year's ₱285.05 million. Bulk of the expenses came from cost of services and GAEX which contributed 62% and 33% respectively, followed by COGS at 5%. Decline in overall expenses was a result of the company's continuing cost reduction efforts.

Cost of Services

In PhP Millions	For the year ended December 31					
	2021		2020		Amount Change	% Increase (Decrease)
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	91.27	57%	70.50	56%	20.77	29%
Outsourced services	35.47	23%	19.25	15%	16.23	84%
Outside services	16.67	10%	5.37	4%	11.30	210%
Depreciation and amortization	7.41	5%	22.73	18%	(15.32)	-67%
Others	8.06	5%	9.34	7%	(1.28)	-14%
Total Expenses	**158.88**	**100%**	**127.19**	**100%**	**31.69**	**25%**

Cost of Services in 2021 was ₱158.88 million, a 25% increase from previous year's figure of ₱127.19 million. It is primarily composed of salaries and wages which incurred expenses of ₱91.27 million (57%), outsourced services amounting to ₱35.47 million (23%) and outside services from benefit claims and membership fees of AllCare amounting to ₱16.67 million (10%). All of them increased from last year as the Group upscaled its manpower for its staff augmentation business and also due to the substantial increase in revenue for AllCare. Other expenses, however, decreased by 14% compared with the prior year. Depreciation and amortization also declined in 2021 by 67% due to increase of assets that were already fully depreciated beginning 2021.

Cost of Goods Sold (COGS)

Cost of goods sold made up 5% of the Group's total consolidated expenses. This figure decreased by 63% from its 2020 level of ₱38.01 million to ₱13.93 million in 2021. The COGS is directly attributable to the flex benefits operations of Storm Technologies and lower revenue was generated from this in 2021.

General and Administrative Expenses (GAEX)

In PhP Millions	For the year ended December 31					
	2021		2020		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Salaries, wages and employee benefits	31.46	37%	39.62	33%	(8.16)	-21%
Professional fees	15.78	19%	24.06	20%	(8.28)	-34%
Marketing and promotions	4.57	5%	3.20	3%	1.37	43%
Transportation and travel	3.29	4%	2.69	2%	0.60	22%
Others	30.15	35%	50.28	42%	(20.13)	-40%
Total Expenses	**85.25**	**100%**	**119.85**	**100%**	**(34.60)**	**-29%**

In 2021, the GAEX of the Group's operations amounted to ₱85.25 million, which was lower than the GAEX posted in 2020 which amounted to ₱119.85 million. Expenses such as salaries and wages, professional fees and other GAEX decreased as part of the cost cutting measures implemented by the Company. Marketing and promotions and transportation and travel, on the other hand, increased in 2021 due to the increased efforts to promote its services which materialized to the increase in 2021 revenues and the loosening of the strict travel protocols in the year, respectively.

Equity in Net Losses of Associates

The equity of the Group in the net losses of its associate companies for the period ended December 31, 2021, amounted to ₱0.32 million which is 96% lower than in 2020. The Group's associates, particularly Altitude and Microbenefits, recognized lower net losses in 2021.

Finance Costs

The Group posted finance costs of ₱9.98 million in 2020 and ₱9.15 million in 2021. The 8% decrease was a result of lower interests paid to loans borrowed from local banks and non-banks.

Other Income – net

As of December 31, 2021, the Group recorded other income of ₱28.37 million as compared to ₱55.23 million other charges posted in 2020. Higher other income was generated in 2020 due to penalties earned from late payments of customers and gain on sale of a subsidiary (CTX).

Loss before Income Tax

The Group's loss before income taxes for the year ended December 31, 2021, was ₱29.12 million, a 60% decrease from previous year's ₱73.54 million.

Benefit from Income Tax

In 2021, the Group reported benefit from income tax amounting to ₱2.96 million as compared to last year's ₱4.72 million. The benefit from income tax posted in 2020 mainly pertains to the tax effect of the amortization of intangible assets acquired through business combinations. These assets were written off in 2020 resulting in lower benefit from income tax in 2021.

Net Loss

The Group posted a consolidated net loss of ₱26.16 million in 2021, a 62% decrease from the previous year's net loss of ₱68.82 million.

Other Comprehensive Income

In 2021, the Group's other comprehensive income decreased to ₱13.60 million from the 2020 figure of ₱36.03 million. The decrease was rooted from the loss resulting from the cumulative translation adjustment and share in other comprehensive loss of an associate due to cumulative translation adjustment.

Total Comprehensive Loss

The Group's total comprehensive loss decreased by 62% in 2021 (from ₱32.79 million in 2020 to ₱12.56 million in 2021).

Financial Position

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

Assets

Cash and Cash Equivalent

The Group's consolidated cash amounted to ₱35.95 million as of December 31, 2021, a net decrease of 47% or ₱31.79 million from consolidated cash of ₱67.74 million as of December 31, 2020. The movements in the Group's cash will be explained further in the cash flow discussion.

Accounts and Other Receivables

The Group's consolidated accounts and other receivables amounted to ₱66.54 million and ₱70.29 million as of December 31, 2021, and 2020, respectively. The decrease was generally the result of lower trade receivables and higher allowance for impairment loss (from ₱22.34 million in 2020 to ₱23.21 million in 2021).

Contract Assets

As of December 31, 2021, contract assets amounted to ₱29.76 million or 496% higher than the 2020 figure of ₱5.00 million. The increment mainly pertains to services rendered under the staff augmentation business which are yet to be billed as of year-end. These are to be billed and collected in 2022.

Other Current Assets

The Group's consolidated other current assets in 2021 totaled ₱21.09 million, an 8% decrease from 2020 figure of ₱22.80 million. During the year, the Group reclassified a substantial amount of its deferred input VAT and creditable withholding tax from other current assets to other noncurrent assets.

Financial Assets at FVOCI

As of December 31, 2021, and 2020, carrying value and net unrealized loss on financial assets at FVOCI recognized in the consolidated statement of financial position amounted to ₱0.60 million and ₱0.50 million, respectively.

Investment in and advances to associates

In 2021, the Group's consolidated investment in associates amounted to ₱336.22 million, a decrease of ₱4.33 million compared to the 2020 figure of ₱340.55 million. The breakdown of the carrying amounts of these investments are as follows: Micro Benefits Limited (₱273.69 million), Altitude Games Pte. Ltd. (₱21.22 million), and SDI (₱19.22 million).

Property and Equipment

The Group's consolidated property and equipment was ₱4.66 million as of December 31, 2021. It increased by ₱0.41 million or 10% as compared to 2020 which amounted to ₱4.25 million. Property and equipment consisted mainly of leasehold improvements, IT equipment, furniture and fixtures and office equipment. The Group made minimal additions during the year as part of its cost cutting measures.

Right-of-use Asset
The Group recognized a right-of-use asset for its new office space in Antel for a total amount of ₱1.17 million. Depreciation expense in relation to this asset amounted to ₱0.84 million.

Intangible Assets

As of December 31, 2021, intangible assets amounted to ₱88.51 million, a 1% increase from 2020 balance of ₱87.84 million. The components are goodwill, customer relationship, developed software, and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of subsidiaries acquired by the Group. As of December 31, 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 December 31, 2021, net book value of developed software was ₱7.14 million. Movements in developed software are accounted for as follows: (1)

Additions during the year amounting to ₱0.39 million and (2) Amortization during the year amounting to ₱7.41 million

- Cryptocurrencies pertain to units of Bitcoin and Ether held by the Group as of December 31, 2021, which amounted to ₱33.15 million. During the year, the Group sold half of each cryptocurrency with a total cost of ₱2.04 million and accumulated revaluation gain of ₱11.58 million. The increase in market value of the remaining cryptocurrencies, on the other hand, resulted in ₱21.32 million revaluation gain.

Other Noncurrent Assets

In 2021, other noncurrent assets amounted to ₱21.43 million which increased by 18% from the previous year's figure of ₱18.10 million. During the year, the Group reclassified a substantial amount of its deferred input VAT and creditable withholding tax from other current assets to other noncurrent assets.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables were valued at ₱381.70 million as of December 31, 2021. It increased by ₱8.16 million or 2% from 2020 balance of ₱373.54 million mainly due to the increase in payable to third parties and non-trade payables of ODX.

Advances from stockholders

This account pertains to loan agreements entered into by Xurpas with its founders. Details are as follows:

- In 2017, the Parent Company entered into a loan agreement with its founders amounting to US$1,945,758 or 97.15 million subject to 5% interest rate per annum. The loan is due and demandable. As of December 31, 2021, outstanding loans payable amounted to ₱94.26 million.
- On April 29, 2019, the Parent Company entered into a loan agreement with its founders amounting to ₱150.00 million subject to 5.50% interest rate per annum for 3 years from date of agreement and may be renewed upon mutual agreement. As of December 31, 2021, outstanding loans payable amounted to ₱49.30 million. This particular loan was reclassified from non-current liability in 2020 to current liability in 2021 as this falls due in 2022. Both parties are working on a term extension of the loans.

Loan Payable

The Group recorded ₱29.73 million worth of current loans (short term and interest bearing) as of December 31, 2021. This was an ₱11.98 million decrease from 2020 loan payable of ₱41.71 million. The loans pertain to that of Storm Technologies and Seer Technologies.

Contract Liabilities

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

In 2021 and 2020, the Group's contract liabilities were ₱25.76 million and ₱32.26 million respectively.

Current portion of lease liability

The Group recognized a lease liability for its new office space in Antel. Current portion of the lease liability as of December 31, 2021 amounted to ₱1.02 million.

Advances from stockholders – net of current portion

This account pertains to the loan agreement entered into by the Parent Company on April 29, 2019 with its founders. As of December 31, 2021, balance of this account is nil due to its reclassification to current liability.

Loan payable - net of current portion

This account pertains to the loan agreement entered by Storm with its lender. The former entered into a loan restructuring agreement with its lender to modify payment terms of its outstanding obligation with an aggregate amount of 17.32 million as of the date of modification. Revised payment terms include noninterest bearing monthly installments over one (l) to five (5) years. Remaining non-current portion of the loan as of December 31, 2021 is ₱9.07 million.

Lease liability

The Group recognized a lease liability for its new office space in Antel. Current portion of the lease liability as of December 31, 2021 amounted to ₱0.17 million.

Deferred tax liability

Deferred tax liability as of December 31, 2021 amounted to ₱4,266 which pertains to the deferred tax on Xurpas' lease liability.

Pension Liability

The accrued pension of the Group was ₱22.83 million in 2021 compared to ₱26.82 million as of December 31, 2020, or a 15% decrease.

Equity

Total Equity

As of December 31, 2021, the Group's total equity was at a negative ₱7.91 million, a 270% decrease from 2020 equity of ₱4.65 million. Lower equity was mainly due to the increase in deficit brought about by the incurred total comprehensive loss of the Group.

Liquidity and Capital Resources

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

Cash Flows

	For the year ended December 31	
	2021	2020
In PhP Millions	**Amount**	**Amount**
Net cash used in Operating Activities	(39.21)	(74.42)
Net cash provided by (used in) Investing Activities	10.71	(2.42)
Net cash used in Financing Activities	(3.79)	(12.53)
Effect of foreign currency exchange changes in cash	0.49	3.19
Net increase (decrease) in cash	(31.79)	(86.19)
Cash at beginning of period	67.74	153.93
Cash at end of period	**35.95**	**67.74**

Cash Flows from Operating Activities

For the year ended December 31, 2021, operating income before changes in working capital of ₱11.65 million coupled with the corresponding changes in trade receivables, other current assets, contract assets, trade payables and contract liability resulted in ₱34.38 million cash used in operations. Together with interest received, interest paid, and income taxes paid, net cash used in operating activities totaled ₱39.21 million.

Cash Flows from Investing Activities

Net cash provided by investing activities in 2021 was ₱10.71 million while cash used in investing activities in 2020 amounted to ₱2.42 million. The net cash provided for this year is mainly attributed to the proceeds from sale of cryptocurrencies amounting to ₱13.62 million.

Cash Flows from Financing Activities

The consolidated net cash used in financing activities for the year 2021 was ₱3.79 million while net cash used in financing activities for the year 2020 was ₱12.53 million. Net cash was mainly used to pay off loan payables and a portion of lease liabilities.

Capital Expenditure

The Group's capital expenditures amounted to ₱5.20 million and ₱1.33 million in 2021 and 2020, respectively.

Key Financial Data In PhP Millions	December 31, 2021 Additions	December 31, 2020 Additions
Right-of-use Assets	2.01	-
Developed software	0.39	0.10
IT Equipment	2.44	1.17
Leasehold Improvements	0.32	-
Office Equipment	0.03	0.07
	5.20	**1.33**

Key Performance Indicators

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

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

In Percentage	For the years ended December 31		
	2021	2020	2019
Liquidity Ratios			
Current Ratio	**26%**	31%	41%
Quick Ratio	**23%**	27%	33%
Asset-to-Equity Ratio	**575%**	613%	575%
Profitability Ratios			
Net Loss Margin	**-4%**	-34%	-271%
Gross Margin	**18%**	5%	15%
Operating Margin	**-4%**	-19%	-256%
Return on Total Assets	**-1%**	-9%	-93%
Return on Equity	**-8%**	-53%	-186%
Debt Ratios			
Debt-to-Equity Ratio	**5.82x**	6.09x	5.55x
Interest Coverage Ratio	**-2.18x**	-5.92x	-64.75x

Liquidity Ratios

The current ratio and quick ratio of the Group was at 26% and 23% in 2021 and 31% and 27% in 2020, respectively. The decrease in both ratios was mainly due to the decline in current assets and increase in current liabilities.

Asset-to-Equity Ratio

In 2021, the Asset-to-Equity ratio of the Group decreased to 575% from 613% of 2020. The decrease was mostly because of the increase in deficit, reducing total equity and concurrent decrease in assets in 2021.

Profitability Ratios

The lower net loss incurred significantly improved the Group's profitable ratios in 2021. Net loss margin, operating margin, return on total assets and return on equity went down to -4%, -4%, -1% and -8%, in 2021 respectively. Alongside with this, Gross margin also improved substantially by 260% from 2020 ratio of 5% to 18% in 2021.

Debt Ratios

For 2021, the Debt-to-Equity ratio decreased from 6.09x in 2020 to 5.82x which can be attributed to lower total equity due to recurring net loss posted by the Group. The interest coverage ratio improved in 2021 to -2.18x from -5.92x in 2020.

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

$$\frac{\text{Net income attributable to Parent Company}}{\text{Average total equity attributable to the Parent Company}}$$

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 material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the group with unconsolidated entities or other persons created during the reporting period.

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

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

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

iii. Seasonality. The Group is not subject to the seasonality of revenue realization. With the current revenue trends in Storm, the seasonality is not apparent.

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Full year 2020 compared with 2019

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

Financial Summary

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

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

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

The aggregate cost of services of the Group decreased from ₱742.19 million in 2019 to ₱127.19 million in 2020 or 83% decline. The drop in the cost of sales was mostly due to lower salaries and wages, web hosting, and outsourced services resulting from the company's cost cutting measures. The cost of goods sold (COGS) attributable to other services provided by Storm Technologies Inc. was ₱38.01 million in 2020, a decrease of 54% from 2019 COGS of ₱83.28 million; due to lower sales for Storm in 2020.

The Group's general and administrative expenses (GAEX) significantly went down from ₱2,204.42 million in 2019 to ₱119.85 million in 2020 or 95% decrease. GAEX in 2019 was high due to the provision for impairment loss and provision for liquidation costs totaling to ₱1,923.42 million. Other

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

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

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

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

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

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

Segment Financial Performance

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

In 2020, the mobile consumer services posted revenue, operating income, and net income of ₱22.00 million, ₱8.66 million, and ₱8.86 million respectively. Enterprise services had an operating loss of ₱42.86 million and net loss of ₱44.91 million from revenues of ₱249.55 million. Likewise, the other services segment did not have a positive contribution to the Group.

Profitability

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

Revenues

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

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

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

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

Expenses

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

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

Cost of Services

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

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

Cost of Goods Sold (COGS)

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

General and Administrative Expenses (GAEX)

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

In 2020, the GAEX of the Group's operations amounted ₱119.85 million, which was significantly lower than the GAEX posted in 2019 which amounted to ₱2,204.42 million. This included provision for impairment losses on goodwill, investment in associates, receivables and other current assets. In this regard, it should be noted that provision for impairment loss during the year is already net of Art of Click's recovered receivable from Pocketmath amounting to $400,000

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

Equity in Net Loss of Associates

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

Finance Costs

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

Other Charges (Income) – net

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

Loss before Income Tax

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

Provision for (Benefit from) Income Tax

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

Net Loss

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

Other Comprehensive Income (Loss)

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

Total Comprehensive Loss

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

Financial Position

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

Assets

Cash and Cash Equivalent

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

Accounts and Other Receivables

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

Contract Assets

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

Other Current Assets

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

Financial Assets at FVOCI

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

Investment in and advances to associates

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

Property and Equipment

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

Intangible Assets

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

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of subsidiaries acquired by the Group. As of December 31, 2020, goodwill was at ₱48.22 million.
- Developed software 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 December 31, 2020, net book value of developed software was ₱14.16 million. Movements in developed software are accounted for as follows: (1) Additions during the year amounting to ₱96,332, (2) Amortization during the year amounting to ₱21.89 million and (3) Impairment amounting to ₱9.23 million. The impairment incurred resulted from the suspension of operations of AoC.
- Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination. As of December 31, 2020, net book value of leasehold rights was nil.
- Cryptocurrencies pertain to units of Bitcoin and Ether held by the Group as of December 31, 2020, which amounted to ₱25.46 million.

Other Noncurrent Assets

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

Liabilities

Accounts and Other Payables

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

Loan Payable

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

Contract Liabilities

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

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

Income Tax Payable

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

Advances from stockholders – net of current portion

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

Pension Liability

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

Equity

Total Equity

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

Liquidity and Capital Resources

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

Cash Flows

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

Cash Flows from Operating Activities

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

Cash Flows from Investing Activities

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

Cash Flows from Financing Activities

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

Capital Expenditure

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

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

Key Performance Indicators

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

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

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

Liquidity Ratios

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

Asset-to-Equity Ratio

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

Profitability Ratios

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

Debt Ratios

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

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

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

Other Disclosures:

i. Liquidity. To cover its short-term funding requirements, the Group intends to use internally generated funds, 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 material 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 building competency in talent solution business.

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.

For Full Year 2019 compared with 2018

Summary

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

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

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

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

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

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

Financial Summary

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

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

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

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

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

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

Revenues and net loss contributed by foreign operations for the year ended December 31, 2019 amounted to ₱3.27 million and ₱117.85 million, respectively, which corresponds to 0.34% and 4% of the consolidated revenues and net loss, respectively, for the said period.

In terms of growing the overall business of the Corporation, it aims to expand and sustain its overall business, as it continually implements reorganization to refocus the business on recurring and stable revenue stream. The Company is gearing to strengthen its enterprise business which provides services such as custom software development, cloud services, HR technology, solutions architecture and blockchain technology. It intends to seize the opportunity to support various companies in their digital transformation. For its residual mobile consumer business segment, the Company is also adopting the same concept of strengthening recurring and stable revenue. Another envisaged component to the recovery and growth is global tech management, wherein Xurpas gains access to high-value, emerging, innovative and disruptive technologies in the US.

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

Segment Financial Performance

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

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

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

Profitability

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

Revenues

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

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

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

**Until September 2019.*

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

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

Expenses

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

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

Cost of Services

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

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

General and Administrative Expenses (GAEX)

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

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

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

MatchMe amounting to ₱107.15 million; (3) Provision for impairment of receivables amounting to ₱3.30 million and (4) Provision for impairment of other current assets amounting to ₱1.58 million.

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

Equity in Net Loss of Associates

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

Finance Costs

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

Other Charges – net

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

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

Loss before Income Tax

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

Provision for Income Tax

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

Net Loss

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

Total Comprehensive Loss

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

Financial Position

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

Assets

Cash and Cash Equivalent

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

Accounts and Other Receivables

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

Contract Assets

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

Other Current Assets

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

Financial Assets at FVOCI

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

Investment in Associates

In 2019, the Group's consolidated investment in associates amounted to ₱319.94 million, a decrease of ₱136.06 million or 30% compared to the 2018 figure of ₱456.00 million. The decrease was mostly due to the impairment of investment in Micro Benefits and in MatchMe amounting to ₱68.49 million and

₱38.66 million, respectively. Impairment loss is recognized when carrying value of the investment exceeds recoverable amount.

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

Property and Equipment

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

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

Intangible Assets

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

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

Right-of-use Asset

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

Pension Asset

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

Deferred Tax Assets – Net

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

Other Noncurrent Assets

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

Liabilities

Accounts and Other Payables

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

Loan Payable

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

Contract Liabilities

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

Income Tax Payable

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

Lease liabilities

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

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

Other Current Liabilities

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

Advances from stockholders – net of current portion

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

Deferred Tax Liability

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

Pension Liability

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

Equity

Total Equity

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

Liquidity and Capital Resources

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

Cash Flows

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

Cash Flows from Operating Activities

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

Cash Flows from Investing Activities

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

Cash Flows from Financing Activities

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

Capital Expenditure

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

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

Key Performance Indicators

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

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

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

Liquidity Ratios

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

Asset-to-Equity Ratio

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

Profitability Ratios

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

Debt Ratios

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

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

Current Ratios

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 and available short-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD. The Group can also obtain additional advances from its stockholders, refinance its short-term loans, renew its credit lines and negotiate for longer payment terms for its payables.

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

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

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

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

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

vii. Seasonality. The 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.

Description of the Nature and Scope of Business

The Corporation was duly incorporated under Philippine laws on November 26, 2001, as a technology company which creates and develops digital products and services for mobile end-users, as well as proprietary platforms for mobile operators. The Corporation provides mobile marketing and advertising solutions integrated in consumer digital products and platforms for the consumption of mobile users. The Corporation is also engaged in platform development and customization, system integration, mobile platform consultancy services, management of off-the-shelf application and social media related services. This includes information technology (IT) staff augmentation and various enterprise solutions-based services to Telcos and other companies for network and applications development.

As of date, the Corporation has equity interests in the following entities:

	Percentage of Ownership
Storm Technologies, Inc. (formerly Storm Flex Systems, Inc.)	51.31%
Pt. Storm Benefits Indonesia	51.31%
Allcare Technologies Inc.	35.35%
Seer Technologies Inc.	70.00%
Codesignate Inc.	52.50%
Xurpas Enterprise Inc.	100.00%
Art of Click Pte. Ltd.	100.00%[1]
PT Sembilan Digital Investama	49.00%
MatchMe Pte. Ltd.	29.10%
Micro Benefits limited	23.53%
Altitude Games Pte. Ltd	21.17%
Altitude Games Inc.	21.17%
Xeleb Technologies Inc. (formerly Fluxion, Inc.)	100.00%
Xeleb Inc.	100.00%

Products and Services

The Corporation categorizes its product offerings in accordance with the following segments:

Enterprise Services

The Company, together with its subsidiaries, develops and customizes information technology platforms, provides system integration, mobile platform consultancy and applications development, off-the-shelf applications and social media-related services. In addition, the Company also provides information technology staff augmentation to its customers, which includes both SMEs, as well as Telcos and other large enterprise clients.

Mobile Consumer Services

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

[1] On March 30, 2020, Xurpas suspended the business operations of Art of Click.

Other Services

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

Blockchain Technology

In 2018, the Company announced the incorporation of its wholly owned subsidiary, ODX Pte. Ltd. ("ODX"), an entity registered in Singapore, that will allow consumers in emerging markets to access the internet for free, through sponsored data packages. ODX pre-sold tokens and the proceeds from the said sale, amounting to $4,999,960 will be used to start building the ODX infrastructure and for business development. The Company announced that some of its subsidiaries/affiliates also launched blockchain technology projects. In 2019, ODX started the distribution of tokens to all its investors, pre-sale purchasers, and advisors (collectively the "Token Holders"). In 2020, with limited operations, there was minimal platform development work done.

Competition

For its enterprise development business, the Company considers Stratpoint, Pointwest, Yondu, Asticom and Novare, as its main competitors, providing outsourced web and mobile applications development services, cloud services for their clients, and staff augmentation. For Business Solutions, the Company competes with Oracle Netsuite, Odoo, Acumatica for Enterprise Resource Planning and Sprout Solutions and Salarium for Payroll Systems.

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

For its mobile consumer content development business, the Company competes with Yondu.

Reliance on Third Parties

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

Intellectual Property

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

Platforms

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

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

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

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

Trademarks

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

Holder	**Mark**	**Registration Number**	**Date Filed**	**Date Registered**
Xurpas Inc.	Xurpas	420017004618	May 8, 2007	August 27, 2007
Xurpas Inc.	SELFIE.PH	42014009255	July 25, 2014	June 25, 2015
Xurpas Inc.	GRAB-A-GOLD	42014009260	July 25, 2014	December 11, 2014
Xurpas Inc.	FLUXION	42014009259	July 25, 2014	December 11, 2014
Xurpas Inc.	PLAYSMART	42014009254	July 25, 2014	December 11, 2014
Xurpas Inc.	#SELFIE	42014009257	July 25, 2014	December 11, 2014
Xurpas Inc.	#TBT	42014009258	July 25, 2014	December 11, 2014
Xurpas Inc.	SWAG	42014009261	July 25, 2014	February 12, 2015
Xurpas Inc.	#FOODPORN	42014009256	July 25, 2014	December 11, 2014
Xeleb Technologies Inc.	Xeleb	42015005359	May 19, 2015	October 19, 2015
Xeleb Technologies Inc.	Xeleb Technologies	42017003700	March 14, 2017	August 31, 2017
Xeleb Technologies Inc.	Popster	42017003704	March 14, 2017	June 29, 2017

Xeleb Technologies Inc.	Jejemonster	42017003703	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Jologs	42017003699	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Jejemon	42017003702	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Super Belle	42017000346	January 11, 2017	May 4, 2017
Xeleb Technologies Inc.	Trivia Time with Kuya Kim	42016004316	April 25, 2016	December 22, 2016
Xeleb Technologies Inc.	No Verbal Elements	42018003219	February 21, 2018	September 6, 2018
Xeleb Technologies Inc.	Master Erwan's Foodcard	42017000082	January 4, 2017	May 4, 2017

Key Licenses

The Corporation's business which involves the development and delivery of mobile consumer content to its client Telcos, is considered as a form of value-added services regulated by the NTC under the Public Telecommunications Policy Act and related implementing regulations issued by the NTC. The Corporation holds a VAS License issued by the NTC valid until January 3, 2026, pursuant to which the Corporation is authorized to engage in all of the foregoing value-added services.

Employees

The Corporation believes that its relationship with its employees is generally good and, since the start of its operations, the Corporation has not experienced a work stoppage as a result of any labor or labor-related disagreements. None of the Corporation's employees belong to a labor union.

The Corporation has implemented cost-cutting measures to manage its day-to-day operations considering the challenges encountered by its mobile consumer services segment.

The table below sets forth the breakdown of the Company's labor complement, grouped according to function, as of December 31, 2021:

Executives	3
Accounting, Finance, Human Resources and Administrative	13
Marketing	5
Technical Staff	42
Total	63

As of date, the Corporation does not see any material change from the above-identified labor complement for the next twelve (12) months.

Key Risks

The Corporation considers the following risks material to its operations:

- **Stiff Competition and fast-paced evolution of the IT industry**

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

- **High Customer Concentration**

The Company has been working towards improving its business and financial growth for the past years. Forty six percent (46%) of the Company's revenues can be attributed to 3 of its major clients in 2021. As part of its growth strategy, the Company has been looking for new opportunities that would allow them to further diversify its business. In fact, for 2021, there is a 36% increase in the number of clients compared in 2020. At the same time, the Company still intends to continue to develop its current relationships with its long-term customers.

- **Reliance on third party transmission and distribution infrastructure**

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

- **Short Term Agreement with Telcos**

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

- **Ability to maximize and adapt to new technologies**

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

- **Ability to adapt due to changes attributed to Covid-19**

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

Properties

The Corporation does not hold any real property of material value. The Group has entered into various lease agreements with third parties for the office space it occupies.

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

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

Operating Lease Commitments

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

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

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

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

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

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

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

There were no property and equipment pledged as collateral as at date.

Legal Proceedings

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

4. Directors' and Officers' Background

Board of Directors, Independent Directors and Executive Officers

The following are the current directors and officers of the Corporation:

Directors / Officers	Nationality	Position	Year Position was Assumed
Jonathan Gerard A. Gurango	Filipino	Chairman and Chief Executive Officer	2022
Alexander D. Corpuz	Filipino	Executive Director, President, Chief Information Officer and Chief Finance Officer	2019
Fernando Jude F. Garcia	Filipino	Executive Director, Treasurer and Chief Technology Officer	2001
Mercedita S. Nolledo	Filipino	Non-Executive Director	2001
Wilfredo O. Racaza	Filipino	Non-Executive Director	2001
Imelda C. Tiongson	Filipino	Independent Director	2020
Bartolome S. Silayan, Jr.	Filipino	Independent Director	2020
Mark S. Gorriceta	Filipino	Corporate Secretary, Chief Legal Officer and Chief Compliance Officer	2014

Background Information

Jonathan Gerard A. Gurango, 64, Filipino, was an independent director of the Corporation from 2014 to 2022. He was appointed as Chairman of the Board and Chief Executive Officer effective June 6, 2022. Mr. Gurango has a solid track record in forming and running successful software companies. He founded Match Data Systems (MDS) in Seattle, USA in 1987, MDS Philippines in 1991, and MDS Australia in 1996. In 1999, he sold MDS to Great Plains Software, which was acquired by Microsoft in 2001. Mr. Gurango served as the Asia Pacific Regional Director for Microsoft Business Solutions, before he left in 2003 to form Gurango Software. In 2007, he was inducted into the Hall of Fame for Microsoft's Most Valuable Professionals, in recognition of his mastery of software technology and business. In 2006, the Philippine Center for Entrepreneurship acknowledged him as one of the country's

Ten Most Inspiring Technopreneurs. After leading Gurango Software into the most successful Microsoft Dynamics partner in the Philippines, he co-founded several software start-ups and was the President of the Philippine Software Industry Association until 2014. He is presently the Chairman of the Capiz ICT Council, and a director of SERVIO Technologies, Kation Technologies, OfficeGuru, TendoPay, and the Mijares-Gurango Craniofacial Foundation. Mr. Gurango studied Industrial Engineering at the University of the Philippines, Diliman, Quezon City. He also studied Electrical Engineering at the University of Washington, Seattle, Washington, USA.

Alexander D. Corpuz, Filipino, 55, was appointed as Director and President of the Corporation effective February 1, 2019. He has also been the Corporation's Chief Finance Officer since 2014 and Chief Information Officer since 2018. Mr. Corpuz has 31 years of experience in the field of finance, ten years of which was in investment and commercial banking. He was Vice President of Bank of America in 2001, before serving as CFO for Liberty Telecoms, Information Gateway, Mañosa Group of Companies and Hatchd Inc. Mr. Corpuz holds a Bachelor of Science in Business Administration degree from University of the Philippines, Diliman, Cum Laude. He obtained his Masters in Business Management from the Asian Institute of Management, Makati City. He is a member of the Financial Executives Institute of the Philippines (FINEX).

Fernando Jude F. Garcia, Filipino, 48, has been the Chief Technology Officer and Director of the Corporation since November 2001. He was also appointed as Treasurer effective February 1, 2019. He also served as Corporate Secretary of the Corporation until December 2014. He created the Corporation's Griffin Platform, the mobile consumer content gateway and platform for all of the Corporation's mobile consumer content products and services. He also created the Corporation's modular middleware system that can easily integrate with any modern billing gateway. He is the chief engineer responsible for the Corporation's software architecture and systems integration. Examples of such systems and protocols are the following: SMS (CIMD2/EMI-UCP/SMPP), MMS (EIAF/MM7), Voice Services (SIP), Billing/IN (Diameter/UCIP/ParlayX2.1), Security (IPSEC), Publish-subscribe Systems and Video Streaming (RTMP/HLS) and blockchain technology (BTC/ETH). He is also responsible for architecting the Corporation's fully Cloud-based system infrastructure. Before founding the Corporation, he was a software developer in iAyala. Mr. Garcia holds a Bachelor of Science degree in Applied Physics from the University of the Philippines in Diliman, Quezon City.

Wilfredo O. Racaza, Filipino, 73, has been a Director of the Corporation since November 2001.Mr. Racaza has 49 years of marketing and finance experience under his belt. He was the head of New Business Development in Mobil Oil Philippines for 15 years. He previously worked as an insurance executive in Manulife Financial Philippines for 33 years. He is a Registered Financial Consultant (Graduated Cum Laude in May 2015). He has garnered numerous accolades and multiple awards such as Branch of the Year recognitions and consistent agency sales awards. He has been a consistent awardee in the General Agents and Managers Association (GAMA) of the Philippines from 2003 to Present. Mr. Racaza holds a Bachelor of Science in Commerce Degree Major in Accountancy from Xavier University-Ateneo de Cagayan in Cagayan de Oro City.

Mercedita S. Nolledo, 81, Filipino, has been a Director of the Corporation since November 2001. Atty. Nolledo is currently a director of Anvaya Golf and Nature Club, Inc., and Michigan Holdings, Inc. and a member of the Advisory Board of Ayala Land, Inc. and Bank of the Philippine Islands. She is the Chairman of BPI Investment Management Corporation. She is currently an independent director of D&L Industries, Inc. She is a member of the Board of Trustees of Ayala Foundation, Inc. and BPI Foundation, Inc. She has served as a director of Cebu Holdings, Inc. from 1993 to 2006 and of Ayala Corporation from 2004 to 2010. Atty. Nolledo was formerly Corporate Secretary and General Counsel of the Ayala Group of Companies and the Senior Managing Director of the Ayala Corporation. She served as Executive Vice President, director and Corporate Secretary of Ayala Land, Inc. and as the firm's Treasurer. Atty. Nolledo placed second in the Certified Public Accountant exams in 1960 and also placed second in the 1965 bar exams. She holds a Bachelor of Science degree in Business Administration, magna cum laude, from the University of Philippines. Atty. Nolledo holds a Bachelor of Laws degree, cum laude, from the University of the Philippines.

Imelda C. Tiongson, 56, Filipino, has been an Independent Director of the Corporation since May 7, 2020. She is currently the President of Opal Portfolio Investments (SPV-AMC) Inc. and recently appointed Chairperson and Independent director of Pru Life UK PH and Bangko Sentral ng Pilipinas Open Finance Oversight Committee.

In addition, she is also involved in several advocacy organizations; Trustee of the Institute of Corporate Directors (ICD) and Head of Technology Governance Committee, Vice Chairwoman of the Governance Committee of the Management Association of the Philippines, Trustee of Fintech Alliance.ph and Head of Techno Ethics and Trustee of Fintech Philippines Association. She is also a lecturer of various organizations namely; ICD and Ateneo Graduate School of Business - Center for Continuing Education.

She previously held senior executive positions in National Australia Bank and Philippine National Bank with an aggregate total of 22 years. She was also a Director of Vitarich Corporation and a Board Advisor of East Asia Power Corporation as Creditor-nominee, representing PNB.

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

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

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

Mark S. Gorriceta, 44, Filipino, has been the Corporate Secretary and Chief Legal Officer of the Corporation since 2014. He was also appointed as Chief Compliance Officer of the Corporation in 2018. Atty. Gorriceta has been in the practice of law for sixteen years. He acts as legal counsel to several other listed companies, its subsidiaries or affiliates. Atty. Gorriceta also serves as Chief Legal Counsel and/or Corporate Secretary to several leading online and tech companies in the Philippines. He is the Managing Partner and head of the Corporate Group of Gorriceta Africa Cauton & Saavedra. A member of the Philippine Bar since 2005, he holds a Bachelor of Arts, Political Science degree from the Ateneo de Manila University. He also attended certificate courses in Finance at the Asian Institute of Management in Makati City. Atty. Gorriceta is a faculty member of the Ateneo de Manila University's Center for Continuing Education. He teaches Mergers & Acquisitions for the Advanced Module Diploma Course in Corporate Finance.

Significant Employees

The Corporation values the contribution of each employee no matter how big or small and considers all its employees significant. There is no "significant employee" as defined in the SRC.

Family Relationships

Mr. Nico Jose S. Nolledo, is the son of Atty. Mercedita S. Nolledo, a director. Mr. Nolledo resigned as Chairman effective June 6, 2022.

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

Involvement in Certain Legal Proceedings

There are no material legal proceedings, bankruptcy petition, conviction by final judgment, order, judgment or decree or any violation of a securities or commodities law for the past five years to which the Corporation or any of its subsidiaries or affiliates or its directors or executive officers is a party or of which any of its material properties is subject in any court or administrative government agency.

As of this report, the Corporation is not a party to any litigation or arbitration proceedings of material importance, which could be expected to have a material adverse effect on the Corporation or on the results of its operations. No litigation or claim of material importance is known to be pending or threated against the Corporation or any of its properties.

Certain Relationships and Related Transactions

In the conduct of its day-to-day business, the Corporation engages in related party transactions such as service and licensing agreements, always at arms-length and taking into consideration the best interest of the Corporation.

The Corporation has secured loans from its key shareholders. On February 20, 2019, the Board of Directors approved the execution of a loan agreement wherein the key shareholders of the Corporation agreed to extend an aggregate of ₱150.00 million loan to be used to fund enterprise projects and for general corporate purposes.

On March 30, 2020, the Corporation also disclosed that it will sell 80% of CTX Technologies Inc. to Mr. Fernando Jude F. Garcia, one of Xurpas' Founders, at ₱4.00 million. The sale price was mutually agreed upon by the parties, taking into account CTX's 2019 book value which is only at ₱1.01 million. On September 20, 2020, Xurpas sold the remaining 20% of CTX to Mr. Garcia.

See Note 19 of the Corporation's Consolidated Financial Statements as of December 31, 2021 for a detailed discussion of the related party transactions entered into by the Corporation.

On January 20, 2022, the Corporation entered into a Subscription Agreement with Mr. Nico Jose S. Nolledo wherein the Corporation will issue new Xurpas Shares at a purchase price of ₱100.00 million.

Ownership Structure and Parent Corporation

The Corporation has three (3) Principal Shareholders.

Mr. Nico Jose S. Nolledo collectively owns 24.53% of the Corporation's issued and outstanding shares as of date. He recently resigned as Chairman and Non-Executive Director but will remain as adviser to the Board of Directors.

Mr. Fernando Jude F. Garcia owns 18.26% of the Corporation's issued and outstanding shares. He is the Corporation's Treasurer and Chief Technology Officer.

Mr. Raymond Gerard S. Racaza owns 18.29% of the Corporation's issued and outstanding shares. He does not hold any management role in the Corporation since 2019.

Xurpas Inc. has no parent company.

Resignation of directors

Mr. Raymond Gerard S. Racaza resigned as Director effective January 30, 2019. Mr. Alvin D. Lao has resigned as Independent Director effective May 22, 2019.

Recently, Mr. Nico Jose S. Nolledo resigned as Chairman of the Board and Non-Executive Director which was made effective on June 6, 2022.

The above-mentioned officers do not have any known disagreement with the Corporation's affairs, and they resigned for personal reasons.

5. **Market Price and Dividends on the Corporation's common shares**

A. Market Information

On December 2, 2014, Xurpas had its initial public offering of 344.00 million common shares at the Philippine Stock Exchange ("PSE") at an offer price of ₱3.97 per share or ₱1.36 billion total proceeds. Net of costs, expenses, and taxes, the estimated net proceeds amount to ₱1.24 billion.

The following table shows the high and low prices (in PHP) of Xurpas shares in the PSE for the year 2018, 2019, first three quarters of 2020, and 2022.

	High	**Low**
2022		
2nd Quarter	0.37	0.27
1st Quarter	0.57	0.30
2020		
3rd Quarter	0.55	0.50
2nd Quarter	1.37	0.40
1st Quarter	0.95	0.40
2019		
4th Quarter	1.16	0.75
3rd Quarter	1.22	0.87
2nd Quarter	1.37	0.91
1st Quarter	2.33	1.09
2018		
4th Quarter	2.39	1.04
3rd Quarter	3.72	2.02
2nd Quarter	3.92	2.80
1st Quarter	5.93	3.10
2017		
4th Quarter	5.94	3.10
3rd Quarter	9.07	5.20
2nd Quarter	10.84	7.40
1st Quarter	10.50	7.09

On September 21, 2020, the Exchange implemented a suspension on the trading of Xurpas shares and required the Company to submit a full and comprehensive disclosure in relation to its transaction with Wavemaker. In light of the termination of agreements as disclosed on December 22, 2021, the suspension on the trading of Xurpas shares was lifted on January 17, 2022.

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

The price information of Xurpas' common shares as of the close of the latest practicable trading date, June 17 2022, is at ₱0.325/share.

B. Holders

There are twenty-four registered holders of common shares, as of May 31, 2022 (based on number of accounts registered with the Stock Transfer Agent).[3]

	Stockholder's Name	Number of shares	Percentage to total	Nationality
1.	PCD Nominee Corp. (Filipino)[4]	1,413,288,179	67%	Filipino
	PCD Nominee Corp. (Non-Filipino)	293,567,358	14%	Others
2.	Nico Jose S. Nolledo	181,818,192	9%	Filipino
3.	Raymond Gerard S. Racaza	174,100,010	8%	Filipino
4.	Nelson Gatmaitan	400,000	0	Filipino
5.	Emilie Grace S. Nolledo	251,889	0	Filipino
6.	Aquilina V. Redo	6,500	0	Filipino
7.	Rogina C. Guda	6,000	0	Filipino
8.	Dahlia C. Aspillera	2,900	0	Filipino
9.	Mercedita S. Nolledo	1,060	0	Filipino
10.	Wilfredo O. Racaza	1,060	0	Filipino
11.	Roberto B. Redo	1,000	0	Filipino
12.	Shareholders' Association of the Philippines	1,000	0	Filipino
13.	Dondi Ron R. Limgenco	111	0	Filipino
14.	Marietta V. Cabreza	100	0	Filipino
15.	Milagros P. Villanueva	100	0	Filipino
16.	Myra P. Villanueva	100	0	Filipino
17.	Myrna P. Villanueva	100	0	Filipino
18.	Philip &/or Elnora Turner	99	0	British-Indian
19.	Fernando Jude F. Garcia	10	0	Filipino
20.	Jonathan Gerard A. Gurango	10	0	Filipino
21.	Alvin D. Lao	10	0	Filipino
22.	Owen Nathaniel S. AUITF: Li Marcus Au	3	0	Filipino
23.	Joselito T. Bautista	1	0	Filipino
24.	Xurpas Inc.	53,298,242	3%	Filipino
	Total	**2,116,744,034**[5]	**100%**	**Filipino**

[2] Xurpas has 1,872,796,877 outstanding common shares as of December 31, 2020.
[3] Based on the list of stockholders issued by BDO Unibank Inc. Stock and Investment Group, list includes PCD Nominees.
[4]PCD Nominee Corp. (Filipino) includes shares directly and indirectly owned by a) Mr. Nico Jose S. Nolledo; b) Mr. Raymond Gerard S. Racaza; and c) Mr. Fernando Jude F. Garcia. We note that a portion of shares of Messrs. Nolledo, Racaza and Garcia are not yet listed with the Exchange, but are included in PCD Nominee Corp. (Filipino). Further, PCD Nominee Corp. (Filipino) includes treasury shares.
[5] This includes Treasury Shares under PCD Nominee Corp (Filipino).

C. Dividends and Dividend Policy

Dividend History

Information on the Corporation's declaration of dividends follow:

Parent Company	Per Share	Total Amount	Record Date	Payable Date
Cash dividend declared on:				
May 8, 2017	0.05	92.85 million	May 23, 2017	June 15, 2017
May 10, 2016	0.048	86.27 million	May 31, 2016	June 23, 2016
April 29, 2015	0.40	68.80 million	May 14, 2015	June 2, 2015
September 20, 2014	0.56	36.00 million	June 30, 2014	September 30, 2014
June 5, 2014	0.47	30.25 million	December 31, 2013	June 30, 2014
November 18, 2013	5.13	16.67 million	September 30, 2013	November 29, 2013
July 22, 2013	1.03	3.33 million	June 30, 2013	July 31, 2013
May 6 2013	0.83	2.70 million	December 31, 2012	May 31, 2013
March 13, 2013	3.08	10.00 million	December 31, 2012	March 31, 2013
Stock dividend declared on:				
July 10, 2014	0.95 shares	61.25 million	September 20, 2014	September 20, 2014
May 5, 2014	18.85 shares	61.25 million	May 5, 2014	May 5, 2014

Dividend Policy

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

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

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

a) Overnight Top-up Placement – April 26, 2016

On April 26, 2016, the Board of Directors of Xurpas approved the holding of a Placing and Subscription Transaction ("the Overnight Top-up Placement") wherein Messrs. Nico Jose S. Nolledo, Raymond Gerard S. Racaza and Fernando Jude F. Garcia (the "Selling Shareholders") sold an aggregate of 155,400,000 common shares (the "Offer Shares") to investors (the "Placing tranche") at a price of ₱16.00 per share and the Selling Shareholders subscribed to an aggregate of 77,700,000 common shares (the "Subscription Shares") or 4.32% of the new issued and outstanding capital shares of the Corporation ("Subscription tranche") also at ₱16.00 per share. The Corporation raised approximately ₱1.20 billion from the said issuance of shares.

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

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

The Placement Agents received an aggregate selling fee equal to 1.5% of the gross proceeds of the Offer.

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

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

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

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

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

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

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

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

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

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

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

The Company relied on Section 10.1(k) of the Securities Regulation Code, as basis for claiming exemption for the issuance of the said shares in favor of Emmanuel Michel Jean Allix and Wavemaker Labs Pte. Ltd

c) Issuance of New Shares

On January 20, 2022, the Corporation and Nico Jose S. Nolledo ("Mr. Nolledo") executed a Subscription Agreement wherein Mr. Nolledo will receive new Xurpas Common Shares in exchange of One Hundred Million Pesos (₱100,000,000.00). The Subscription Price per Share was calculated based on a 30 Day Weighted Average Price – wherein the twenty-five (25) days shall be prior to Effective Date and the remaining five (5) days shall be after Effective Date, with a five percent (5%)

Premium. The Subscription Price per share was subject to a floor price of Fifty-Five Centavos (₱0.55) per share. Accordingly, Subscription Price was set at ₱0.55; the floor price provided in the Subscription Agreement.

Mr. Nolledo received a total of 181,818,182 common shares (the "Subscription Shares"). The total subscription price is at ₱100,000,000.10. Mr. Nolledo paid the Subscription Price in full on February 15, 2022. Accordingly, the Subscription Shares were issued to Mr. Nolledo on March 21, 2022. The shares have not been listed with the Philippine Stock Exchange as of date.

The Company also disclosed the following Use of Proceeds for the ₱100.00 million investment:

USE OF PROCEEDS	RATIONALE	AMOUNT (millions)	PERIOD OF IMPLEMENTATION
Development and expansion of IT staff augmentation business • Manpower • Equipment • Training	Growing the business requires hiring of more staff (programmers, QA testers, UI/UX, project managers) as well as training current personnel	47.50	*Q1-Q4, 2022*
Employee benefits enhancement • Better HMO package • Allowances	To ensure retention of key manpower by aligning with current industry standards	5.00	*Q1-Q2, 2022*
Equipment replacement	Standard upgrade and replacement of computer equipment	2.50	*Q1-Q4, 2022*
Research on potential platforms or products and development for prototyping	Investment in R&D for products that may be sold by the company	10.00	*Q1-Q2, 2022*
General corporate purposes	For working capital and contingency	35.00	*Q1-Q4, 2022*
		100.00	

DISCLAIMER ON FORWARD LOOKING STATEMENTS. ***Certain information set forth in this document contains "forward-looking information", including "future-oriented financial information" and "financial outlook" (collectively referred to herein as forward-looking statements). These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements.***

Although forward-looking statements contained in this letter are based upon what management of the Company believes are reasonable assumptions, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable laws. The public is cautioned not to place undue reliance on forward-looking statements.

The Subscription Shares are being offered and sold within the Philippines as an exempt transaction in reliance on Section 10.1(c) and 10.1(e) of the Philippine Securities Regulation Code (the "SRC").

6. External Auditor Fees

The Company's external auditor is Sycip Gorres Velayo & Co. ("SGV & Co."). The aggregate fees billed for each of the last two calendar years for professional services rendered by the external auditor were ₱2.19 million and ₱ 2.13 million for 2021 and 2020, respectively. The audit fees for 2022 are estimated to be at ₱2.94 million. Services rendered include the audit of the financial statements and supplementary schedules for submission to SEC, tax consultancy and assistance in the preparation of annual income tax returns. Non-audit fees for Xurpas, which is already included in the aggregate amount above, totaled to ₱0.16 million in 2021.

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

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

The representatives of SGV are expected to be present at the Annual Stockholders' Meeting and may also respond to appropriate questions with respect to matters involving its services.

7. **Compliance with leading practices on Corporate Governance**

Evaluation system to measure the level of compliance with the Manual on Corporate Governance

The Corporation will undertake assessment and performance evaluation exercises in relation to its policies for the purpose of monitoring compliance.

Measures to comply with the adopted leading practices on good corporate governance

The Corporation has appointed a Compliance Officer who shall monitor compliance with the requirements of its revised Manual on Corporate Governance. The Corporation has also established a Corporate Governance Committee that has the responsibility of ensuring the implementation of its governance principles and policy guidelines.

3rd Independent Director

With the reclassification of Mr. Jonathan Gerard A. Gurango's position from Independent Director to Chairman and Executive Director, the Corporation has two (2) remaining independent directors. The Corporation shall exert best efforts for the appointment of a 3rd independent director.

Plans to improve

The Board and Committees undertake to take further steps to enhance adherence to principles and practices of good corporate governance. The Corporation undertakes to periodically review its policies and guidelines, and ensure compliance with all SEC and PSE mandated corporate governance memorandums. In fact, as of date:

- The Corporation has finalized and has circulated the assessment and performance evaluation for its directors.
- The Corporation has been regularly conducting committee meetings to ensure that all Company policies are observed.
- The Corporation, including the Board of Directors, has recently conducted its Strategic Planning to pave way for its short term and long term planning and strategy.

- The Audit Committee now conducts meetings with its external auditor, without the presence of Management.
- Diversity in Xurpas' Board with the election of Ms. Imelda C. Tiongson as the lead independent director. There are already two (2) females sitting on Xurpas Board.

ANNEX "E"

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**	**March 31**

CONTACT PERSON INFORMATION

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

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

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

1. For the fiscal year ended **December 31, 2021**

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

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

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

6. (SEC Use Only)
Industry Classification Code:

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

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

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

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

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

As of December 31, 2021, 42.57% of Xurpas Inc.'s common shares are owned by the public.

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

Yes [**X**] No [ ]

A total of 1,797,700,660 common shares are listed in the Philippine Stock Exchange as of December 31, 2021.

12. Check whether the issuer:

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

Yes [**X**]   No [ ]

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

Yes [**X**]   No [ ]

13. Aggregate market value of the voting stock held by non-affiliates as of December 31, 2021 amounted to ₱438,447,646. The price used for this computation is the closing price as of September 18, 2020 which is at ₱0.55.

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

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

Yes [**X**]   No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Any annual report to security holders;

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

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

TABLE OF CONTENTS

PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. Business

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

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

Listing with the Philippine Stock Exchange

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

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

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

Acquisitions and Investments

Altitude Games Pte. Ltd. The Company purchased 21.78% ownership in Altitude Games Pte. Ltd. in 2014, a Singaporean IT company engaged in computer game development and publishing. In 2020, Altitude accepted game development projects outsourced to it by certain offshore game publishers and launched games using blockchain. As of date, Xurpas' stake in Altitude is 21.17%.

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

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

Xurpas Enterprise Inc. Xurpas also registered Xurpas Enterprise with the Philippine Securities and Exchange Commission in March 2016. Xurpas Enterprise was created to primarily engage in the business of software development including designing, upgrading, and marketing all kinds of information technology systems to corporate clients. It also engages in enterprise solutions, IT staff augmentation, outsourcing and managed services.

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

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

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

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

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

The Company has also sold the following entities:

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

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

The list of companies in which Xurpas has a voting interest as of December 31, 2021 and 2020 are as follows:

	Percentage of Voting Interest	
	2021	**2020**
Xeleb Technologies Inc. (formerly Fluxion, Inc.)[1]	**100.00%**	**100.00%**
Storm Technologies, Inc. (formerly Storm Flex Systems, Inc.)	**51.31%**	**51.31%**
Seer Technologies Inc.	**70.00%**	**70.00%**
Xurpas Enterprise Inc.	**100.00%**	**100.00%**
Art of Click Pte. Ltd.	**100.00%**	**100.00%**
PT Sembilan Digital Investama	**49.00%**	**49.00%**
MatchMe Pte. Ltd.	**29.10%**	**29.10%**
Micro Benefits limited	**23.53%**	**23.53%**
Altitude Games Pte. Ltd	**21.17%**	**21.17%**
Altitude Games Inc.	**21.17%**	**21.17%**
Zowdow, Inc. (formerly Quick.ly Inc.)	**3.56%**	**3.56%**
ODX Pte. Ltd.	**100.00%**	**100.00%**

PRODUCTS AND SERVICES

Mobile Consumer Services

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

Content Provider Agreements with Telcos

As of December 31, 2021, the Company is a party to content provider agreements with two (2) of the Philippines leading Telcos, namely, Smart Communications, Inc. and Globe Telecom Inc. Under these arrangements, the Company is primarily responsible for conceptualizing, designing, sourcing, generating, and maintaining (including, where necessary, de-bugging) mobile consumer content and services that its client Telco may avail of for distribution to or access, subscription or use by its mobile phone subscribers. On the other hand, the client Telco shall be responsible for all costs incurred in maintaining and operating its telecommunications network, as well as the billing and collection of the fees prescribed by the Telco for access, subscription or use of the mobile consumer content and services paid for by the Telco's mobile phone subscribers.

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

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

outstanding mobile airtime credit with the amount of ₱2.50. All access or subscription fees paid (or deemed paid) by the mobile subscriber are received and collected by the Telco.

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

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

For the year ended December 31, 2021, the Group's total revenue and net income from its mobile consumer products business before intersegment adjustments were ₱40.55 million and ₱11.01 million, respectively, while total revenue and net loss before intersegment adjustments from its mobile consumer products business for the year ended December 31, 2020 amounted ₱22.00 million and ₱9.81 million, respectively.

Enterprise Services

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

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

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

For the year ended December 31, 2021, the Company's total revenue and net loss from its enterprise business before intersegment adjustments were ₱153.62 million and ₱27.61 million, respectively, while total revenue and net income before intersegment adjustments from its enterprise business were ₱249.55 million and ₱35.76 million, respectively, for the year ended December 31, 2020.

Other Services

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

For the year ended December 31, 2021, the Company's total revenue and net loss from its other services before intersegment adjustments were ₱51.91 million and ₱20.85 million, respectively. While for the year ended December 31, 2020, the Company's total revenue and net loss before intersegment adjustments from its other services were ₱73.30 million and ₱11.26 million respectively.

Blockchain Technology

In 2018, the Company announced the incorporation of its wholly owned subsidiary, ODX Pte. Ltd. ("ODX"), an entity registered in Singapore, that will allow consumers in emerging markets to access the internet for free, through sponsored data packages. ODX pre-sold tokens and the proceeds from the said sale, amounting to US$4,999,960 will be used to start building the ODX infrastructure and for business development. The Company announced that some of its subsidiaries/affiliates also launched blockchain technology projects. In 2019, ODX started the distribution of tokens to all its investors, pre-sale purchasers, and advisors (collectively the "Token Holders"). In 2021, there was maintenance work done on the platform.

COMPETITION

For its enterprise development business, the Company considers Stratpoint, Pointwest, Yondu, Asticom and Novare, as its main competitors, providing outsourced web and mobile applications development services, cloud services for their clients, and staff augmentation. For Business Solutions, the Company competes with Oracle Netsuite, Odoo, Acumatica for Enterprise Resource Planning and Sprout Solutions and Salarium for Payroll Systems.

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

For its mobile consumer content development business, the Company competes with Yondu.

KEY RISKS

Stiff Competition and fast-paced evolution of the IT industry

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

High Customer Concentration

The Company has been working towards improving its business and financial growth for the past years. The Company's 46% of revenues can be attributed to 3 of its major clients in 2021. As part of its growth strategy, the Company has been looking for new opportunities that would allow them to further diversify its business. In fact, for 2021, there is a 36% increase in the number of clients compared in 2020. At the same time, the Company still intends to continue to develop its current relationships with its long-term customers.

Ability to maximize and adapt to new technologies

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

Short Term Agreement with Telcos

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

Reliance on third party transmission and distribution infrastructure

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

Ability to adapt due to changes attributed to Covid-19

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

Concentrated Ownership offers a potential risk for conflict of interest

The Company is substantially owned and/or controlled by the three (3) founders, Messrs. Nico Jose S. Nolledo, Fernando Jude F. Garcia and Raymond Gerard S. Racaza, wherein they own approximately 57.30% of the issued and outstanding shares of the Company. The Company has been working towards diversification. In fact, the Company has implemented the following to ensure that related party transactions, if any, are made at arm's length:

- Out of the eight (8) board seats, only four (4) board seats are occupied by the controlling shareholders (or their affiliates). Moreover, most of these directors are appointed as non-executive directors, which accordingly lessens the risk for conflict of interest.
- The Company's President is also an independent party, not affiliated with the said principal shareholders.
- The Company has also appointed three (3) independent directors.
- The Company has been strengthening its Related Party Transactions Policy.
- The Company also has an Audit, Related Party Transactions and Corporate Governance Committees that evaluates related party transactions, as may be applicable.

TRANSACTIONS WITH RELATED PARTIES

The Company has likewise secured loans from its key shareholders. See Note 19 of the Company's consolidated financial statements for transactions as of December 31, 2021.

On February 20, 2019, the board of directors approved the execution of a loan agreement wherein the key shareholders of the Company agreed to extend an aggregate of ₱150 million loan to be used to fund enterprise projects and for general corporate purposes.

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

In 2022, the Company's founder, Mr. Nico Jose S. Nolledo subscribed to new Xurpas Shares at a subscription price of Fifty-Five Centavos (₱0.55) per share, or an aggregate of ₱100 million.

INTELLECTUAL PROPERTY

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

Platforms

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

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

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

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

Trademarks

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

Holder	Mark	Registration Number	Date Filed	Date Registered
Xurpas Inc.	Xurpas	420017004618	May 8, 2007	August 27, 2007
Xurpas Inc.	SELFIE.PH	42014009255	July 25, 2014	June 25, 2015
Xurpas Inc.	GRAB-A-GOLD	42014009260	July 25, 2014	December 11, 2014
Xurpas Inc.	FLUXION	42014009259	July 25, 2014	December 11, 2014
Xurpas Inc.	PLAYSMART	42014009254	July 25, 2014	December 11, 2014
Xurpas Inc.	#SELFIE	42014009257	July 25, 2014	December 11, 2014
Xurpas Inc.	#TBT	42014009258	July 25, 2014	December 11, 2014
Xurpas Inc.	SWAG	42014009261	July 25, 2014	February 12, 2015
Xurpas Inc.	#FOODPORN	42014009256	July 25, 2014	December 11, 2014
Xurpas Inc.	Xurpas	42007004775	May 11, 2007	October 8, 2007
Xurpas Inc.	Balikbayan Box It	42017017366	October 26, 2017	April 12, 2018
Xurpas Inc.	Xuper Tsikot	42017017362	October 26, 2017	March 29, 2018
Xurpas Inc.	Supernova Escape	42017017365	October 26, 2017	March 29, 2018
Xurpas Inc.	Beast Mode On	42017017363	October 26, 2017	March 29, 2018
Xurpas Inc.	Kumander Kuting	42017017364	October 26, 2017	March 29, 2018
Xurpas Inc.	ODX	42018008396	May 21, 2018	May 12, 2019
Xurpas Inc.	X	42018008395	May 21, 2018	May 12, 2019
Xurpas Inc.	Makefree	42018022480	December 19, 2018	December 8, 2019
Xeleb Technologies Inc.	Xeleb	42015005359	May 19, 2015	October 19, 2015

Xeleb Technologies Inc.	Xeleb Technologies	42017003700	March 14, 2017	August 31, 2017
Xeleb Technologies Inc.	Popster	42017003704	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Jejemonster	42017003703	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Jologs	42017003699	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Jejemon	42017003702	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Super Belle	42017000346	January 11, 2017	May 4, 2017
Xeleb Technologies Inc.	Trivia Time with Kuya Kim	42016004316	April 25, 2016	December 22, 2016
Xeleb Technologies Inc.	Xeleb Live	42018003222	February 21, 2018	September 6, 2018
Xeleb Technologies Inc.	Xeleb Live	42018003220	February 21, 2018	September 6, 2018
Xeleb Technologies Inc.	Xeleb Live	42018003224	February 21, 2018	September 6, 2018
Xeleb Technologies Inc.	Xeleb Live	42018003225	February 21, 2018	September 6, 2018
Xeleb Technologies Inc.	No Verbal Elements	42018003219	February 21, 2018	September 6, 2018
Xeleb Technologies Inc.	Adventures of Kuya Kim	42017018334	November 10, 2017	May 24, 2018
Xeleb Technologies Inc.	Anne Kulit ni Mogwai	4201717358	October 26, 2017	March 29, 2018
Xeleb Technologies Inc.	Train Ubusan	42017017360	October 26, 2017	March 29, 2018
Xeleb Technologies Inc.	Erwan Youchop	42017017359	October 26, 2017	March 29, 2018
Xeleb Technologies Inc.	Anne-Galing	42015005360	May 19, 2015	November 19, 2015

REGULATION AND KEY LICENSES

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

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

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

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

EMPLOYEES

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

The table below sets forth the breakdown of the Company's labor complement, grouped according to function, as of December 31, 2021:

Executives	3
Accounting, Finance, Human Resources and Administrative	13
Marketing	5
Technical Staff	42
Total	63

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

COMPLIANCE WITH ENVIRONMENTAL LAWS

The Company ensures that it complies with existing environmental laws and regulations, as may be applicable.

PLANS AND PROSPECTS

Xurpas continues to strengthen its enterprise services business, focusing on the following: IT staff augmentation, growing its services under business solutions and seizing the opportunities brought by Web 3.0.

1. IT Staff Augmentation: Since the demand remains strong for IT staff augmentation, evidenced by the continuing increase in revenue for 2021, the Company will build and augment its current business by vigorously seeking new clients while at the same time maintaining and growing its business relationships with its existing long-term clients. The Company believes that the increased requirements of both private companies and public entities for digital transformation, especially in a post COVID environment, creates multiple opportunities for its enterprise business.

2. Digital Business Solutions: Xurpas also plans to expand its digital business solutions service and product offering, catering to the large untapped SME market. Xurpas will help these companies enable their digital transformations by providing tools and solutions to address their business needs in financial, production/manufacturing, people, marketing, sales, and customer management. These products will provide similar functionalities and benefits as global brands used by multinationals and large local companies, but will be offered at a significantly lower-cost, to accommodate the budgets of local SMEs. These SMEs comprise a large percentage of the market. Xurpas shall implement this with a curated technology platform and an ecosystem of partners.
3. Web 3.0: This is the third generation of web services and the next stage in the evolution of the internet. Web 3.0 will largely be built on three new layers of emerging technologies – edge computing infrastructure (superfast 5G data speeds), decentralised data infrastructure (data formats and software that are open, coupled with the advancements in blockchain technology) and Artificial Intelligence or AI driven services (expanding capabilities of AI and machine learning or ML). Xurpas shall leverage its existing global network going into Web 3.0 and shall tap the massive opportunity it offers for staff augmentation and custom development work.

ITEM 2. Properties

LEASED PROPERTIES

Xurpas and its subsidiaries do not hold any real property of material value. Xurpas is leasing its office space at Unit 804 Antel 2000 Corporate Center, 121 Valero St., Salcedo Village, Brgy. Bel-Air, Makati City with an area of 127.67 square meters. The lease contract has a term of two (2) years which commenced on March 1, 2021 and expires on February 28, 2023 and may be renewed upon the terms and conditions mutually agreed by both parties with an escalation rate of 4.00% per year. The applicable rate per month is ₱86,816. Subsequent to the execution of the Lease Contract, Milestone Petroleum Marketing Corporation, Inc. sold the Office Space to Red Round Abacus Inc. and executed a Deed of Assignment of Lease constituting Red Round Abacus Inc. as the Company's current Lessor.

The Company also previously held an office at 7th Floor, Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City, Philippines with an area of 507 square meters. On March 31, 2020, the lease contract was renewed for a period of one (1) year which terminated on March 31, 2021. The applicable rate per month is ₱0.33 million.

Xurpas' subsidiaries have their respective operating lease agreements for their office spaces (please refer to Note 18 of the accompanying Notes to consolidated financial statements for details). The lease contracts are for periods ranging from 1 to 2 years and may be renewed under the terms and conditions mutually agreed upon by the subsidiaries and the lessors.

OTHER PROPERTIES

As of December 31, 2021, the Group has transportation equipment, office equipment, IT equipment, furniture and fixtures and leasehold improvements with a net book value of ₱4.66 million that are situated in the leased offices held by the Group.

Xurpas also owns intangible assets amounting to ₱88.51 million as of December 31, 2021. These include goodwill, developed softwares and cryptocurrencies.

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

There was no property and equipment pledged as collateral as at December 31, 2021.

ITEM 3. Legal Proceedings

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

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

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

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

Xurpas Inc. held a Special Stockholders' Meeting on August 11, 2021 wherein the following matters were acted upon:

Agenda 1: Approval of Minutes of Previous Meeting		
Approved by	99.97% of those present in the meeting	
Resolution: "RESOLVED, that the stockholders of Xurpas Inc. approve the minutes of the Annual Stockholders' Meeting held on November 27, 2020."		

Agenda 2: Approval of the Annual Report and 2020 Audited Financial Statements		
Approved by	99.97% of those present in the meeting	
Resolution: **RESOLVED**, that the stockholders of **XURPAS INC.** (the "**Corporation**") note the Corporation's Annual Report and to approve the Consolidated Audited Financial Statements of the Corporation as of December 31, 2020, as audited by SyCip Gorres Velayo & Co."		

Agenda 3: Election of Directors and Independent Directors	
Names	**Approved by**
Nico Jose S. Nolledo	99.97%
Alexander D. Corpuz	99.98%
Fernando Jude F. Garcia	99.98%
Wilfredo O. Racaza	99.97%
Atty. Mercedita S. Nolledo	99.97%
Jonathan Gerard A. Gurango	99.98%
Bartolome S. Silayan Jr.	99.98%
Imelda C. Tiongson	99.98%
Resolution: "**RESOLVED,** to elect the following as directors of the Corporation to serve as such beginning today until their successors are elected and qualified: Nico Jose S. Nolledo Alexander D. Corpuz Fernando Jude F. Garcia Wilfredo O. Racaza Mercedita S. Nolledo Jonathan Gerard A. Gurango (Independent Director) Bartolome S. Silayan, Jr. (Independent Director) Imelda C. Tiongson (Independent Director)"	

Agenda 4: Appointment of External Auditor	
Approved by	99.98% of those present in the meeting
Resolution: "**RESOLVED**, as endorsed by the Board of Directors, to approve the reappointment of SyCip Gorres Velayo & Co. as the Corporation's External Auditor for the year 2021."	

Agenda 5: Ratification of Previous Acts of the Directors and Management	
Approved by	99.97% of those present in the meeting
Resolution: "**RESOLVED**, that the stockholders of the Corporation ratify all actions of the Directors and Management from October 9, 2020 to June 16, 2021."	

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

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

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

	High	**Low**
2022		
1st Quarter	0.57	0.30
2020		
3rd Quarter	0.55	0.50
2nd Quarter	1.37	0.40
1st Quarter	0.95	0.40
2019		
4th Quarter	1.16	0.75
3rd Quarter	1.22	0.87
2nd Quarter	1.37	0.91
1st Quarter	2.33	1.09
2018		
4th Quarter	2.39	1.04
3rd Quarter	3.72	2.02
2nd Quarter	3.92	2.80
1st Quarter	5.93	3.10
2017		
4th Quarter	5.94	3.10
3rd Quarter	9.07	5.20
2nd Quarter	10.84	7.40
1st Quarter	10.50	7.09

The market capitalization of the Company's common shares as of end-2021, based on the closing price of ₱0.55/share, was approximately ₱1.03 billion, which is similar to the end-2020 figures taking into account that the Company's trading suspension with the Philippine Stock Exchange continued until January 2022. [2]

The price information of Xurpas' common shares as of the close of the latest practicable trading date, May 12, 2022, is at ₱0.300/share.

[2] Xurpas has 1,872,796,877 outstanding common shares as of December 31, 2020.

Holders

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

	Stockholder's Name	Number of shares	Percentage to total	Nationality
1.	PCD Nominee Corp. (Filipino)[4]	1,404,025,346	68.34	Filipino
2.	PCD Nominee Corp. (Non-Filipino)	293,998,958	14.31	Others
3.	Nico Jose S. Nolledo	181,818,192	8.85	Filipino
4.	Raymond Gerard S. Racaza	174,100,010	8.85	Filipino
5.	Nelson Gatmaitan	400,000	0.02	Filipino
6.	Emilie Grace S. Nolledo	251,889	0.01	Filipino
7.	Aquilina V. Redo	6,500	0	Filipino
8.	Rogina C. Guda	6,000	0	Filipino
9.	Dahlia C. Aspillera	2,900	0	Filipino
10.	Mercedita S. Nolledo	1,060	0	Filipino
11.	Wilfredo O. Racaza	1,060	0	Filipino
12.	Roberto B. Redo	1,000	0	Filipino
13.	Shareholders' Association of the Philippines	1,000	0	Filipino
14.	Frederick D. Go	500	0	Filipino
15.	Dondi Ron R. Limgenco	111	0	Filipino
16.	Marietta V. Cabreza	100	0	Filipino
17.	Milagros P. Villanueva	100	0	Filipino
18.	Myra P. Villanueva	100	0	Filipino
19.	Myrna P. Villanueva	100	0	Filipino
20.	Philip &/or Elnora Turner	99	0	British-Indian
21.	Fernando Jude F. Garcia	10	0	Filipino
22.	Jonathan Gerard A. Gurango	10	0	Filipino
23.	Alvin D. Lao	10	0	Filipino
24.	Owen Nathaniel S. AUITF: Li Marcus Au	3	0	Filipino
25.	Joselito T. Bautista	1	0	Filipino
	Total	**2,054,615,059**	**100%**	**Filipino**

[3] Based on the list of stockholders issued by BDO Unibank Inc. Stock and Investment Group, list includes PCD Nominee Corp (Filipino and Non-Filipino). We have excluded also the Treasury Shares (including those lodged under PCD Nominee Corp).

[4] PCD Nominee Corp. (Filipino) includes shares directly and indirectly owned by a) Mr. Nico Jose S. Nolledo; b) Mr. Raymond Gerard S. Racaza; and c) Mr. Fernando Jude F. Garcia. We note that a portion of shares of Messrs. Nolledo, Racaza and Garcia are not yet listed with the Exchange, but are included in PCD Nominee Corp. (Filipino). Further, PCD Nominee Corp. (Filipino) includes treasury shares.

Dividends and Dividend Policy

Information on the Company's declaration of dividends follow:

Parent Company	Per Share	Total Amount	Record Date	Payable Date
Cash dividend declared on:				
May 8, 2017	₱0.05	₱92.85 million	May 23, 2017	June 15, 2017
May 10, 2016	0.048	86.27 million	May 31, 2016	June 23, 2016
April 29, 2015	0.40	68.80 million	May 14, 2015	June 2, 2015
September 20, 2014	0.56	36.00 million	June 30, 2014	September 30, 2014
June 5, 2014	0.47	30.25 million	December 31, 2013	June 30, 2014
November 18, 2013	5.13	16.67 million	September 30, 2013	November 29, 2013
July 22, 2013	1.03	3.33 million	June 30, 2013	July 31, 2013
May 6 2013	0.83	2.70 million	December 31, 2012	May 31, 2013
March 13, 2013	3.08	10.00 million	December 31, 2012	March 31, 2013
Stock dividend declared on:				
July 10, 2014	0.95 shares	61.25 million	September 20, 2014	September 20, 2014
May 5, 2014	18.85 shares	61.25 million	May 5, 2014	May 5, 2014

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

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

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

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

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

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

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

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

On October 6, 2016, Xurpas signed a Share Purchase Agreement with Emmanuel Michel Jean Allix and Wavemaker Labs Pte. Ltd. (the "Sellers") for the acquisition of 100% shares in AOC for an aggregate consideration of PhP1.40 billion in cash and in Xurpas shares. AOC is a Singaporean start-up firm established in 2011 that specializes in mobile marketing solutions for advertisers, publishers, app developers and other operators. Its key markets include Japan, Korea, Hong Kong, Taiwan, Southeast Asia, North America and Europe.

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

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

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

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

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

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

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

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

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

3. Issuance of New Common Shares to Wavemaker Group

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

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

On September 20, 2020, the Board amended the previous resolutions / approvals, and approved the issuance of 1,707,001,019 common shares ("**Subscription Shares**") at a price of ₱0.10 per share ("**Subscription Price**") to the following:

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

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

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

Xurpas has not issued any Xurpas Share to Wavemaker in relation to the foregoing transaction, and accordingly, all commitments made therein are deemed terminated.

4. Issuance of New Xurpas Shares to Nico Jose S. Nolledo

On January 20, 2022, Xurpas and Nico Jose S. Nolledo executed a Subscription Agreement wherein the subscriber subscribed to Xurpas Shares at a subscription price of ₱0.55 per share at a total subscription price of ₱100 million. In relation to this, Nico Jose S. Nolledo received 181,818,182 new common shares. The subscription price was fully paid by the subscriber, in cash.

The Company has disclosed that the fresh capital will be used for expansion of Xurpas' enterprise business, specifically the IT staff augmentation business, employee benefits enhancement, equipment replacement, research and development and general corporate purposes.

The subscription shares have not been listed with the Philippine Stock Exchange.

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

The COVID-19 pandemic continued to be a challenge for the country as it widened its transmission in 2021. With the implementation of quarantine measures brought by the fluctuation of daily infections, it continuously affected the flow of mobility and business operations. The situation has been greatly addressed however, by the mass vaccination programs both done by the public and private sectors. This resulted in a generally more stable and predictable economic environment over the year. Companies adjusted to stabilize their operations despite the ongoing pandemic, and adapted new policies, such as work from home (WFH) arrangements, using digital marketing to promote their services, and undergo digitalization of their processes, wherever applicable.

The Group remains optimistic about its opportunities to provide services to companies who want to jumpstart their digital transformation given its high demand. A lot of businesses are transforming to improve business continuity amidst restricted mobility, due to the pandemic. Even as quarantine measures have eased, Xurpas is still convinced that enterprises will go digital or online because this has now become ingrained in consumer behavior.

Xurpas's major contributor to revenues, the IT staff augmentation segment, supports this digital transformation thrust of numerous companies. Its revenues increased from ₱16.14 million in 2020 to ₱90.67 million in 2021, or a 462% increase.

Moving forward, Xurpas will continue to expand and build its enterprise business segment (primarily the IT staff augmentation business) which will be the main component of its growth. The Company's plan is to address the multiple opportunities created by 1) global technology trends, such as Web 3.0, and 2) the acceleration of the digital transformation plans of large and small and medium scale enterprises during the pandemic. In support of this thrust, on January 20, 2022, Nico Jose S. Nolledo, Founder and Chairman, infused equity amounting to ₱100.00 million. The proceeds will be for the expansion of Xurpas' enterprise business, specifically the IT staff augmentation business, employee benefits enhancement, equipment replacement, research and development, and general corporate purposes.

Summary

Key Financial Data In PhP Millions	For the year ended December 31					
	2021		2020		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Mobile consumer services	40.55	19%	22.00	13%	18.55	84%
Enterprise services	117.57	56%	88.24	51%	29.33	33%
Other services	51.91	25%	63.77	37%	(11.86)	-19%
Total Revenues	**210.03**	**100%**	**174.01**	**100%**	**36.01**	**21%**
Cost of Services	158.88	76%	127.19	73%	31.69	25%
Cost of Goods Sold	13.92	7%	38.01	22%	(24.09)	-63%
Gross Profit (Loss)	**37.23**	**18%**	**8.81**	**5%**	**28.41**	**323%**
General and Administrative Expenses	85.25	41%	119.85	69%	(34.60)	-29%
Equity in Net Losses (Earnings) of Associates	0.32	0%	7.75	4%	(7.43)	-96%
Finance Costs and Other Income - net	(19.22)	-9%	(45.25)	-26%	26.02	-58%
Loss Before Income Tax	**(29.12)**	**-14%**	**(73.54)**	**-42%**	**44.42**	**-60%**
Provision for (Benefit from) Income Tax	(2.96)	-1%	(4.72)	-3%	1.76	-37%
Net Loss	**(26.16)**	**-12%**	**(68.82)**	**-40%**	**42.66**	**-62%**
Other Comprehensive Income (Loss)	13.60	6%	36.03	21%	(22.43)	-62%
Total Comprehensive Loss	**(12.56)**	**-6%**	**(32.79)**	**-19%**	**20.23**	**-62%**
	Dec. 31, 2021 Amount		**Dec. 31, 2020 Amount**		**Amount Change**	**% Increase**
Total Assets	605.94		617.06		(11.12)	-2%
Total Liabilities	613.85		612.41		1.44	1%
Total Equity	(7.91)		4.65		(12.56)	-270%

In 2021, the Group generated revenue of ₱210.03 million which was 21% higher than 2020 revenue of ₱174.01 million. Likewise, net loss also went down by 62% from ₱68.82 million in 2020 to ₱26.16 million in 2021. The enterprise segment generated the majority of the revenue with 56% contribution or ₱117.57 million, followed by other revenues and mobile consumer services which generated 25% and 19% respectively. It should be noted that the revenue generated by the enterprise services was significantly higher in 2021 and is aligned with the Group's 2021 directive to focus on expanding this segment due to its demand and potential contribution to the Company's growth.

The aggregate cost of services of the Group increased from ₱127.19 million in 2020 to ₱158.88 million in 2021 or 25% increase. The rise is brought by the increase in salaries and wages and outsourced services parallel to the increase of its corresponding revenue.

The Group's general and administrative expenses (GAEX) went down from ₱119.85 million in 2020 to ₱85.25 million in 2021 or 29% decrease. GAEx in 2020 was higher primarily due to the provision for impairment loss totaling to ₱16.03 million. Other GAEx items such as salaries and wages, professional fees, rent, utilities, taxes and licenses, advertising, and seminars and training decreased as part of the continuing cost cutting measures implemented by the Company.

The Group recorded a 96% decline for the equity in net losses of associates, from ₱7.75 million in 2020 to an equity in net loss of ₱0.32 million in 2021. The finance costs and other income charges (net) incurred by the Group were ₱19.22 million and ₱45.25 million in 2021 and 2020, respectively. Lower finance cost was mainly due to lower interest expense paid for outstanding loans from local banks and non-banks. For the other income, there was also a decrease in this account due to the absence of penalties earned from late payment of customers, gain on sale of a subsidiary and foreign exchange gain which was present in 2020.

In 2021, the Group reported a benefit from income tax amounting to ₱2.96 million as compared to last year wherein the Group recognized ₱4.72 million benefit from income tax.

The total comprehensive loss of the Group was ₱12.56 million in 2021, which was 62% lower than the 2020 figure of ₱32.79 million.

The Group's total assets in 2021 amounted to ₱605.94 million, a minimal decrease of 2% from 2020 recorded total assets of ₱617.06 million. The decline in assets was mostly due to lower current assets, namely, cash. Total liabilities, however, increased from ₱612.4 million in 2020 to ₱613.85 million as a result mainly of higher accounts and other payables. Lastly, the Group's total equity went down from ₱4.65 million in 2020 to a capital deficiency of ₱7.91 million in 2021 contributed by total comprehensive loss incurred by the end of the year.

Segment Financial Performance

For the year ended December 31, 2021 In PhP Millions	**Mobile Consumer Services**	**Enterprise Services**	**Other Services**	**Intersegment Adjustments**	**Consolidated**
Revenue from services	40.55	153.62	27.27	(36.05)	185.39
Revenue from sale of goods	-	-	24.64	-	24.64
Total Service Revenues	**40.55**	**153.62**	**51.91**	**(36.05)**	**210.03**
Operating expenses	54.34	178.16	73.19	(47.64)	258.05
Equity in net earnings of associates	-	-	-	0.32	0.32
Other charges (income) - net	(24.56)	5.83	(0.47)	(0.02)	(19.22)
Total Expenses	**29.78**	**183.99**	**72.72**	**(47.34)**	**239.15**
Operating Income (Loss)	**10.77**	**(30.37)**	**(20.81)**	**11.29**	**(29.12)**
Benefit from (provision for) income tax	0.24	2.76	(0.04)	-	2.96
Net Income (Loss)	**11.01**	**(27.61)**	**(20.85)**	**11.29**	**(26.16)**

In 2021, the mobile consumer services posted revenue, operating income, and net income of ₱40.55 million, ₱10.77 million and ₱11.01 million respectively. The net income earned by the mobile consumer segment was mainly attributable to the gain on derecognition of long-outstanding payables of AOC amounting to ₱16.91 million.

Enterprise services had an operating loss and net loss of ₱30.37 million and ₱27.61 million, respectively, from revenues of ₱153.62 million. Likewise, the other services segment did not have a positive contribution to the Group.

Profitability

For the twelve-month period ended December 31, 2021, compared with the twelve-month period ended December 31, 2020.

Revenues

The consolidated service revenues of the Group for the year ended December 31, 2021, amounted to ₱210.03 million, an increase of 21% from ₱174.01 million for the year ended December 31, 2020.

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

Segment	Description	Subsidiaries
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing.	• Xurpas Parent Company

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

In PhP Millions	For the year ended December 31					
	2021		2020		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Revenues						
Enterprise services	117.57	56%	88.24	51%	29.33	33%
Mobile consumer services	40.55	19%	22.00	13%	18.55	84%
Other services	51.91	25%	63.77	36%	(11.86)	-19%
Total Revenues	**210.03**	**100%**	**174.01**	**100%**	**36.02**	**21%**

Revenues from enterprise services, which accounted for 56% of total revenues, generated the highest percentage of the total revenues at ₱117.57 million. This is mainly driven by the Group's focus on staff augmentation services which resulted in a substantial growth in revenues amounting to ₱90.67 million in 2021 as compared to the ₱16.14 million in 2020 or a 462% increase. Other services generated ₱51.91 million or 25% of the total revenue. This figure was 19% lower than 2020 revenue of ₱63.77 million. Despite the decrease brought by the slowdown of the Storm marketplace, this was offset by AllCare, which generated an impressive increase in revenues of 203%, from ₱8.70 million in 2020 to ₱26.35 million in 2021. Lastly, mobile consumer services, on the other hand, generated ₱40.55 million or 19% of the total revenue. This figure was an 84% increase from 2020 revenues pertaining to this segment.

Expenses

In PhP Millions	For the year ended December 31					
	2021		2020		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	158.88	62%	127.19	45%	31.69	25%
Cost of Goods Sold	13.92	5%	38.01	13%	(24.09)	-63%
General and Administrative Expenses	85.25	33%	119.85	42%	(34.60)	-29%
Total Expenses	**258.05**	**100%**	**285.05**	**100%**	**(27.00)**	**-9%**

The Group's consolidated expenses in 2021 amounted to ₱258.05 million, a 9% decrease from previous year's ₱285.05 million. Bulk of the expenses came from cost of services and GAEX which contributed 62% and 33% respectively, followed by COGS at 5%. Decline in overall expenses was a result of the company's continuing cost reduction efforts.

Cost of Services

In PhP Millions	For the year ended December 31					
	2021		2020		Amount	% Increase
	Amount	%	Amount	%	Change	(Decrease)
Cost of Services						
Salaries, wages and employee benefits	91.27	57%	70.50	56%	20.77	29%
Outsourced services	35.47	23%	19.25	15%	16.23	84%
Outside services	16.67	10%	5.37	4%	11.30	210%
Depreciation and amortization	7.41	5%	22.73	18%	(15.32)	-67%
Others	8.06	5%	9.34	7%	(1.28)	-14%
Total Expenses	**158.88**	**100%**	**127.19**	**100%**	**31.69**	**25%**

Cost of Services in 2021 was ₱158.88 million, a 25% increase from previous year's figure of ₱127.19 million. It is primarily composed of salaries and wages which incurred expenses of ₱91.27 million (57%), outsourced services amounting to ₱35.47 million (23%) and outside services from benefit claims and membership fees of AllCare amounting to ₱16.67 million (10%). All of them increased from last year as the Group upscaled its manpower for its staff augmentation business and substantial increase in revenue for AllCare. Other expenses, however, decreased by 14% compared with the prior year. Depreciation and amortization also declined in 2021 by 67% due to increase of assets that were already fully depreciated beginning 2021.

Cost of Goods Sold (COGS)

Cost of goods sold made up 5% of the Group's total consolidated expenses. This figure decreased by 63% from its 2020 level of ₱38.01 million to ₱13.93 million in 2021. The COGS is directly attributable to the operations of Storm Technologies and lower revenue was generated from this in 2021.

General and Administrative Expenses (GAEX)

In PhP Millions	For the year ended December 31					
	2021		2020		Amount	% Increase
	Amount	Percentage	Amount	Percentage	Change	(Decrease)
General and Administrative Expenses						
Salaries, wages and employee benefits	31.46	37%	39.62	33%	(8.16)	-21%
Professional fees	15.78	19%	24.06	20%	(8.28)	-34%
Marketing and promotions	4.57	5%	3.20	3%	1.37	43%
Transportation and travel	3.29	4%	2.69	2%	0.60	22%
Others	30.15	35%	50.28	42%	(20.13)	-40%
Total Expenses	**85.25**	**100%**	**119.85**	**100%**	**(34.60)**	**-29%**

In 2021, the GAEX of the Group's operations amounted to ₱85.25 million, which was lower than the GAEX posted in 2020 which amounted to ₱119.85 million. Expenses such as salaries and wages, professional fees and other GAEX decreased as part of the cost cutting measures implemented by the Company. Marketing and promotions and transportation and travel, on the other hand, increased in 2021 due to the increased efforts to promote its services which materialized to the increase in 2021 revenues and the loosening of the strict travel protocols in the year respectively.

Equity in Net Losses of Associates

The equity of the Group in the net losses of its associate companies for the period ended December 31, 2021, amounted to ₱0.32 million which is 96% lower than in 2020. The Group's associates, particularly Altitude and Microbenefits, recognized lower net losses in 2021.

Finance Costs

The Group posted finance costs of ₱9.98 million in 2020 and ₱9.15 million in 2021. The 8% decrease was a result of lower interests paid to loans borrowed from local banks and non-banks.

Other Income – net

As of December 31, 2021, the Group recorded other income of ₱28.37 million as compared to ₱55.23 million other charges posted in 2020. Higher other income was generated in 2020 due to penalties earned from late payments of customers and gain on sale of a subsidiary (CTX).

Loss before Income Tax

The Group's loss before income taxes for the year ended December 31, 2021, was ₱29.12 million, a 60% decrease from previous year's ₱73.54 million.

Benefit from Income Tax

In 2021, the Group reported benefit from income tax amounting to ₱2.96 million as compared to last year's ₱4.72 million. The benefit from income tax posted in 2020 mainly pertains to the tax effect of the amortization of intangible assets acquired through business combinations. These assets were written off in 2020 resulting in lower benefit from income tax in 2021.

Net Loss

The Group posted a consolidated net loss of ₱26.16 million in 2021, a 62% decrease from the previous year's net loss of ₱68.82 million.

Other Comprehensive Income

In 2021, the Group's other comprehensive income decreased to ₱13.60 million from the 2020 figure of ₱36.03 million. The decrease was rooted from the loss resulting from the cumulative translation adjustment and share in other comprehensive loss of an associate due to cumulative translation adjustment.

Total Comprehensive Loss

The Group's total comprehensive loss decreased by 62% in 2021 (from ₱32.79 million in 2020 to ₱12.56 million in 2021).

Financial Position

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

Assets

Cash and Cash Equivalent

The Group's consolidated cash amounted to ₱35.95 million as of December 31, 2021, a net decrease of 47% or ₱31.79 million from consolidated cash of ₱67.74 million as of December 31, 2020. The movements in the Group's cash will be explained further in the cash flow discussion.

Accounts and Other Receivables

The Group's consolidated accounts and other receivables amounted to ₱66.54 million and ₱70.29 million as of December 31, 2021, and 2020, respectively. The decrease was generally the result of lower trade receivables and higher allowance for impairment loss (from ₱22.34 million in 2020 to ₱23.21 million in 2021).

Contract Assets

As of December 31, 2021, contract assets amounted to ₱29.76 million or 496% higher than the 2020 figure of ₱5.00 million. The increment mainly pertains to services rendered under the staff augmentation business which are yet to be billed as of year-end. These are to be billed and collected in 2022.

Other Current Assets

The Group's consolidated other current assets in 2021 totaled ₱21.09 million, an 8% decrease from 2020 figure of ₱22.80 million. During the year, the Group reclassified a substantial amount of its deferred input VAT and creditable withholding tax from other current assets to other noncurrent assets.

Financial Assets at FVOCI

As of December 31, 2021, and 2020, carrying value and net unrealized loss on financial assets at FVOCI recognized in the consolidated statement of financial position amounted to ₱0.60 million and ₱0.50 million, respectively.

Investment in and advances to associates

In 2021, the Group's consolidated investment in associates amounted to ₱336.22 million, a decrease of ₱4.33 million compared to the 2020 figure of ₱340.55 million. The breakdown of the carrying amounts of these investments are as follows: Micro Benefits Limited (₱273.69 million), Altitude Games Pte. Ltd. (₱21.22 million), and SDI (₱19.22 million).

Property and Equipment

The Group's consolidated property and equipment was ₱4.66 million as of December 31, 2021. It increased by ₱0.41 million or 10% as compared to 2020 which amounted to ₱4.25 million. Property and equipment consisted mainly of leasehold improvements, IT equipment, furniture and fixtures and office equipment. The Group made minimal additions during the year as part of its cost cutting measures.

Right-of-use Asset
The Group recognized a right-of-use asset for its new office space in Antel for a total amount of ₱1.17 million. Depreciation expense in relation to this asset amounted to ₱0.84 million.

Intangible Assets

As of December 31, 2021, intangible assets amounted to ₱88.51 million, a 1% increase from 2020 balance of ₱87.84 million. The components are goodwill, customer relationship, developed software, and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of subsidiaries acquired by the Group. As of December 31, 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 December 31, 2021, net book value of developed software was ₱7.14 million. Movements in developed software are accounted for as follows: (1) Additions during the year amounting to ₱0.39 million and (2) Amortization during the year amounting to ₱7.41 million
- Cryptocurrencies pertain to units of Bitcoin and Ether held by the Group as of December 31, 2021, which amounted to ₱33.15 million. During the year, the Group sold half of each cryptocurrency with a total cost of ₱2.04 million and accumulated revaluation gain of ₱11.58 million. The increase in market value of the remaining cryptocurrencies, on the other hand, resulted in ₱21.32 million revaluation gain.

Other Noncurrent Assets

In 2021, other noncurrent assets amounted to ₱21.43 million which increased by 18% from the previous year's figure of ₱18.10 million. During the year, the Group reclassified a substantial amount of its deferred input VAT and creditable withholding tax from other current assets to other noncurrent assets.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables were valued at ₱381.70 million as of December 31, 2021. It increased by ₱8.16 million or 2% from 2020 balance of ₱373.54 million mainly due to the increase in payable to third parties and non-trade payables of ODX.

Advances from stockholders

This account pertains to loan agreements entered into by Xurpas with its founders. Details are as follows:

- In 2017, the Parent Company entered into a loan agreement with its founders amounting to US$1,945,758 or 97.15 million subject to 5% interest rate per annum. The loan is due and demandable. As of December 31, 2021, outstanding loans payable amounted to ₱94.26 million.
- On April 29, 2019, the Parent Company entered into a loan agreement with its founders amounting to ₱150.00 million subject to 5.50% interest rate per annum for 3 years from date of agreement and may be renewed upon mutual agreement. As of December 31, 2021, outstanding loans payable amounted to ₱49.30 million. This particular loan was reclassified from non-current liability in 2020 to current liability in 2021 as this falls due in 2022. Both parties are working on a term extension of the loans.

Loan Payable

The Group recorded ₱29.73 million worth of current loans (short term and interest bearing) as of December 31, 2021. This was an ₱11.98 million decrease from 2020 loan payable of ₱41.71 million. The loans pertain to that of Storm Technologies and Seer Technologies.

Contract Liabilities

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

In 2021 and 2020, the Group's contract liabilities were ₱25.76 million and ₱32.26 million respectively.

Current portion of lease liability

The Group recognized a lease liability for its new office space in Antel. Current portion of the lease liability as of December 31, 2021 amounted to ₱1.02 million.

Advances from stockholders – net of current portion

This account pertains to the loan agreement entered into by the Parent Company on April 29, 2019 with its founders. As of December 31, 2021, balance of this account is nil due to its reclassification to current liability.

Loan payable - net of current portion

This account pertains to the loan agreement entered by Storm with its lender. The former entered into a loan restructuring agreement with its lender to modify payment terms of its outstanding obligation with an aggregate amount of 17.32 million as of the date of modification. Revised payment terms include noninterest bearing monthly installments over one (l) to five (5) years. Remaining non-current portion of the loan as of December 31, 2021 is ₱9.07 million.

Lease liability

The Group recognized a lease liability for its new office space in Antel. Current portion of the lease liability as of December 31, 2021 amounted to ₱0.17 million.

Deferred tax liability

Deferred tax liability as of December 31, 2021 amounted to ₱4,266 which pertains to the deferred tax on Xurpas' lease liability.

Pension Liability

The accrued pension of the Group was ₱22.83 million in 2021 compared to ₱26.82 million as of December 31, 2020, or a 15% decrease.

Equity

Total Equity

As of December 31, 2021, the Group's total equity was at a negative ₱7.91 million, a 270% decrease from 2020 equity of ₱4.65 million. Lower equity was mainly due to the increase in deficit brought about by the incurred total comprehensive loss of the Group.

Liquidity and Capital Resources

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

Cash Flows

	For the year ended December 31	
	2021	2020
In PhP Millions	**Amount**	**Amount**
Net cash used in Operating Activities	(39.21)	(74.42)
Net cash provided by (used in) Investing Activities	10.71	(2.42)
Net cash used in Financing Activities	(3.79)	(12.53)
Effect of foreign currency exchange changes in cash	0.49	3.19
Net increase (decrease) in cash	(31.79)	(86.19)
Cash at beginning of period	67.74	153.93
Cash at end of period	**35.95**	**67.74**

Cash Flows from Operating Activities

For the year ended December 31, 2021, operating income before changes in working capital of ₱11.65 million coupled with the corresponding changes in trade receivables, other current assets, contract assets, trade payables and contract liability resulted in ₱34.38 million cash used in operations. Together with interest received, interest paid, and income taxes paid, net cash used in operating activities totaled ₱39.21 million.

Cash Flows from Investing Activities

Net cash provided by investing activities in 2021 was ₱10.71 million while cash used in investing activities in 2020 amounted to ₱2.42 million. The net cash provided for this year is mainly attributed to the proceeds from sale of cryptocurrencies amounting to ₱13.62 million.

Cash Flows from Financing Activities

The consolidated net cash used in financing activities for the year 2021 was ₱3.79 million while net cash used in financing activities for the year 2020 was ₱12.53 million. Net cash was mainly used to pay off loan payables and a portion of lease liabilities.

Capital Expenditure

The Group's capital expenditures amounted to ₱5.20 million and ₱1.33 million in 2021 and 2020, respectively.

Key Financial Data In PhP Millions	December 31, 2021 Additions	December 31, 2020 Additions
Right-of-use Assets	2.01	-
Developed software	0.39	0.10
IT Equipment	2.44	1.17
Leasehold Improvements	0.32	-
Office Equipment	0.03	0.07
	5.20	**1.33**

Key Performance Indicators

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

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

In Percentage	For the years ended December 31		
	2021	2020	2019
Liquidity Ratios			
Current Ratio	**26%**	31%	41%
Quick Ratio	**23%**	27%	33%
Asset-to-Equity Ratio	**575%**	613%	575%
Profitability Ratios			
Net Loss Margin	**-4%**	-34%	-271%
Gross Margin	**18%**	5%	15%
Operating Margin	**-4%**	-19%	-256%
Return on Total Assets	**-1%**	-9%	-93%
Return on Equity	**-8%**	-53%	-186%
Debt Ratios			
Debt-to-Equity Ratio	**5.82x**	6.09x	5.55x
Interest Coverage Ratio	**-2.18x**	-5.92x	-64.75x

Liquidity Ratios

The current ratio and quick ratio of the Group was at 26% and 23% in 2021 and 31% and 27% in 2020, respectively. The decrease in both ratios was mainly due to the decline in current assets and increase in current liabilities.

Asset-to-Equity Ratio

In 2021, the Asset-to-Equity ratio of the Group decreased to 575% from 613% of 2020. The decrease was mostly because of the increase in deficit, reducing total equity and concurrent decrease in assets in 2021.

Profitability Ratios

The lower net loss incurred significantly improved the Group's profitable ratios in 2021. Net loss margin, operating margin, return on total assets and return on equity went down to -4%, -4%, -1% and -8%, in 2021 respectively. Alongside with this, Gross margin also improved substantially by 260% from 2020 ratio of 5% to 18% in 2021.

Debt Ratios

For 2021, the Debt-to-Equity ratio decreased from 6.09x in 2020 to 5.82x which can be attributed to lower total equity due to recurring net loss posted by the Group. The interest coverage ratio improved in 2021 to -2.18x from -5.92x in 2020.

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

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

Other Disclosures:

i. <u>Liquidity</u>. 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. <u>Events that will trigger Direct or Contingent Financial Obligation.</u> 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. <u>Material Off-balance sheet Transactions, Arrangements, Obligations</u>. Likewise, there were no material 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. <u>Material Commitments for Capital Expenditure</u>. There are no material commitments for capital expenditures.

i. <u>Material Events/ Uncertainties</u>. 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.

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

iii. <u>Seasonality</u>. The Group is not subject to the seasonality of revenue realization. With the current revenue trends in Storm, the seasonality is not apparent.

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Full year 2020 compared with 2019

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

Financial Summary

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

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

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

The aggregate cost of services of the Group decreased from ₱742.19 million in 2019 to ₱127.19 million in 2020 or 83% decline. The drop in the cost of sales was mostly due to lower salaries and wages, web hosting, and outsourced services resulting from the company's cost cutting measures. The Cost of Goods Sold attributable to other services provided by Storm Technologies Inc. was ₱38.01 million in 2020, a decrease of 54% from 2019 COGS of ₱83.28 million; due to lower sales for Storm in 2020.

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

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

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

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

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

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

Segment Financial Performance

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

In 2020, the mobile consumer services posted revenue, operating income, and net income of ₱22.00 million, ₱8.66 million, and ₱8.86 million respectively. Enterprise services had an operating loss of ₱42.86 million and net loss of ₱44.91 million from revenues of ₱249.55 million. Likewise, the other services segment did not have a positive contribution to the Group.

Profitability

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

Revenues

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

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

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

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

Expenses

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

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

Cost of Services

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

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

Cost of Goods Sold

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

General and Administrative Expenses

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

In 2020, the general and administrative expenses of the Group's operations amounted ₱119.85 million, which was significantly lower than the GAEX posted in 2019 which amounted to ₱2,204.42 million. This included provision for impairment losses on goodwill, investment in associates, receivables and other current assets. In this regard, it should be noted that provision for impairment loss during the year is already net of Art of Click's recovered receivable from Pocketmath amounting to $400,000

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

Equity in Net Loss of Associates

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

Finance Costs

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

Other Charges (Income) – net

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

Loss before Income Tax

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

Provision for (Benefit from) Income Tax

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

Net Loss

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

Other Comprehensive Income (Loss)

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

Total Comprehensive Loss

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

Financial Position

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

Assets

Cash and Cash Equivalent

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

Accounts and Other Receivables

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

Contract Assets

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

Other Current Assets

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

Financial Assets at FVOCI

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

Investment in and advances to associates

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

Property and Equipment

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

Intangible Assets

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

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of subsidiaries acquired by the Group. As of December 31, 2020, goodwill was at ₱48.22 million.
- Developed software 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 December 31, 2020, net book value of developed software was ₱14.16 million. Movements in developed software are accounted for as follows: (1) Additions during the year amounting to ₱96,332, (2) Amortization during the year amounting to ₱21.89 million and (3) Impairment amounting to ₱9.23 million. The impairment incurred resulted from the suspension of operations of AoC.
- Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination. As of December 31, 2020, net book value of leasehold rights was nil.
- Cryptocurrencies pertain to units of Bitcoin and Ether held by the Group as of December 31, 2020, which amounted to ₱25.46 million.

Other Noncurrent Assets

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

Liabilities

Accounts and Other Payables

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

Loan Payable

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

Contract Liabilities

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

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

Income Tax Payable

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

Advances from stockholders – net of current portion

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

Pension Liability

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

Equity

Total Equity

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

Liquidity and Capital Resources

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

Cash Flows

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

Cash Flows from Operating Activities

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

Cash Flows from Investing Activities

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

Cash Flows from Financing Activities

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

Capital Expenditure

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

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

Key Performance Indicators

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

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

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

Liquidity Ratios

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

Asset-to-Equity Ratio

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

Profitability Ratios

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

Debt Ratios

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

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

Current Ratios

1. Current ratio $\dfrac{\text{Current assets}}{\text{Current liabilities}}$

2. Quick ratio $\dfrac{\text{Current assets – Other current assets}}{\text{Current liabilities}}$

Asset-to-equity Ratio $\dfrac{\text{Total assets}}{\text{Total equity attributable to Parent Company}}$

Profitability Ratios

1. Net income ratio $\dfrac{\text{Net income attributable to Parent Company}}{\text{Service income + Sale of goods}}$

2. Gross margin $\dfrac{\text{(Service income + Sale of goods) – (Cost of services + Cost of goods sold)}}{\text{Service income + Sale of goods}}$

3. Operating margin $\dfrac{\text{Earnings before interest, tax, depreciation and amortization}}{\text{Service income + Sale of goods}}$

4. Return on total assets $\dfrac{\text{Net income attributable to Parent Company}}{\text{Average total assets}}$

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

Other Disclosures:

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

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

iii. Material Off-balance sheet Transactions, Arrangements, Obligations. Likewise, there were no material 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 building competency in talent solution business.

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.

ITEM 7. Financial Statements

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

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

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

Independent Public Accountants, External Audit Fees and Services

The consolidated financial statements of the Group as of December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019 were audited by SGV & Co., independent auditors, in accordance with Philippine Standards on Auditing (PSA).

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

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

The aggregate fees billed for each of the last two calendar years for professional services rendered by the external auditor were ₱2.93 million and ₱2.13 million for 2021 and 2020, respectively. The audit fees for 2022 are estimated to be at ₱2.94 million. Services rendered include the audit of the financial statements and tax consultancy for 2021. Non-audit fees for Xurpas, which is already included in the aggregate amount above, totaled to ₱0.16 million in 2021.

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

ITEM 9. Directors and Executive Officers of the Issuer

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

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

As of December 31, 2021, the composition of the Company's Board is as follows:

Name	**Age**	**Citizenship**	**Position**	**Date/Year Position was Assumed**
Nico Jose S. Nolledo	45	Filipino	Chairman	November 26, 2001
Alexander D. Corpuz	55	Filipino	Director, President, Chief Information Officer and Chief Finance Officer[5]	February 1, 2019
Fernando Jude F. Garcia	48	Filipino	Director, Treasurer and Chief Technology Officer	November 26, 2001
Mercedita S. Nolledo	81	Filipino	Director	November 26, 2001
Wilfredo O. Racaza	73	Filipino	Director	November 26, 2001
Jonathan Gerard A. Gurango	64	Filipino	Independent Director	2014
Imelda C. Tiongson	56	Filipino	Independent Director	May 7, 2020
Bartolome S. Silayan, Jr.	53	Filipino	Independent Director	May 7, 2020

Each of the Company's directors was elected to the Board during the Company's annual stockholders' meeting held on August 11, 2021. Each director shall remain in office until the next annual meeting of the stockholders of the Company or his or her removal or resignation as may be allowed under law.

The table below sets forth the Company's executive officers in addition to its executive directors listed above as of December 31, 2021:

Name	**Age**	**Citizenship**	**Position**
Mark S. Gorriceta	44	Filipino	Corporate Secretary, Chief Legal Officer and Chief Officer

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

Nico Jose S. Nolledo, Filipino, 45, has been the Chairman and Director of the Corporation since November 26, 2001. He is the first Filipino Entrepreneur chosen by the Endeavour network. He is also the Ernst and Young's 2015 Philippine Entrepreneur of the year and was chosen as one of The

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

Outstanding Young Men ("TOYM") in the Philippines in 2015. Mr. Nolledo holds a Bachelor of Science degree in Management from Ateneo de Manila University.

Alexander D. Corpuz, Filipino, 55, was appointed as Director and President of the Corporation effective February 1, 2019. He has also been the Corporation's Chief Finance Officer since 2014 and Chief Information Officer since 2018. Mr. Corpuz has 31 years of experience in the field of finance, ten years of which was in investment and commercial banking. He was Vice President of Bank of America in 2001, before serving as CFO for Liberty Telecoms, Information Gateway, Mañosa Group of Companies and Hatchd Inc. Mr. Corpuz holds a Bachelor of Science in Business Administration degree from University of the Philippines, Diliman, Cum Laude. He obtained his Masters in Business Management from the Asian Institute of Management, Makati City. He is a member of the Financial Executives Institute of the Philippines (FINEX).

Fernando Jude F. Garcia, Filipino, 48, has been the Chief Technology Officer and Director of the Corporation since November 2001. He was also appointed as Treasurer effective February 1, 2019. He also served as Corporate Secretary of the Corporation until December 2014. He created the Corporation's Griffin Platform, the mobile consumer content gateway and platform for all of the Corporation's mobile consumer content products and services. He also created the Corporation's modular middleware system that can easily integrate with any modern billing gateway. He is the chief engineer responsible for the Corporation's software architecture and systems integration. Examples of such systems and protocols are the following: SMS (CIMD2/EMI-UCP/SMPP), MMS (EIAF/MM7), Voice Services (SIP), Billing/IN (Diameter/UCIP/ParlayX2.1), Security (IPSEC), Publish-subscribe Systems and Video Streaming (RTMP/HLS) and blockchain technology (BTC/ETH). He is also responsible for architecting the Corporation's fully Cloud-based system infrastructure. Before founding the Corporation, he was a software developer in iAyala. Mr. Garcia holds a Bachelor of Science degree in Applied Physics from the University of the Philippines in Diliman, Quezon City.

Wilfredo O. Racaza, Filipino, 73, has been a Director of the Corporation since November 2001.Mr. Racaza has 49 years of marketing and finance experience under his belt. He was the head of New Business Development in Mobil Oil Philippines for 15 years. He previously worked as an insurance executive in Manulife Financial Philippines for 33 years. He is a Registered Financial Consultant (Graduated Cum Laude in May 2015). He has garnered numerous accolades and multiple awards such as Branch of the Year recognitions and consistent agency sales awards. He has been a consistent awardee in the General Agents and Managers Association (GAMA) of the Philippines from 2003 to Present. Mr. Racaza holds a Bachelor of Science in Commerce Degree Major in Accountancy from Xavier University-Ateneo de Cagayan in Cagayan de Oro City.

Mercedita S. Nolledo, 81, Filipino, has been a Director of the Corporation since November 2001. Atty. Nolledo is currently a director of Anvaya Golf and Nature Club, Inc., and Michigan Holdings, Inc. and a member of the Advisory Board of Ayala Land, Inc. and Bank of the Philippine Islands. She is the Chairman of BPI Investment Management Corporation. She is currently an independent director of D&L Industries, Inc. She is a member of the Board of Trustees of Ayala Foundation, Inc. and BPI Foundation, Inc. She has served as a director of Cebu Holdings, Inc. from 1993 to 2006 and of Ayala Corporation from 2004 to 2010. Atty. Nolledo was formerly Corporate Secretary and General Counsel of the Ayala Group of Companies and the Senior Managing Director of the Ayala Corporation. She served as Executive Vice President, director and Corporate Secretary of Ayala Land, Inc. and as the firm's Treasurer. Atty. Nolledo placed second in the Certified Public Accountant exams in 1960 and also placed second in the 1965 bar exams. She holds a Bachelor of Science degree in Business Administration, magna cum laude, from the University of Philippines. Atty. Nolledo holds a Bachelor of Laws degree, cum laude, from the University of the Philippines.

Jonathan Gerard A. Gurango, 64, Filipino, has been an independent director of the Corporation since 2014. Mr. Gurango has a solid track record in forming and running successful software companies. He founded Match Data Systems (MDS) in Seattle, USA in 1987, MDS Philippines in 1991, and MDS Australia in 1996. In 1999, he sold MDS to Great Plains Software, which was acquired by Microsoft in 2001. Mr. Gurango served as the Asia Pacific Regional Director for Microsoft Business Solutions, before he left in 2003 to form Gurango Software. In 2007, he was inducted into the Hall of Fame for Microsoft's Most Valuable Professionals, in recognition of his mastery of software technology and business. In 2006, the Philippine Center for Entrepreneurship acknowledged him as one of the country's Ten Most Inspiring Technopreneurs. After leading Gurango Software into the most successful Microsoft Dynamics partner in the Philippines, he co-founded several software start-ups and was the President of the Philippine Software Industry Association until 2014. He is presently the Chairman of the Capiz ICT Council, and a director of SERVIO Technologies, Kation Technologies, OfficeGuru, TendoPay, and the Mijares-Gurango Craniofacial Foundation. Mr. Gurango studied Industrial Engineering at the University of the Philippines, Diliman, Quezon City. He also studied Electrical Engineering at the University of Washington, Seattle, Washington, USA.

Imelda C. Tiongson, 56, Filipino, has been an Independent Director of the Corporation since May 7, 2020. She is currently the President of Opal Portfolio Investments (SPV-AMC) Inc. and recently appointed Chairperson and Independent director of Pru Life UK PH and Bangko Sentral ng Pilipinas Open Finance Oversight Committee.

In addition, she is also involved in several advocacy organizations; Trustee of the Institute of Corporate Directors (ICD) and Head of Technology Governance Committee, Vice Chairwoman of the Governance Committee of the Management Association of the Philippines, Trustee of Fintech Alliance.ph and Head of Techno Ethics and Trustee of Fintech Philippines Association. She is also a lecturer of various organizations namely; ICD and Ateneo Graduate School of Business - Center for Continuing Education.

She previously held senior executive positions in National Australia Bank and Philippine National Bank with an aggregate total of 22 years. She was also a Director of Vitarich Corporation and a Board Advisor of East Asia Power Corporation as Creditor-nominee, representing PNB.

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

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

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

Mark S. Gorriceta, 44, Filipino, has been the Corporate Secretary and Chief Legal Officer of the Corporation since 2014. He was also appointed as Chief Compliance Officer of the Corporation in 2018. Atty. Gorriceta has been in the practice of law for sixteen years. He acts as legal counsel to several other listed companies, its subsidiaries or affiliates. Atty. Gorriceta also serves as Chief Legal Counsel and/or Corporate Secretary to several leading online and tech companies in the Philippines. He is the Managing Partner and head of the Corporate Group of Gorriceta Africa Cauton & Saavedra. A member of the Philippine Bar since 2005, he holds a Bachelor of Arts, Political Science degree from the Ateneo de Manila University. He also attended certificate courses in Finance at the Asian Institute of Management in Makati City. Atty. Gorriceta is a faculty member of the Ateneo de Manila University's Center for Continuing Education. He teaches Mergers & Acquisitions for the Advanced Module Diploma Course in Corporate Finance.

Significant Employees

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

Family Relationships

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

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

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

Involvement in Certain Legal Proceedings

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

ITEM 10. Executive Compensation

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

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

Name	Position	Estimated Salary	Bonus	Other	Total
Alexander D. Corpuz	President, Chief Finance Officer &				

	Chief Information Officer				
Fernando Jude F. Garcia	Treasurer & Chief Technology Officer				

Total	2022 (Projected)	₱8,790,358.00	N/A	N/A	₱8,790,358.00
	2021	₱8,790,358.00	N/A	N/A	₱8,790,358.00
	2020	₱8,790,358.00	N/A	N/A	₱8,790,358.00

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

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

Compensation of Directors

Standard Arrangements

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

Other Arrangements

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

Employment Contracts with Executive Officers

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

Warrants and Options Held by the Executive Officers and Directors

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

ITEM 11. Security Ownership of Certain Beneficial Owners and Management

Security ownership of certain record and beneficial owners

As of April 30, 2022, the Company is not aware of any person who is directly or indirectly the record or beneficial owner of more than 5% of the Company's capital stock except as set forth below:

Title of Class	Name and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares and Nature of Ownership (Direct or Indirect)	Percent of Class
Common	**Nico Jose S. Nolledo** Chairman and Chief Executive Officer	Nico Jose S. Nolledo	Filipino	504,044,804 (Direct and Indirect)	22.63%
Common	**Raymond Gerard S. Racaza** President and Chief Operating Officer	Raymond Gerard S. Racaza	Filipino	375,765,960 (Direct)	18.29%
Common	**Fernando Jude F. Garcia** Chief Technology Officer	Fernando Jude F. Garcia	Filipino	375,073,960 (Direct)	18.26%
Common	**PCD Nominee Corp.**	PCD participants acting for themselves and for their customers[6]	Filipino	544,228,587 (Direct)	26.49%
Common	**PCD Nominee Corp.**	PCD participants acting for themselves and for their customers[7]	Non-Filipino	254,829,195 (Direct)	12.40%

As of April 30, 2022, 14.31% of the outstanding shares of the Company are held by non-Filipino.

Security ownership of directors and management as of May 13, 2022

As of May 13, 2021, the Company's directors and executive officers own the following number of shares:

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

Title of Class	Name of Owner and Position	Citizenship	No. of Shares and Nature of Ownership (Direct or Indirect)	Percent of Class
Common	**Nico Jose S. Nolledo** Chairman	Filipino	504,044,804 (Direct and Indirect)	24.53%
Common	**Alexander D. Corpuz** Director, President and Chief Information Officer	Filipino	1,000 (Direct)	0.00%
Common	**Fernando Jude F. Garcia** Director, Chief Technology Officer and Treasurer	Filipino	375,073,960 (Direct)	18.26%
Common	**Mercedita S. Nolledo** Director	Filipino	2,378,338 (Direct)	0.13%
Common	**Wilfredo O. Racaza** Director	Filipino	1,060 (Direct)	Nil
Common	**Jonathan Gerard A. Gurango** Independent Director	Filipino	169,399 (Direct)	0.01%
Common	**Imelda C. Tiongson** Independent Director	Filipino	1,000 (Direct)	Nil
Common	**Bartolome S. Silayan, Jr.** Independent Director	Filipino	2,000 (Direct)	Nil
Total (Directors and Officers as a Group)			699,853,379	42.91%

Voting Trust Holders of 5% or More

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

Changes in Control

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

ITEM 12. Certain Relationships and Related Transactions

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

PART IV – CORPORATE GOVERNANCE

ITEM 13. Corporate Governance.

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

ITEM 14.

SUSTAINABILITY REPORT

Contextual Information

Company Details	
Name of Organization	Xurpas Inc.
Location of Headquarters	Unit 804 Antel 2000 Corporate Center 121 Valero St., Salcedo Village, Makati City
Location of Operations	Salcedo Village, Makati City
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Xurpas Inc. and Subsidiaries
Business Model, including Primary Activities, Brands, Products, and Services	Develop, produce, sell, buy or otherwise deal in products, goods or services in connection with the transmission, receiving, or exchange of voice, data, video or any form or kind of communication
Reporting Period	December 31, 2021
Highest Ranking Person responsible for this report	Alexander D. Corpuz

BRIEF ON THE COMPANY

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

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

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

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

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

MATERIALITY ASSESSMENT AND REPORTING PRACTICES

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

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

The COVID -19 pandemic continues to affect across sectors in the world in 2021. With the volatility of the number of infected cases in the country, this resulted in several government-imposed quarantine measures which affected the different sectors of the economy as to how to adapt and respond to the guidelines and protocols that were implemented. On the other hand, it was also in this year when the government, with the help of the private sector and other organizations, facilitated mass vaccinations throughout the country to alleviate the challenges brought by the ongoing pandemic to the economy. The Company contributes its part in encouraging, educating and assisting its employees in being vaccinated and continues to adhere to the health protocols to minimize the spread of the disease and makes sure that its affected stakeholders, specifically the employees, are safe.

The Company continues to implement the work from home arrangements and provides financial and mental support to employees who have been afflicted by COVID. In addition to this, the company still takes measures to protect employees who need to report personally in the office. This included contact tracing, temperature checks, sanitizing materials (such as alcohol and sanitizing mats), and regular disinfection of the office.

This Sustainability Report has been prepared in reference to the globally accepted framework report namely, the Global Reporting Initiative (GRI) standards. The GRI standard covers the economic, environment and social impacts. This is the Company's second Sustainability Report since its inception covering the period of January 2021 to December 2021 Aside from that, this report identifies how the Company's operations contribute to the UN Sustainable Development Goals.

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

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	243,463,152	Php
Direct economic value distributed:		
a. Operating costs	81,536,462	Php
b. Employee wages and benefits	122,731,877	Php
c. Payments to suppliers, other operating costs	42,725,418	Php
d. Dividends given to stockholders and interest payments to loan providers	9,189,337	Php
e. Taxes given to government	(161,185)	Php
f. Investments to community (e.g. donations, CSR)	-	Php
Direct economic value retained:	(12,558,757)	Php

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

Climate-related risks and opportunities

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

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	97.64	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company recognizes the importance of interdependence of businesses such as the suppliers and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.	Suppliers	The Company prefers to avail of goods and services locally due to its availability and lower cost. It also provides economic development to the suppliers.
What are the Risk/s Identified?		
Concentration risk that may result to shortage of supplies.		Having a diverse supplier base mitigates risk of shortage in supplies.
What are the Opportunity/ies Identified?		

Having good relationships with suppliers mutually benefits the Company and the supplier. This relationship may lead to an opportunity where Xurpas becomes a preferred customer and may have certain privileges offered by the supplier.	The Company continues to support local suppliers and be a credible customer by making timely payments for the goods and services provided.

Anti-corruption

Training on Anti-corruption Policies and Procedures

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

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

Incidents of Corruption

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

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

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	-	GJ
Energy consumption (gasoline)	-	GJ
Energy consumption (LPG)	-	GJ
Energy consumption (diesel)	-	GJ
Energy consumption (electricity)	22,802.52	kWh

Reduction of energy consumption

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

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

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	-	Cubic meters
Water consumption	100.12	Cubic meters
Water recycled and reused	-	Cubic meters

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

Materials used by the organization

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

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

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

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

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

Environmental impact management

Air Emissions

GHG

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

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

Air pollutants

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

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

Solid and Hazardous Wastes

Solid Waste

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

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

Hazardous Waste

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

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

Effluents

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

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

Environmental compliance

Non-compliance with Environmental Laws and Regulations

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

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

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees		
a. Number of female employees	58	#
b. Number of male employees	103	#
Attrition rate	33	%
Ratio of lowest paid employee against minimum wage	-	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	13	5
PhilHealth	Y	10	7
Pag-ibig	Y	5	2
Parental leaves	Y	5	2
Vacation leaves	Y	86	73
Sick leaves	Y	74	59
Medical benefits (aside from PhilHealth))	Y	60	42
Housing assistance (aside from Pag-ibig)	N	-	-
Retirement fund (aside from SSS)	N	-	-
Further education support	N	-	-
Company stock options	Y	8	8
Telecommuting	Y	93	97
Flexible-working Hours	Y	-	-
(Others)		-	-

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>Human resource plays a vital role for the Company’s success. A mechanism for employee participation was developed to create a symbiotic environment, realize the company’s goals and participate in its corporate governance processes.</td><td rowspan="5">In line with the Company’s objective to be a top IT employer of choice, its Human Resources is committed to provide the best possible support to its employees. It ensures that there is always a sufficient number of exceptionally talented and skilled employees at every level. Alongside with this, the HR also regularly reviews incentive programs that rewards its employees for their contribution to achieve the Company’s goals. During the pandemic, the Company offered additional financial support to employees affected by the disease through employee loans and the HMOs availed for employees. HR continues to ensure that professional working environment with opportunities for career progression are being available to all its employees.</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>Increasing attrition rate and employee dissatisfaction.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>Having a competitive compensation package provides the opportunity to retain talented employees & increase employee satisfaction. It can also attract potential talents that may contribute to the Company’s success.</td></tr>
</table>

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	425	hours
b. Male employees	1485	hours
Average training hours provided to employees		
a. Female employees	25	hours/employee
b. Male employees	25	hours/employee

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

Labor-Management Relations

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

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

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	36	%
% of male workers in the workforce	64	%
Number of employees from indigenous communities and/or vulnerable sector*	3	#

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

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>Xurpas Inc. is committed to fair employment practices without prejudice to gender, age, religion, etc. The Company respects all of its employees and strives to protect them from all forms of harassment or any other inhumane treatments. Fostering a work environment that is inclusive and open to all affects the efficiency of the Company in delivering quality services.</td><td rowspan="5">Through the Company’s policies on safe and healthy work environment, it ensures that the fair employment practices are implemented.</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>Given the strict implementation of its policies on inclusivity and equality among its employees, the Company cannot identify any risk in relation to the topic.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>Promotion of the diverse and equal employment opportunity in terms of employee management allows better synergy in the workplace. When problems arise and people work on it together, it may result to finding fast and creative solutions.</td></tr>
</table>

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

Disclosure	Quantity	Units
Safe Man-Hours	332,304	Man-hours
No. of work-related injuries	-	#
No. of work-related fatalities	-	#
No. of work related ill-health	240	#
No. of safety drills	-	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company ensures that the physical, emotional and mental well-being of its employees are well taken care of. The health, safety and welfare of its employees and members of community are of vital importance through which human and operational efficiencies are achieved. It also ensures the Company's competitiveness to strive amidst stiff competition in the industry.	The Company complies with the regulations of the Department of Labor and Employment (DOLE) including the occupational health and safety standards. The Company also promotes a work-life balance for its employees with its flexible working hours and it has established programs to engage employees and check on their overall well-being. Given the situation brought about by COVID-19, the company ensures its employees' health and safety by implementing work from home set up and providing financial aids to help those affected by the disease. Further, the Company made sure to create a safe and healthy work environment for employees who go to the office by disinfecting the space from time to time. Employees were told to fill up the contact tracing, get temperature checks and were seated apart to maintain social distancing.
What are the Risk/s Identified?	
Given the strict implementation of its policies on inclusivity and equality among its employees, the Company cannot identify any risk in relation to the topic.	
What are the Opportunity/ies Identified?	
Having a safe and healthy workplace promotes a conducive and productive environment.	

Labor Laws and Human Rights

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

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

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

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

Supply Chain Management

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

None

Do you consider the following sustainability topics when accrediting suppliers?

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

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

Relationship with Community

Significant Impacts on Local Communities

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

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

Customer Management

Customer Satisfaction

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

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

Health and Safety

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

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

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

Marketing and labelling

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

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

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

Customer privacy

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

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

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

Data Security

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

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

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

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

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

PART V - EXHIBITS AND SCHEDULES

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

(a) Exhibits – See accompanying Index to Exhibits

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

(b) Reports on SEC Form 17-C

Xurpas Inc. (the "**Company**") filed the following reports on SEC Form 17-C were filed in 2021:

DATE FILED	ITEMS REPORTED
January 8, 2021	Pursuant to the Company's Manual of Corporate Governance, Xurpas submitted the Attendance of Directors in board meetings held during the calendar year 2020.
January 14, 2021	Xurpas submitted its Public Ownership Report.
January 15, 2021	Xurpas submitted its List of Top 100 Stockholders.
February 16, 2021	The board of directors of Xurpas Inc. approved the Corporation's transfer of principal office to Unit 804 Antel 2000 Corporate Center, 121 Valero St., Salcedo Village, Makati City, 1227 effective March 31, 2021.
April 14, 2021	Xurpas submitted its Public Ownership Report.
April 14, 2021	Xurpas submitted its List of Top 100 Stockholders.
April 26, 2021	the Board of Directors of Xurpas Inc. approved to postpone the 2021 Annual Stockholders' Meeting to August 11, 2021, Wednesday.
June 15, 2021	The Board approved the submission of the 2020 Annual Report
July 12, 2021	Xurpas submitted its Public Ownership Report and List of Top 100 Stockholders.
August 11, 2021	Xurpas submitted the results of the Annual Stockholders' Meeting and Organizational Meeting

October 14, 2021	Xurpas submitted its Public Ownership Report
October 15, 2021	Xurpas submitted its List of Top 100 Stockholders
November 4, 2021	Xurpas submitted the Certificate of Attendance on Corporate Governance Seminar for Atty. Mercedita S. Nolledo
December 3, 2021	Xurpas submitted the Certificate of Attendance on Corporate Governance Seminar for the following: Nico Jose S. Nolledo, Alexander D. Corpuz, Fernando Jude F. Garcia, Wilfredo O. Racaza, Imelda C. Tiongson, Bartolome S. Silayan, Jr. Jonathan Gerard A. Gurango and Atty. Mark S. Gorriceta
December 22, 2021	Xurpas disclosed that it received a termination letter from Wavemaker group terminating the Subscriptioin Agreement and Stock Purchase Agreement.

INDEX TO EXHIBITS

Form 17-A

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

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

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned thereunto duly authorized, in the City of TAGUIG CITY on MAY 16 2022.

By:

Alexander D. Corpuz

ALEXANDER D. CORPUZ
President/ Chief Finance Officer

FERNANDO JUDE F. GARCIA
Treasurer/ Chief Technology Officer

EBLaban

ESTRELITA B. LABAN
Finance Controller

MARK S. GORRICETA
Corporate Secretary

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

SUBSCRIBED AND SWORN to before me this MAY 16 2022 affiant(s) exhibiting to me his/their Competent Evidence of Identity, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUANCE	PLACE OF ISSUANCE
ALEXANDER D. CORPUZ	P5670777A	January 18, 2018	DFA NCR East
FERNANDO JUDE F. GARCIA	P3524556B	October 15, 2019	DFA NCR East
MARK S. GORRICETA	P4531123B	January 24, 2020	DFA NCR East
ESTRELITA B. LABAN	P8413630B	DECEMBER 8, 2021	DFA MANILA

Doc. No. 337;
Page No. 69;
Book No. 2;
Series of 2022.

EDRIAN M. APAYA
PTR No. 8131748/01-04-2022/Pasig City
IBP No. 178878/01-04-22/ Masbate City
Roll No. 64655
MCLE Compliance VI-0025830; 04-16-2019
Unit 704, The Infinity Building
26th Street, Bonifacio Global City, Taguig City
Email address:emapaya@gorricetalaw.com
Telephone No. 5196892
Appointment No. 79 (2020-2021) - Taguig City
Commission extended until 30 June 2022

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	2	0	0	1	1	7	7	0	8	

COMPANY NAME

XURPAS INC.

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

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
info@xurpas.com	8889-6426	N/A

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

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Alexander D. Corpuz	mar@xurpas.com	8889-6426	N/A

CONTACT PERSON's ADDRESS

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

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

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

xurpas

"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS"

The management of **XURPAS INC.** (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

NICO JOSE S. NOLLEDO
Chairman of the Board

ALEXANDER D. CORPUZ
President/ Chief Finance Officer

FERNANDO JUDE GARCIA
Treasurer/ Chief Technology Officer

Signed this MAY 16 2022

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

SUBSCRIBED AND SWORN TO before me, a Notary Public for and in TAGUIG CITY this May 16, 2022, affiants personally appeared and exhibiting to me their validly issued government ID with following details:

Name	Government Issued Identification Card No.	Place Issued / Expiry Date
Nico Jose S. Nolledo	N03-94-163989	LTO / 09-12-2022
Alexander D. Corpuz	P5670777A	DFA NCR East / 01-17-2028
Fernando Jude F. Garcia	N02-93-214861	LTO / 08-30/2024

Doc. No. 338
Page No. 69
Book No. 2
Series of 2022.

EDRIAN M. APAYA
PTR No. 8131748/01-04-2022/Pasig City
IBP No. 178878/01-04-22/ Masbati City
Roll No. 64655
MCLE Compliance VI-0025830; 04-16-2019
Unit 704, The Infinity Building
26th Street, Bonifacio Global City, Taguig City
Email address:emapaya@gorricetalaw.com
Telephone No. 5196892
Appointment No. 79 (2020-2021) - Taguig City
Commission extended until 30 June 2022

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the accompanying parent company financial statements of Xurpas Inc. (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2021 and 2020, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the parent company financial statements, which indicates that the Parent Company has deficit of ₱2,925.92 million and ₱2,874.63 million as of December 31, 2021 and 2020, respectively, and net operating cash outflow of ₱39.66 million and ₱69.91 million for the years ended December 31, 2021 and 2020, respectively. As at and for the year ended December 31, 2021, the Parent Company incurred net losses of ₱54.55 million and its current liabilities exceeded its current assets by ₱73.63 million. As stated in Note 1, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
Tax Identification No. 925-713-249
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 112004-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-119-2022, January 20, 2022, valid until January 19, 2025
PTR No. 8854339, January 3, 2022, Makati City

May 16, 2022

XURPAS INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash (Notes 4 and 21)	**₱16,970,600**	₱59,536,284
Accounts and other receivables (Notes 5, 17 and 21)	**271,226,086**	260,951,944
Other current assets (Notes 6 and 21)	**4,953,330**	6,268,559
Total Current Assets	**293,150,016**	326,756,787
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 7 and 21)	**600,000**	500,000
Investment in and advances to associates (Note 8)	**347,622,016**	347,622,016
Investment in subsidiaries (Note 9)	**68,535,991**	68,535,991
Property and equipment (Note 10)	**1,546,993**	1,680,768
Right-of-use Asset (Note 16)	**1,174,941**	–
Other noncurrent assets (Note 6)	**13,843,314**	14,984,460
Total Noncurrent Assets	**433,323,255**	433,323,235
	₱726,473,271	₱760,080,022
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 11, 17 and 21)	**₱222,201,890**	₱212,435,212
Advances from stockholders (Notes 17 and 21)	**143,563,235**	88,784,053
Current portion of lease liabilities (Note 16)	**1,019,202**	–
Total Current Liabilities	**366,784,327**	301,219,265
Noncurrent Liabilities		
Pension liability (Note 19)	**19,027,074**	26,180,286
Deferred tax liabilities - net (Note 18)	**4,266**	–
Lease liabilities - net of current portion (Note 16)	**172,802**	–
Advances from stockholders - net of current portion (Notes 17 and 21)	**–**	49,302,723
Total Noncurrent Liabilities	**19,204,142**	75,483,009
Total Liabilities	**385,988,469**	376,702,274
Equity		
Capital stock (Note 20)	**193,492,586**	193,492,586
Additional paid-in capital (Note 20)	**3,577,903,563**	3,577,903,563
Deficit (Note 20)	**(2,925,915,057)**	(2,874,632,257)
Net unrealized loss on financial assets at FVOCI (Note 7)	**(44,094,956)**	(44,194,956)
Equity reserve (Notes 9 and 20)	**(358,497,432)**	(358,497,432)
Treasury stock (Note 20)	**(99,700,819)**	(99,700,819)
Remeasurement gain (loss) on defined benefit plan (Note 19)	**(2,703,083)**	(10,992,937)
Total Equity	**340,484,802**	383,377,748
	₱726,473,271	₱760,080,022

See accompanying Notes to Parent Company Financial Statements.

XURPAS INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2021	2020
REVENUES		
Service income (Note 12)	**₱63,790,986**	₱131,313,348
Management fees (Note 17)	**15,326,107**	45,131,202
	79,117,093	176,444,550
COST OF SERVICES (Note 13)	**(69,685,155)**	(62,803,012)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 14)	**(52,357,165)**	(67,994,049)
FINANCE COSTS - NET (Note 15)	**(7,429,616)**	(6,779,367)
OTHER INCOME (CHARGES) - NET (Note 15)	**(4,194,092)**	19,175,708
INCOME (LOSS) BEFORE INCOME TAX	**(54,548,935)**	58,043,830
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 18)	**(3,266,135)**	2,760,094
NET INCOME (LOSS)	**(51,282,800)**	55,283,736
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will not be reclassified to profit or loss in subsequent periods:		
Unrealized gain on financial assets at FVOCI - net of tax (Note 7)	**100,000**	42,000
Actuarial gain (loss) on pension liability (Note 19)	**8,289,854**	(3,122,721)
	8,389,854	(3,080,721)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱42,892,946)**	₱52,203,015

See accompanying Notes to Parent Company Financial Statements.

XURPAS INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

Year Ended December 31, 2021

	Capital Stock (Note 20)	**Additional Paid-in Capital** (Note 20)	**Retained Earnings - Appropriated** (Note 20)	**Retained Earnings - Unappropriated** (Note 20)	**Net Unrealized Loss on Financial Assets at FVOCI - net of tax** (Notes 7 and 18)	**Remeasurement Gain (Loss) on Defined Benefit Plan** (Note 19)	**Equity Reserve** (Notes 9 and 20)	**Treasury shares** (Note 20)	**Total Equity**
Balances at beginning of year	**₱193,492,586**	**₱3,577,903,563**	**₱115,464,275**	**(₱2,990,096,532)**	**(₱44,194,956)**	**(₱10,992,937)**	**(₱358,497,432)**	**(₱99,700,819)**	**₱383,377,748**
Net loss	–	–	–	**(51,282,800)**	–	–	–	–	**(51,282,800)**
Other comprehensive income	–	–	–	–	**100,000**	**8,289,854**	–	–	**8,389,854**
Total comprehensive income (loss)	–	–	–	**(51,282,800)**	**100,000**	**8,289,854**	–	–	**(42,892,946)**
Balances at end of year	**₱193,492,586**	**₱3,577,903,563**	**₱115,464,275**	**(₱3,041,379,332)**	**(₱44,094,956)**	**(₱2,703,083)**	**(₱358,497,432)**	**(₱99,700,819)**	**₱340,484,802**

Year Ended December 31, 2020

	Capital Stock (Note 20)	Additional Paid-in Capital (Note 20)	Retained Earnings - Appropriated (Note 20)	Retained Earnings - Unappropriated (Note 20)	Net Unrealized Loss on Financial Assets at FVOCI - net of tax (Notes 7 and 18)	Remeasurement Loss on Defined Benefit Plan (Note 19)	Equity Reserve (Notes 9 and 20)	Treasury shares (Note 20)	Total Equity
Balances at beginning of year	₱193,492,586	₱3,585,092,296	₱115,464,275	(₱3,045,380,268)	(₱44,254,956)	(₱7,870,216)	(₱358,497,432)	(₱107,418,911)	₱330,627,374
Reissuance of treasury shares	–	(7,188,733)	–	–	–	–	–	7,718,092	529,359
Net income	–	–	–	55,283,736	–	–	–	–	55,283,736
Other comprehensive income (loss)	–	–	–	–	42,000	(3,122,721)	–	–	(3,080,721)
Total comprehensive income (loss)	–	–	–	55,283,736	42,000	(3,122,721)	–	–	52,203,015
Effect of recognition of deferred tax asset					18,000				18,000
Balances at end of year	₱193,492,586	₱3,577,903,563	₱115,464,275	(₱2,990,096,532)	(₱44,194,956)	(₱10,992,937)	(₱358,497,432)	(₱99,700,819)	₱383,377,748

See accompanying Notes to Parent Company Financial Statements.

XURPAS INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**(₱54,548,935)**	₱58,043,830
Adjustments for:		
Provision for impairment losses (Note 14)	**10,349,741**	19,899,695
Unrealized foreign currency exchange loss (gain) (Note 15)	**6,784,974**	(15,695,876)
Interest expense (Notes 15 and 17)	**7,460,911**	7,397,963
Pension expense (Note 19)	**3,899,927**	3,019,257
Depreciation and amortization (Notes 13, 14 and 16)	**1,958,821**	7,391,280
Loss on disposal of investment in subsidiary (Notes 9 and 15)	**–**	4,734,765
Gain from reversal of long outstanding payables (Notes 15 and 17)	**(978,919)**	(1,462,540)
Gain on disposal of property and equipment (Notes 10 and 15)	**(259,858)**	(38,068)
Interest income (Notes 4 and 15)	**(31,295)**	(618,596)
Operating income (loss) before changes in working capital	**(25,364,633)**	82,671,710
Decrease (increase) in:		
Accounts and other receivables - net	**(20,623,883)**	(72,028,971)
Other assets	**3,116,747**	6,927,738
Increase (decrease) in accounts and other payables	**3,330,662**	(84,499,878)
Net cash used in operations	**(39,541,107)**	(66,929,401)
Interest received	**31,295**	618,596
Interest paid	**–**	(839,285)
Income taxes paid, including creditable withholding taxes (Note 18)	**(153,256)**	(2,760,094)
Net cash used in operating activities	**(39,663,068)**	(69,910,184)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment (Note 10)	**264,350**	47,397
Additions to property and equipment (Note 10)	**(990,294)**	(1,072,865)
Net cash used in investing activities	**(725,944)**	(1,025,468)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease liability (Note 16)	**(868,156)**	(866,970)
NET DECREASE IN CASH	**(41,257,168)**	(71,802,622)
EFFECT OF CHANGE IN FOREIGN EXCHANGE RATE	**(1,308,516)**	748,923
CASH AT BEGINNING OF YEAR	**59,536,284**	130,589,983
CASH AT END OF YEAR (Note 4)	**₱16,970,600**	₱59,536,284

See accompanying Notes to Parent Company Financial Statements.

XURPAS INC.
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

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

Prior to 2021, the Parent Company's registered office address and principal place of business is at 7th Floor, Cambridge Centre, 108 Tordesillas St. Salcedo Village, Makati City. On March 31, 2021, the Board of Directors (BOD) of the Parent Company approved the transfer of the principal place of business of the Parent Company to Unit 804 Antel 2000 Corporate Center, 121 Valero St., Salcedo Village, Brgy. Bel-Air, Makati City.

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

The Parent Company has deficit of ₱2,925.92 million and ₱2,874.63 million as of December 31, 2021 and 2020, respectively, and net operating cash outflow of ₱39.66 million and ₱69.91 million for the years ended December 31, 2021 and 2020, respectively. As at and for the year ended December 31, 2021, the Parent Company incurred net losses of ₱54.55 million and its current liabilities exceeded its current assets by ₱73.63 million. These conditions indicate a material uncertainty exists that may cast significant doubt on the Parent Company's ability to continue as a going concern and therefore, the Parent Company may not be able to realize its assets and discharge its liabilities in the normal course of business. Management assessed that the Parent Company will be able to maintain its positive cash position and settle its liabilities as they fall due through future actions such as continuous venture into new revenue potentials, cost cutting measures, and equity funding to support liquidity.

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

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

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

On December 22, 2021, the parties mutually agreed to terminate the Subscription Agreement, Stock Purchase Agreement and such other agreements due to failure to close the transaction by December 31, 2020.

The accompanying parent company financial statements were approved and authorized for issue by the BOD on May 16, 2022.

2. Summary of Significant Accounting Policies

Basis of Preparation

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

Statement of Compliance

The accompanying parent company financial statements as at December 31, 2021 and 2020 and for the years then ended have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the parent company financial statements are consistent with those of the previous financial year except for amended PFRS and improvements to PFRS which were adopted beginning January 1, 2021. Adoption of these amendments did not have any significant impact on the parent company financial position or performance unless otherwise indicated.

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

  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

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

This amendment is not applicable to the Parent Company as there are no rent concessions granted to the Parent Company as a lessee.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4, *Insurance Contracts,* and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

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

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

Standards and Interpretation Issued but not yet Effective

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

Effective beginning on or after January 1, 2022

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

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

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

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

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

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

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

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

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

- *Annual Improvements to PFRSs* 2018-2020 Cycle

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

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

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

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

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

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Parent Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

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

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

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

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

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Parent Company.

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

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:
  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, Classification of Liabilities as Current or Non-current The amendments clarify paragraphs 69 to 76 of PAS 1, Presentation of Financial Statements, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Parent Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective beginning on or after January 1, 2025

- 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

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

The new standard is not applicable to the Parent Company since it has no activities that are predominantly connected with insurance or issue insurance contracts.

Deferred effectivity

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

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

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

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

All other assets are classified as noncurrent.

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

The Parent Company classifies all other liabilities as noncurrent.

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

Cash
Cash includes cash on hand and in banks. Cash in bank earns interest based on the prevailing bank deposit rates.

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy (see Note 21).

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

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

a. Financial assets
Initial recognition of financial instrument
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL.

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

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

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

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

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

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

The Parent Company's financial assets at amortized cost includes "Cash", "Accounts and other receivables" and "Rental deposit" under "Other noncurrent assets".

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

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

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

Financial assets at FVOCI (equity instruments)
Upon initial recognition, the Parent Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32,

Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

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

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

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

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

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

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

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

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

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

Impairment of Financial Assets

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

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

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

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

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

Determining the stage for impairment

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

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

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

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

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

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

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

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

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

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

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

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

Other Financial Liabilities
Issued financial instruments or their components, which are not designated at FVPL, are classified as accounts payable and accrued expenses where the substance of the contractual arrangement results in the Parent Company having an obligation either to deliver cash or another financial asset to the

holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument the amount separately determined as the fair value of the liability component on the date of issue.

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

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

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

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

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

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

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

Property and Equipment
Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price and other directly attributable costs of bringing the asset to its working condition and location for its

intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. It excludes the cost of day-to-day servicing.

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

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

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

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

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

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

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

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

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

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

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

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

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

The Parent Company incurred various costs in issuing its own equity instruments. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognized as an expense.

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

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

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

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

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

Revenue Recognition
Revenue from contracts with customers is measured based on the consideration to which the Parent Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Parent Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

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

Service income
Service income consists of revenue from Value Added Services (VAS) and Business Process Outsourcing (BPO). BPO is further subdivided into IT staffing, custom software development.

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

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

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

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

For the years ended December 31, 2021 and 2020, the Parent Company has no variable consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

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

Other Income
Other income is recognized as it accrues.

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

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

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

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

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

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

	Years
Office space	1.5 to 2.5 years

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

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

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

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

<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 authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting period.

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

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

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

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

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

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

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

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

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

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

Value-Added Tax (VAT)

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

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

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

Pension Liability

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

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

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

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

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

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

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

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

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

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

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

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

Segment Reporting
The Parent Company's operating business are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and serves different markets. Financial information on business segments is presented in Note 22 to the parent company financial statements.

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

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

Events after the Reporting Period
Post year-end events up to date when the parent company financial statements are authorized for issue that provide additional information about the Parent Company's position at the reporting period (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the parent company financial statements when material. Information on events after the reporting period is presented in Note 25 to the parent company financial statements.

3. Significant Accounting Judgments and Estimates

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

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

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

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

support liquidity. Accordingly, the parent company financial statements are prepared on a going concern basis.

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

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

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

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

The Parent Company did not recognize deferred tax assets on deductible temporary differences amounting to ₱346.12 million and ₱439.59 million as at December 31, 2021 and 2020, respectively (see Note 18).

b. *Provision for expected credit losses*
The Parent Company uses a provision matrix to calculate ECLs for accounts and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss pattern.

The provision matrix is initially based on the Parent Company's historical observed default rates. The Parent Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information, including impact of COVID-19. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

As of December 31, 2021 and 2020, allowance for impairment loss on accounts and other receivables amounted to ₱112.27 million and ₱102.82 million, respectively (see Note 5).

c. *Evaluation of nonfinancial assets for impairment*
The Parent Company reviews its nonfinancial assets for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in the asset's market value or net realizable value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends including the impact of COVID-19.

Based on management's assessment, its nonfinancial assets are recoverable as of December 31, 2021 and 2020. The carrying values of the Company's nonfinancial assets follow:

	2021	2020
Other current assets (Note 6)	**₱4,953,330**	₱6,268,559
Investment in associates (Note 8)*	**325,537,430**	325,537,430
Investment in subsidiaries (Note 9)	**68,535,991**	68,535,991
Property and equipment (Note 10)	**1,546,993**	1,680,768
Right-of-use asset (Note 16)	**1,174,941**	–
Other noncurrent assets (Note 6)	**13,843,314**	14,984,460
	₱415,591,999	₱417,007,208

**This excludes advances to affiliate*

Allowance for impairment losses on investment in associates amounted to ₱252.02 million as of December 31, 2021 and 2020 (see Note 8). Allowance for impairment losses on investment in subsidiaries amounted to ₱2,187.04 million as of December 31, 2021 and 2020 (see Note 9).

4. Cash

This account consists of:

	2021	2020
Cash on hand	**₱27,188**	₱27,044
Cash in banks	**16,943,412**	59,509,240
	₱16,970,600	₱59,536,284

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

Interest income earned from cash in banks amounted to ₱0.03 million and ₱0.62 million in 2021 and 2020, respectively (see Note 15).

There are no restrictions on the Parent Company's cash balances as of December 31, 2021 and 2020.

5. Accounts and Other Receivables

This account consists of:

	2021	2020
Receivable from related parties (Note 17)	**₱315,763,533**	₱317,905,523
Trade receivables		
Third parties	**5,434,245**	24,571,114
Related parties (Note 17)	**54,583,179**	13,241,460
Nontrade receivable	**7,208,250**	7,208,250
Other receivables	**503,207**	847,188
	383,492,414	363,773,535
Less: Allowance for impairment losses	**112,266,328**	102,821,591
	₱271,226,086	₱260,951,944

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

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

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

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

	2021	2020
Balance at beginning of year	**₱102,821,591**	₱85,478,278
Provision (Note 14)	**10,349,741**	19,899,695
Write-off and others	**(905,004)**	(2,556,382)
Balance at end of year	**₱112,266,328**	₱102,821,591

As of December 31, 2021 and 2020, the allowance for impairment losses pertains to:

	2021	2020
Receivable from related parties (Note 17)	**₱102,702,000**	₱94,960,081
Trade receivables	**2,356,078**	653,260
Nontrade receivable	**7,208,250**	7,208,250
	₱112,266,328	₱102,821,591

6. **Other Assets**

Other current assets
This account consists of:

	2021	2020
Creditable withholding taxes	**₱2,518,183**	₱506,328
Prepaid expenses	**1,278,496**	785,616
Input VAT	**1,156,651**	3,628,095
Rental deposits	**–**	1,348,520
	₱4,953,330	₱6,268,559

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

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

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

Other noncurrent assets
This account consists of:

	2021	2020
Deferred input VAT	**₱12,407,914**	₱12,103,415
Developed software	**1,159,953**	2,881,045
Rental deposits	**260,447**	–
Deposit receivable	**15,000**	–
	₱13,843,314	₱14,984,460

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

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

The amortization expense of developed software recognized in "Depreciation and amortization" under "Cost of services" in the parent company statements of comprehensive income amounted to ₱1.72 million and ₱3.89 million in 2021 and 2020, respectively (see Note 13).

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

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

This account consists of:

	2021	2020
Financial assets at FVOCI		
Quoted equity investment		
Club Punta Fuego	**₱600,000**	₱500,000
Unquoted equity investment	–	–
Financial assets at FVPL		
Unquoted debt investments	–	–
	₱600,000	₱500,000

The rollforward analysis of financial assets at FVOCI follow:

	2021	2020
Balance at beginning of year	**₱500,000**	₱440,000
Unrealized gain (loss) on financial assets at FVOCI	**100,000**	42,000
Effect of recognition of deferred tax asset (Note 18)	–	18,000
Balance at end of year	**₱600,000**	₱500,000

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

	2021	2020
Balance at beginning of year	**(₱44,194,956)**	(₱44,254,956)
Unrealized gain (loss) on financial assets at FVOCI	**100,000**	42,000
Effect of recognition of deferred tax asset (Note 18)	–	18,000
Balance at end of year	**(₱44,094,956)**	(₱44,194,956)

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

The quoted shares are categorized under the Level 2 of the fair value hierarchy. The unquoted equity and debt investments are categorized under Level 3 (see Note 21).

Quoted equity investment
Quoted equity instrument consists of investment in golf club shares.

Unquoted equity investment
In April 2015, the Parent Company acquired 666,666 shares of Series A Preferred Stock of Zowdow Inc. ("Zowdow") at a purchase price of $1.50 per share for a total investment of US$999,999 or ₱44.24 million. The Parent Company holds a 3.56% ownership of Zowdow on a fully-diluted basis. As of December 31, 2021 and 2020, the unquoted equity investment classified as financial assets at FVOCI has nil carrying amount.

Unquoted debt investments
The Parent Company has convertible promissory notes and bonds receivable as of December 31, 2021 and 2020:

	2021	2020
Unquoted debt investments		
MatchMe Pte. Ltd.	**₱52,495,000**	₱52,495,000
Altitude Games Pte. Ltd.	**28,856,000**	28,856,000
Einsights Pte. Ltd.	**23,475,000**	23,475,000
Pico Candy Pte. Ltd.	**3,602,123**	3,602,123
	108,428,123	108,428,123
Less: Remeasurement loss	**(108,428,123)**	(108,428,123)
Balance at end of year	**₱–**	₱–

8. Investment in and Advances to Associates

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

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

The related percentages of ownership are shown below:

	Percentages of Ownership		**Carrying Amount**	
	2021	2020	**2021**	2020
Investment in associates				
Micro Benefits Limited	**23.53%**	23.53%	**₱469,780,137**	₱469,780,137
MatchMe Pte. Ltd.	**29.10**	29.10	**63,577,019**	63,577,019
Altitude Games Pte. Ltd.	**21.17**	21.17	**33,008,920**	33,008,920
PT Sembilan Digital Investama	**49.00**	49.00	**10,983,350**	10,983,350
Altitude Games Inc.	**21.17**	21.17	**211,656**	211,656
			577,561,082	577,561,082
Less: Allowance for impairment loss			**252,023,652**	252,023,652
			325,537,430	325,537,430
Advances to associate			**22,084,586**	22,084,586
			₱347,622,016	₱347,622,016

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

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

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

In 2020 and 2021, the Parent Company has not recognized additional impairment on its investment in Micro Benefits.

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

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

MatchMe incurred recurring losses for the past four years and attained capital deficiency position as of December 31, 2019. In 2019, MatchMe became dormant. On these bases, the Parent Company recognized full impairment loss on its investment in MatchMe amounting to ₱63.58 million in 2019.

MatchMe's registered office address is at 100 Cecil Street #10-01/02 the Globe, Singapore.
Altitude Games Pte. Ltd.
As at December 31, 2020 and 2019, the Parent Company owns 21.17% ownership in Altitude Games Pte. Ltd. ("Altitude Games"), a Singaporean IT company engaged in computer game development and publishing. The Parent Company acquired a total of 24.69 million shares with par value of US$0.01 per share for a total consideration of US$740,800 or US$0.03 per share.

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

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

As of December 31, 2021 and 2020, the Parent Company has advances to SDI amounting to ₱22.08 million to fund its mobile content and distribution services.

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

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

In 2019, the Parent Company provided full impairment loss amounting to ₱0.21 million on its investment in Altitude Philippines based on recurring losses and capital deficiency position.

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

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

9. Investment in Subsidiaries

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

	Percentages of Ownership		**Carrying Amount**	
	2021	2020	**2021**	2020
Art of Click Pte. Ltd	**100.00%**	100.00%	**₱1,959,810,316**	₱1,959,810,316
Storm Technologies, Inc.	**51.31**	51.31	**202,723,635**	202,723,635
Xeleb Technologies Inc.	**100.00**	100.00	**68,085,646**	68,085,646
Seer Technologies, Inc.	**70.00**	70.00	**18,000,000**	18,000,000
Xurpas Enterprise Inc.	**100.00**	100.00	**5,000,000**	5,000,000
ODX Pte. Ltd.	**100.00**	100.00	**1,955,769**	1,955,769
			2,255,575,366	2,255,575,366
Less: Allowance for impairment losses			**2,187,039,375**	2,187,039,375
			₱68,535,991	₱68,535,991

Art of Click Pte. Ltd. ("AOC")
On October 6, 2016, the Parent Company executed a Share Purchase Agreement for the acquisition of 100.00% shares of AOC, for an aggregate consideration of ₱1.40 billion in cash and in Parent Company's shares. In 2017, there were amendments to the Share Purchase Agreement to finalize the purchase price and manner of payment from partly in cash and Xurpas shares to solely in cash. As of December 31, 2020 and 2019, the cost of investment in AOC amounted to ₱1,959.81 million. AOC is a Singaporean start-up firm established in 2011 that specializes on mobile marketing solutions for advertisers, publishers, app developers, and other operators. The investment in AOC is fully impaired as of December 31, 2021 and 2020.

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

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

Storm Technologies, Inc. ("Storm Tech")
As of December 31, 2021 and 2020, the Parent Company's investment in Storm Tech, a human resource consultancy firm, amounted to ₱202.72 million equivalent to 51.31% equity ownership. Allowance for impairment loss on investment in Storm Tech amounted to ₱146.48 million as of December 31, 2021 and 2020.

Storm Tech's registered office address and principal place of business is at 602 Centerpoint Building, Julia Vargas St. Corner Garnet Road, Ortigas Center, Pasig City.

Xeleb Technologies Inc. ("Xeleb Tech")
As of December 31, 2018, the Parent Company's investment in Xeleb Tech amounted to ₱64.09 million equivalent to 67% equity ownership. In 2019, Deeds of Absolute Sale were executed for the acquisition by the Parent Company of the remaining 33% stake in Xeleb Tech from its minority stakeholders for a total consideration of ₱4.00 million. This resulted in 100% ownership of Parent Company in Xeleb Tech.

On September 11, 2019, the board of directors of the Parent Company approved the dissolution of Xeleb Tech. As a result of management's decision to dissolve Xeleb Tech, the Parent Company recognized impairment loss amounting to ₱68.09 million in 2019.

As at December 31, 2021, Xeleb Tech has yet to apply for the approval of government regulatory agencies for its dissolution.

Xeleb Technologies, Inc. was organized to primarily engage in the business of mobile content development. Xeleb Tech's registered office address and principal place of business is Unit 2501, The Trade and Financial Tower, 32nd St. cor. 7th Ave., Taguig City.

Seer Technologies, Inc. ("Seer)
On June 25, 2015, the Parent Company acquired 70,000 common shares representing 70.00% stake holdings in Seer, a software consultancy and design company, at a price of ₱18.00 million. Allowance for impairment loss on investment in Seer amounted to ₱12.66 million as of December 31, 2021 and 2020.

Seer's registered office address and principal place of business is Unit 2801, The Trade and Financial Tower, 32nd St. cor. 7th Ave., Taguig City.

Xurpas Enterprise Inc. ("Xurpas Enterprise")
On March 23, 2016, the Parent Company incorporated Xurpas Enterprise. Xurpas Enterprise is primarily engaged in software development including designing, upgrading and marketing all kinds of IT systems or parts thereof and other related services.

Xurpas Enterprise's registered office address and principal place of business is Unit 804 Antel 2000 Corporate Centre, 121 Valero St., Salcedo Village, Brgy. Bel-Air, Makati City .

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

ODX's platform, which will be an open data marketplace using blockchain technology, is under development. ODX has not started commercial operations as of December 31, 2021. ODX's registered office address is 25 North Bridge Road #08-01 EFG Bank Building, Singapore.

CTX Technologies Inc. ("CTX")
On October 16, 2018, the Parent Company incorporated a wholly-owned subsidiary, CTX, an entity engaged as a remittance and transfer company, to operate as a virtual currency exchange.

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

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

10. Property and Equipment

Rollforward of this account is as follows:

2021

	IT Equipment	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Total
Cost					
Balances at beginning of year	**₱9,368,480**	**₱12,222,834**	**₱2,636,383**	**₱2,552,342**	**₱26,780,039**
Additions	**666,401**	**323,893**	**–**	**–**	**990,294**
Disposals	**(43,125)**	**–**	**(337,887)**	**(610,188)**	**(991,200)**
Balances at end of year	**9,991,756**	**12,546,727**	**2,298,496**	**1,942,154**	**26,779,133**
Accumulated Depreciation and Amortization					
Balances at beginning of year	**8,021,590**	**12,200,246**	**2,412,677**	**2,464,758**	**25,099,271**
Depreciation and amortization (Note 14)	**777,216**	**146,780**	**151,970**	**43,611**	**1,119,577**
Disposals	**(38,633)**	**–**	**(337,887)**	**(610,188)**	**(986,708)**
Balances at end of year	**8,760,173**	**12,347,026**	**2,226,760**	**1,898,181**	**25,232,140**
Net Book Value	**₱1,231,583**	**₱199,701**	**₱71,736**	**₱43,973**	**₱1,546,993**

2020

	IT Equipment	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Total
Cost					
Balances at beginning of year	₱8,403,195	₱12,222,834	₱2,603,406	₱2,552,342	₱25,781,777
Additions	1,010,067	–	62,798	–	1,072,865
Disposals	(44,782)	–	(29,821)	–	(74,603)
Balances at end of year	9,368,480	12,222,834	2,636,383	2,552,342	26,780,039
Accumulated Depreciation and Amortization					
Balances at beginning of year	6,622,482	11,825,911	1,857,098	2,098,607	22,404,098
Depreciation and amortization (Note 14)	1,434,561	374,335	585,400	366,151	2,760,447
Disposals	(35,453)	–	(29,821)	–	(65,274)
Balances at end of year	8,021,590	12,200,246	2,412,677	2,464,758	25,099,271
Net Book Value	₱1,346,890	₱22,588	₱223,706	₱87,584	₱1,680,768

The Parent Company disposed property and equipment with cost amounting to ₱0.99 million and ₱0.07 million in 2021 and 2020, respectively, resulting to a gain of ₱0.26 million and ₱0.04 million recognized under "Other income (charges) - net" (see Note 15).

Depreciation and amortization in 2021 and 2020 charged under "General and administrative expenses" amounted to ₱1.12 million and ₱2.76 million, respectively (see Note 14).

There was no capitalized interest as at December 31, 2021 and 2020.

There were no property and equipment pledged as collateral as at December 31, 2021 and 2020.

11. Accounts and Other Payables

This account consists of:

	2021	2020
Trade payables		
Related parties (Note 17)	**₱109,341,740**	₱92,105,601
Third parties	**4,384,808**	13,219,392
Payable to related parties (Note 17)	**73,783,615**	73,893,919
Interest payable (Notes 15 and 17)	**19,223,045**	11,808,109
Deferred output VAT	**6,764,354**	5,081,053
Accrued expenses		
Professional fees (Note 14)	**3,479,706**	2,882,880
Others	**75,000**	123,078
Taxes payable	**1,381,700**	1,400,633
Notes payable (Note 17)	**1,361,505**	1,287,114
Payable to directors and officers (Note 17)	**117,678**	117,678
Other payables (Note 17)	**2,288,739**	10,515,755
	₱222,201,890	₱212,435,212

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

Deferred output VAT represents deferral of output VAT related to trade receivables for the services rendered by the Parent Company. These will be recognized as output VAT upon receipt of payment.

Accrued expenses mainly consist of accruals of professional fees and rent. These are noninterest-bearing and are normally settled within one year.

Taxes payable include expanded withholding tax on payment to suppliers and withholding tax on employees' compensation which are settled within one year.

The Company reclassified the current portion of the 2020 advances from stockholders amounting to ₱88.78 million from "Accounts and other payables" to "Advances from stockholders" to conform to the 2021 presentation. The statement of financial position as at the beginning of the earliest period presented is not presented as the reclassifications amount to ₱99.04 million and have no impact on total current liabilities as of January 1, 2020.

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

12. Service Income

This account consists of:

	2021	2020
Related parties (Note 17)		
Custom software development services	**₱–**	₱79,016,134
IT staffing	**19,749,999**	21,012,296
Third parties		
Custom software development services	**10,792,141**	16,223,289
Mobile content development services	**33,248,846**	15,061,629
	₱63,790,986	₱131,313,348

13. Cost of Services

This account consists of:

	2021	2020
Salaries, wages and employee benefits	**₱37,863,354**	₱34,009,704
Outsourced services (Note 17)	**27,280,222**	21,836,971
Depreciation and amortization (Note 6)	**1,721,092**	3,889,008
Web hosting	**1,606,387**	1,743,119
Rent (Note 16)	**932,985**	871,661
Commissions	**137,607**	64,823
Utilities	**118,360**	175,976
Segment fee and network costs	**25,148**	211,750
	₱69,685,155	₱62,803,012

14. General and Administrative Expenses

This account consists of:

	2021	2020
Salaries, wages and employee benefits	**₱18,964,258**	₱17,633,978
Professional fees	**12,439,509**	14,419,689
Provision for impairment losses (Notes 5, 8 and 9)	**10,349,741**	19,899,695
Directors' fees (Note 17)	**1,465,000**	2,670,000
Depreciation and amortization (Note 10 and 16)	**1,958,821**	3,502,272
Taxes and licenses	**767,604**	2,095,594
Dues and subscription	**674,529**	480,199
Advertising and promotions	**633,515**	326,048
Entertainment, amusement and recreation	**408,000**	345,785
Outsourced services (Note 17)	**270,607**	295,941
Communication	**266,932**	159,029
Seminars and trainings	**215,414**	98,058
Rent (Note 16)	**103,665**	96,851
(Forward)		

	2021	2020
Repairs and maintenance	**₱96,050**	₱229,167
Office supplies	**88,359**	59,549
Transportation and travel	**52,872**	196,795
Utilities	**10,583**	17,372
Miscellaneous	**3,591,706**	5,468,027
	₱52,357,165	₱67,994,049

Miscellaneous expense include penalties and other provision for probable losses.

15. Finance Costs and Other Income (Charges)

Finance costs - net consists of:

	2021	2020
Interest expense (Notes 11 and 17)	**(₱7,460,911)**	(₱7,397,963)
Interest income (Notes 4 and 17)	**31,295**	618,596
	(₱7,429,616)	(₱6,779,367)

Other income (charges) - net consists of:

	2021	2020
Gain from reversal of long outstanding payables (Note 17)	**₱978,919**	₱1,462,540
Gain on disposal of property and equipment (Note 10)	**259,858**	38,068
Foreign exchange gains (losses) - net	**(6,784,974)**	15,697,749
Bank charges	**(322,141)**	(223,161)
Loss on disposal of investment in subsidiary (Note 9)	**–**	(4,734,765)
Other income	**1,674,246**	6,935,277
	(₱4,194,092)	₱19,175,708

Other income includes rent charged to XEI and Seer amounting to ₱1.08 million in 2021 and allocated overhead costs to ODX amounting to ₱6.89 million in 2020.

16. Lease Commitments

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

a. In March 2021, the Parent Company, the Parent Company entered into a non-cancellable lease contract with Milestone Petroleum Marketing Corporation for the lease of an office unit in Antel Corporate Center for a period of two (2) years which commenced on March 1, 2021 and expires on February 28, 2023. The applicable rate per month is ₱86,816. The lease contract may be renewed upon the terms and conditions mutually agreed by both parties with an escalation rate of 4.00% per year.

b. The Parent Company entered into a non-cancellable lease contract with Gervel, Inc. for the lease of 7th floor office space for a period of three (3) years which commenced on April 1, 2017 and terminated on March 21, 2020. The applicable rate per month is ₱0.27 million and a corresponding annual increase of 4.00%.

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

As at December 31, 2021 and 2020, the future minimum lease payments under non-cancellable operating leases within one year amounted to ₱1.04 million and ₱0.99 million, respectively.

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

	2021	2020
Cost		
Balance at beginning and	**₱8,901,896**	₱8,901,896
Addition	**2,014,185**	–
Termination of lease contract	**(8,901,896)**	–
Balance at end of year	**2,014,185**	8,901,896
Accumulated Depreciation		
Balance at beginning of year	**8,901,896**	8,160,071
Depreciation (Note 14)	**839,244**	741,825
Termination of lease contract	**(8,901,896)**	–
Balance at end of year	**839,244**	8,901,896
Net Book Value	**₱1,174,941**	₱–

The rollforward analysis of lease liability follows:

	2021	2020
Balance at beginning of year	**₱–**	₱861,023
Addition	**2,014,185**	–
Accretion of interest	**45,975**	5,947
Payments	**(868,156)**	(866,970)
Balance at end of year	**₱1,192,004**	₱–
Current lease liabilities	**₱1,019,202**	₱–
Noncurrent lease liabilities	**₱172,802**	₱–

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

	2021	2020
Depreciation expense of right-of-use asset	**₱839,244**	₱741,825
Accretion of interest expense on lease liability	**45,976**	5,947
Rent expense charged on short-term lease under:		
Cost of services (Note 13)	**932,985**	871,661
General and administrative expenses (Note 14)	**103,665**	96,851
	₱1,921,870	₱1,716,284

17. **Related Party Transactions**

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

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

Material related party transactions ("RPT")
This refers to any related party transaction, either individually, or in aggregate over a 12-month period with the same related party, amounting to 10% or higher of the Parent Company's total consolidated assets based on its latest audited financial statements. All material related party transactions are subject to the review by the RPT Committee.

In the event wherein there are changes in the RPT classification from non-material to material, the material RPT shall be subject to the provisions of the related party transactions policy.

Details of transactions with related parties and their outstanding balances as at December 31, 2021 and 2020 follow:

			Amount/Volume		Outstanding Balance			
					2021		2020	
	Terms	**Conditions**	**2021**	2020	**Receivables (Note 5)**	**Payables (Note 11)**	Receivables (Note 5)	Payables (Note 11)
Subsidiaries								
Notes payable (a)	Noninterest-bearing	Unsecured	**₱–**	₱–	**₱–**	**₱1,361,505**	₱–	₱1,287,114
Service revenue (b-c)	Noninterest-bearing	Unsecured, with impairment	**17,640,216**	29,037,268	**22,430,257**	**–**	12,804,660	–
Management services (d)	Noninterest-bearing	Unsecured, with impairment	**13,034,367**	44,741,202	**29,741,077**	**–**	15,142,587	–
Outsourced services (e-i)	Noninterest-bearing	Unsecured	**2,474,483**	12,524,917	**–**	**109,341,740**	–	92,105,601
Advances (j)	Noninterest-bearing	Unsecured, with impairment	**20,492,878**	39,553,843	**185,806,739**	**19,276,231**	173,264,090	25,789,489
Advances (k-l)	Noninterest-bearing	Unsecured	**16,739,560**	–	**–**	**53,060,491**	–	51,675,405
Advances (m)	Interest-bearing	Unsecured, with impairment	**–**	–	**108,250,000**	**–**	108,250,000	–
Interest (m)	Noninterest-bearing	Unsecured, with impairment	**–**	–	**10,305,798**	**–**	10,305,798	–
Associates								
Advances (a)	Noninterest-bearing	Unsecured, with impairment	**514,149**	565,146	**11,400,996**	**–**	10,943,048	–
Stockholders								
Payable to directors and officers (a-b, d)	Interest-bearing	Unsecured	**–**	–	**–**	**143,563,235**	–	138,086,776
Interest (a-b)	Noninterest-bearing	Unsecured	**7,414,936**	7,392,016	**–**	**19,223,045**	–	11,808,109
Payable to directors and officers (c, e)	Noninterest-bearing	Unsecured	**1,465,000**	2,670,000	**–**	**1,318,500**	–	2,187,000
Advances (f)	Noninterest-bearing	Unsecured	**–**	–	**–**	**117,678**	–	117,678
Affiliate								
Management services (a)	Noninterest-bearing	Unsecured, with impairment	**2,291,740**	390,000	**1,822,968**	**–**	436,800	–
Service revenue	Noninterest-bearing	Unsecured, with impairment	**525,783**	–	**588,877**	**–**	–	–
Advances (c)	Noninterest-bearing	Unsecured, no impairment	**726,890**	1,063,017	**–**	**128,393**	–	755,283
					₱370,346,712	**₱347,390,818***	₱331,146,983	₱323,812,455

**includes Advances from Stockholders presented separately in the Statements of Financial Position*

The significant transactions with related parties follow:

Subsidiaries:

a. On September 15, 2017, the Parent Company issued a promissory note to AOC amounting to US$1,350,000 or ₱67.40 million.

   As at December 31, 2021 and 2020, the Parent Company has outstanding payable to AOC amounting to ₱1.36 million and ₱1.29 million, respectively (see Note 11).

b. In 2021 and 2020, the Parent Company entered into service agreements with its subsidiaries, XEI and Seer, wherein the former will provide talents and resources to develop and implement the various projects of XEI and Seer. In relation to this, outstanding trade receivable as of December 31, 2021 and 2020 amounted to ₱22.43 million and ₱2.80 million. Meanwhile, total service income recognized for the year ended December 31, 2021 and 2020 amounted to ₱17.64 million and ₱20.62 million, respectively (see Note 12).

c. In 2020, the Parent Company entered into a service agreement with CTX for the research and development services. Total service revenue recognized in relation to this transaction amounted to ₱8.02 million.

d. In 2021 and 2020, the Parent Company entered into agreements with its subsidiaries, XEI, Seer, and ODX wherein the Parent Company agreed to perform financial, legal, human resources, sales and marketing support, administrative support and technical services for a fee. In relation to this, the Parent Company has outstanding receivable amounting to ₱29.74 million and ₱15.14 million as of December 31, 2021 and 2020 respectively. Recognized management fees revenue in 2021 and 2020 amounted to ₱13.03 million and ₱44.74 million, respectively.

e. As at December 31, 2021 and 2020, the Parent Company has an outstanding payable to Xeleb amounting to ₱44.31 million presented under "Accounts and other payables" (see Note 11).

f. As at December 31, 2021 and 2020, the Parent Company has an outstanding payable to Xeleb Technologies amounting to ₱29.31 million presented under "Accounts and other payables" (see Note 11).

g. The Parent Company availed software development services from Xurpas Enterprise. Total outsourced services recognized by the Parent Company under "Cost of Services" amounted to ₱2.47 million and ₱12.52 million in 2021 and 2020, respectively (see Note 13).

   As at December 31, 2021 and 2020, the Parent Company has an outstanding payable to Xurpas Enterprise amounting to ₱21.26 million and ₱18.49 million, respectively, presented under "Accounts and other payables" (see Note 11).

h. In 2019, the Parent Company availed management services of AOC. As at December 31, 2021 and 2020, the Parent Company has an outstanding payable to AOC amounting to ₱14.46 million and ₱13.91 million, respectively.

i. Advances to subsidiaries include payments to and in behalf of Xurpas Enterprise, AOC, Seer, ODX, Xeleb and Xeleb Technologies for their operational expenditures. Total outstanding advances amounted to ₱185.81 million and ₱173.26 million as at December 31, 2021 and 2020, respectively. The Parent Company recognized allowance for impairment loss amounting to ₱73.58 million and ₱66.09 million as of December 31, 2021 and 2020, respectively.

The Parent Company has advances to Xurpas Enterprise amounting to ₱19.28 million as at December 31, 2021 and 2020 for the reimbursements of expenses incurred in relation to the cost of manpower of AOC (see Note 11).

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

j. The Parent Company received advances from ODX to finance the research and development expenditures for ODX Platform, and its overall business development. A service agreement was entered into by the parties in 2019 and commenced with the project development phase of the ODX Platform. In 2021 and 2020, service revenue recognized in relation to the service agreement amounted to ₱1.58 million and ₱61.83 million, respectively.

   Total advances extended by ODX to the Parent Company as of December 31, 2021 and 2020 amounted to ₱48.51 million and ₱33.22 million, respectively (see Note 11).

k. As at December 31, 2021 and 2020, the Parent Company has outstanding payable to Xeleb Tech amounting to ₱4.55 million for the purchase of property and equipment and intangible assets.

l. As of December 31, 2021 and 2020, advances to subsidiaries include short-term, interest-bearing loans to Storm Tech. Total outstanding advances amounted to ₱108.25 million as at December 31, 2021 and 2020. These are subject to interest rate of 3.75% to 8.00% per annum.

   In 2020, the BOD of the Parent Company approved to waive all loan interests of Storm Tech starting January 1, 2020.

   The Parent Company recognized allowance for impairment loss amounting to ₱23.63 million as of December 31, 2021 and 2020.

   As at December 31, 2021 and 2020, outstanding interest receivable amounted to ₱10.31 million (see Note 5).

Associates:

a. Advances to associates include payments to and in behalf of Altitude Games, and Ninelives for their operational expenditures. Total outstanding advances amounted to ₱11.40 million and ₱10.94 million as at December 31, 2021 and 2020, respectively. The Parent Company recognized allowance for impairment loss amounting to ₱5.49 million and ₱5.23 million as of December 31, 2021 and 2020, respectively (see Note 8).

Stockholders:

a. In 2017, the Parent Company entered into a loan agreement with its directors amounting to US$1,945,758 or ₱97.15 million subject to 5% interest rate per annum. In 2021 and 2020, the Parent Company recognized interest expense amounting to ₱4.54 million and ₱4.59 million, respectively (see Note 15). As at December 31, 2021 and 2020, outstanding loans and interest payable amounted to ₱94.26 million and ₱13.96 million, respectively, and ₱88.78 million and ₱9.26 million, respectively (see Note 11).

b. On April 29, 2019, the Parent Company entered into a loan agreement with its directors amounting to ₱150.00 million subject to 5.50% interest rate per annum. In 2021 and 2020, the Parent Company recognized interest expense amounting to ₱2.70 million and ₱2.81 million, respectively, under “Other income (charges) - net” in its parent company statements of comprehensive income (see Note 15).

As at December 31, 2021 and 2020, outstanding loans and interest payable pertaining to this transaction amounted to ₱49.30 million and ₱5.25 million, respectively, and ₱49.31 million and ₱2.55 million, respectively (see Note 11).

The Company reclassified the current portion of the 2020 advances from stockholders amounting to ₱88.78 million from “Accounts and other payables” to “Advances from stockholders” to conform to the 2021 presentation. The statement of financial position as at the beginning of the earliest period presented is not presented as the reclassifications amount to ₱99.04 million and have no impact on total current liabilities as of January 1, 2020.

c. In March and September 2020, the Parent Company sold its 100% ownership in CTX to Mr. Garcia, a stockholder, for a total amount of ₱5.27 million which was offset against the advances from the stockholder (see Note 9).

d. Payable to directors and officers also pertain to directors' fees amounting to ₱1.47 million and ₱2.67 million in 2021 and 2020, respectively (see Note 14).

   Outstanding payable amounted to ₱1.32 million and ₱2.19 million as at December 31, 2021 and 2020, respectively (see Note 11).

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

Affiliate:

a. The Parent Company entered into an agreement with CTX wherein the Parent Company agreed to perform financial, legal, human resources, sales and marketing support, administrative support and technical services for a fee. In relation to this, outstanding trade receivable and total service income recognized as at and for the years ended December 31, 2021 and 2020 amounted to ₱1.82 million and ₱2.29 million, respectively, and ₱0.44 million and ₱0.39 million, respectively (see Note 5).

   Advances from affiliate pertain to payments made by CTX to the Parent Company for operational purposes subject to future liquidation. Outstanding payable as at December 31, 2021 and 2020 amounted to ₱0.13 million and ₱0.76 million, respectively (see Note 11).

Key management compensation
Compensation of key management personnel amounted to ₱11.76 million and ₱10.24 million in 2021 and 2020, respectively.

Compensation of key management personnel by benefit type follows:

	2021	2020
Short-term employee benefits	**₱8,790,358**	₱8,790,358
Post-employment benefits	**2,969,622**	1,452,198
	₱11,759,980	₱10,242,556

18. **Income Tax**

Provision for (benefit from) income tax consists of the following:

	2021	2020
Current	**(₱513,218)**	₱2,641,492
Final	**6,102**	118,602
Deferred	**(2,759,019)**	–
	(₱3,266,135)	₱2,760,094

The current provision for income tax expense in 2021 and 2020 represents MCIT. The 2021 benefit from income tax includes the impact of the change in tax rate.

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

	2021	2020
Deferred tax assets on:		
Right of use assets	**₱293,735**	₱–
NOLCO	**–**	₱4,563,294
Unrealized loss on financial assets at FVOCI	**–**	18,000
	3,057,020	4,581,294
Deferred tax liabilities on:		
Lease liabilities	**298,001**	–
Unrealized foreign exchange gain	**–**	4,563,294
Unrealized gain on financial assets at FVOCI	**–**	18,000
	298,001	4,581,294
	2,759,019	–
Presented in OCI		
Deferred tax liabilities on actuarial gain	**(2,763,285)**	–
Net deferred tax liabilities	**(₱4,266)**	₱–

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. Below are the Parent Company's deductible temporary differences for which no deferred tax assets are recognized since management believes that there are no sufficient taxable profits against which the deferred tax assets can be utilized:

	2021	2020
NOLCO	**₱131,436,822**	₱238,637,927
Allowance for impairment losses	**112,266,327**	102,821,591
Accrued expenses	**84,281,060**	81,272,650
Pension liability	**14,980,340**	13,843,698
MCIT	**3,160,446**	3,013,290
	₱346,124,995	₱439,589,156

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

	2021	2020
Net unrealized loss on financial assets as FVOCI	**₱44,094,956**	₱44,194,956
Remeasurement loss on defined benefit plan	**2,703,083**	10,992,937
	₱46,798,039	₱55,187,893

The unexpired excess of MCIT over RCIT is available for offset against future income tax payable over a period of three years, details of which follow:

Year Incurred	Beginning	Applied/ Expired	End	Year of Expiration
2021	₱147,155	₱–	₱147,155	2024
2020	2,641,492	–	2,641,492	2023
2019	371,799	–	371,799	2022
	₱3,160,446	₱–	₱3,160,446	

The carryforward of NOLCO that can be claimed as deduction from future taxable income or used as deduction against income tax liabilities over a period of three (3) years follow:

Year Incurred	Beginning	Applied/Expired	End	Year of Expiration
2021	₱29,257,987	₱–	₱29,257,987	2026
2019	102,178,835	–	102,178,835	2022
2018	151,670,071	(151,670,071)	–	2021
	₱283,106,893	(₱151,670,071)	₱131,436,822	

As of December 31, 2021, the Parent Company has incurred NOLCO amounting to ₱29.26 million which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act.

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

	2021	2020
Statutory income tax	**(₱13,637,234)**	₱17,413,149
Tax effects of:		
Change in unrecognized deferred tax assets	**10,487,143**	(17,121,008)
Nondeductible expenses	**541,783**	2,534,929
Recognition of right of use asset and lease liabilities	**4,266**	–
Interest income already subjected to final tax	**(1,722)**	(66,976)
Adjustment of prior year income tax provision due to change in tax rate	**(660,371)**	–
Effective income tax	**(₱3,266,135)**	₱2,760,094

Corporate Recovery and Tax Incentives for Enterprises Act

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

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

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

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

Applying the provisions of the CREATE Act, the Company would have been subjected to lower minimum corporate income tax rate of 1.5% effective July 1, 2020

- Based on the provisions of Revenue Regulations (RR) No. 05-2021 dated April 08, 2021 issued by the BIR, the prorated MCIT rate of the Company for CY2020 is 1.5%. This resulted in lower provision for current income tax for the year ended December 31, 2020, and higher creditable withholding taxes as of December 31, 2020 by ₱0.66 million. The revised amounts was reflected in the Company's 2020 annual income tax return. For financial reporting purposes, these changes are recognized in the 2021 financial statements in accordance with PIC Q&A 2020-07.

- There is no impact in the recognized provision for deferred tax for the year then ended December 31, 2020 since no deferred tax assets were recognized in excess of the recognized deferred tax liabilities in 2020.

19. **Pension Liability**

The Parent Company does not have an established retirement plan and only conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) which is of the defined benefit type and provides a retirement benefit equal to 22.5 days' pay for every year of credited service. The regulatory benefit is paid in a lump sum upon retirement.

The principal actuarial assumptions used to determine the cost of pension benefits with respect to the discount rate and salary increase rate were based on historical and projected rates. Annual cost is determined using the projected unit credit actuarial valuation method.

The components of pension expense (included in salaries, wages and employee benefits under "General and administrative expenses" or under "Other charges - net") in the parent company statements of comprehensive income are as follows:

	2021	2020
Current service cost	**₱2,839,625**	₱1,909,135
Interest cost on benefit obligation	**1,060,302**	1,110,122
	₱3,899,927	₱3,019,257

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

	2021	2020
Balance at beginning of year	**₱26,180,286**	₱20,038,308
Current service cost	**2,839,625**	1,909,135
Interest cost on benefit obligation	**1,060,302**	1,110,122
Actuarial loss	**(11,053,139)**	3,122,721
Balance at end of year	**₱19,027,074**	₱26,180,286

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

	2021	2020
Balance at beginning of year	**₱10,992,937**	₱7,870,216
Actuarial loss (gain) – net of tax	**(8,289,854)**	3,122,721
Balance at end of year	**₱2,703,083**	₱10,992,937

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

	2021	2020
Discount rate	**5.17%**	4.05%
Salary projection rate	**5.00%**	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption of the defined benefit obligation (DBO) as of the end of the reporting period, assuming if all other assumptions were held constant:

		Effect on DBO Increase (decrease)	
		2021	2020
Discount rate	(+) 1.0%	**(₱2,320,528)**	(₱3,577,562)
	(−) 1.0%	**2,803,435**	4,335,872
(Forward)			
Salary increase rate	(+) 1.0%	**₱2,779,313**	₱4,248,188
	(−) 1.0%	**(2,344,275)**	(3,579,122)

The weighted average duration of defined benefit obligation at the end of the reporting period is 13.5 years and 15.1 years in 2021 and 2020, respectively.

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

	2021	2020
Less than 1 year	**₱1,968,841**	₱1,852,961
More than 1 year to 5 years	**5,229,196**	–
More than 5 years to 10 years	**5,999,815**	11,765,289
	₱13,197,852	₱13,618,250

20. **Equity**

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

	2021	2020
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	**₱193,492,586**	₱193,492,586
Value of treasury shares	**(₱99,700,819)**	(₱99,700,819)

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

In accordance with Revised Securities Regulation Code Rule No. 68, Annex 68-K, below is the summary of the Parent Company's track record of registration of securities as of December 31:

				2021	2020
	Number of shares registered	Issue/offer price	Date of approval	**Number of holders of securities as of December 31**	Number of holders of securities as of December 31
Common shares	344,000,000	₱3.97 issue price	November 13, 2014	**26**	24

The balance of additional paid-in capital (APIC) as of December 31, 2021 and 2020 represents the excess of the subscription price over paid-up capital.

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

Retained Earnings

Appropriations

Appropriated retained earnings which relates to buyback program of common shares in 2016 amounted to ₱115.46 million as of December 31, 2021 and 2020.

Dividend declaration

The Parent Company has no dividend declarations made in 2021 and 2020.

Equity Reserve

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

Treasury Stock

On April 8, 2019, the Parent Company issued 415,000 shares taken from its treasury shares for a price of ₱1.23 per share.

On July 14, 2019, the Parent Company issued 475,000 shares taken from its treasury shares for a price of ₱1.16 per share.

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

As of December 31, 2021 and 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 December 31, 2021, the Plan has been on hold for approval of SEC and PSE.

Capital Management
The primary objective of the Parent Company's capital management is to improve its credit rating and capital ratios in order to support its business operations and maximize shareholder value.

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

The Parent Company's sources of capital follow:

	2021	2020
Capital stock	**₱193,492,586**	₱193,492,586
Additional paid-in capital	**3,577,903,563**	3,577,903,563
Deficit	**(2,928,678,342)**	(2,874,632,257)
	₱842,717,807	₱896,763,892

The Parent Company is subject to certain capital requirement as a listed entity. The Parent Company regards its equity as its primary source of capital. No changes were made in the capital management policies in 2021 and 2020.

21. **Financial Instruments**

Fair Value Information
The methods and assumptions used by the Parent Company in estimating fair value of the financial instruments are as follows:

- Cash, accounts and other receivables, rental deposit, accounts and other payables (excluding "Taxes payable", "Deferred output VAT" and statutory payables included as "Other payables") - Carrying amounts approximate fair values due to the relatively short-term maturities of these instruments.

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

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

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

- Advances from stockholders - Fair value is estimated using the discounted cash flow methodology using the applicable risk-free rates for similar types of loans adjusted for credit spread. The discount rate used is 3.26% and 5.27% in 2020 and 2019, respectively.

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

	2021		2020	
	Carrying Value	**Carrying Value**	Fair Value	Fair Value
Financial asset				
Financial assets at fair value through other comprehensive income	**₱600,000**	**₱600,000**	₱500,000	₱500,000
Financial liability				
Advances from stockholders	**143,147,371**	**143,147,371**	138,204,454	136,158,143

Fair Value Hierarchy

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

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

Quoted FVOCI instruments amounting to ₱0.60 million and ₱0.50 million as of December 31, 2021 and 2020 were classified under Level 2 (see Note 7).

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

Financial Risk Management and Objectives and Policies

The Parent Company's principal financial instruments comprise of cash, accounts and other receivables, financial assets at FVOCI, and accounts and other payables (excluding accrued expenses, taxes payable, deferred output VAT and statutory payables) which arise directly from operations. The main purpose of these financial instruments is to finance the Parent Company's operations and to earn additional income on excess funds.

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

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

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

The Parent Company's risk management policies are summarized below:

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

The Parent Company's credit risk is primarily attributable to cash in banks and accounts and other receivables. Credit risk management involves monitoring its exposure to credit risk on a continuous basis.
There being no collaterals or credit enhancements attached to the Company's financial assets, the carrying value of its financial assets approximates the maximum exposure to credit risk as at December 31, 2021 and 2020.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rate based on days past due of all customers as they have similar loss patterns. The expected credit loss rate ranges from 0.44% to 11.60% that resulted in the ECL of ₱112.27 million and ₱102.82 million as of December 31, 2021 and 2020, respectively.

The Parent Company's credit risk exposure on its accounts and other receivables using provision matrix are as follows (amounts in millions):

December 31, 2021

	Trade receivables						**Receivable from related parties**	**Nontrade Receivable**
	Current	**< 30 days**	**30-60 days**	**61-90 days**	**> 90 days**	**Total**		
ECL rate	**0.44%**	**2.25%**	**4.50%**	**7.73%**	**11.60%**		**0-100%**	**100%**
Estimated total gross carrying amount at default	**₱39.35**	**₱0.89**	**₱0.03**	**₱0.03**	**₱19.72**	**₱60.02**	**₱315.76**	**₱7.21**
ECL	**₱0.16**	**₱0.02**	**₱–**	**₱–**	**₱2.17**	**₱2.35**	**₱102.71**	**₱7.21**

December 31, 2020

	Trade receivables						Receivable from related parties	Nontrade Receivable
	Current	< 30 days	30-60 days	61-91 days	> 90 days	Total		
ECL rate	1.57%	9.81%	19.23%	31.00%	41.06%		0-100%	100%
Estimated total gross carrying amount at default	₱21.33	₱1.61	₱13.63	₱–	₱1.25	₱37.82	₱317.45	₱7.21
ECL	₱0.29	₱0.01	₱0.04	₱–	₱0.32	₱0.65	₱94.96	₱7.21

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

Cash in banks - based on the nature of the counterparty and the Parent Company's rating procedure. These are held by counterparty banks with minimal risk of bankruptcy and are therefore classified as high grade.

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

Liquidity Risk
Liquidity risk is the risk that the Parent Company will be unable to meet its obligations as they fall due. The Parent Company seeks to manage its liquidity risk to be able to meet its operating cash flow requirement, finance capital expenditures and service maturing debts. To cover its short-term funding requirements, the Parent Company intends to use internally generated funds and available short-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD. The Parent Company can also obtain additional advances from its stockholders, refinance its short-term loans, renew its credit lines and negotiate for longer payment terms for its payables to manage liquidity.

The table summarizes the maturity profile of the Parent Company's financial assets and liabilities as at December 31, 2021 and 2020 based on contractual undiscounted payments:

December 31, 2021

	<1 year	**>1 to <5 years**	**>5 years**	**Total**
Financial Assets				
Cash in banks	**₱16,943,412**	**₱–**	**₱–**	**₱16,943,412**
Accounts and other receivables				
Receivable from related parties	**315,763,533**	–	–	**315,763,533**
Trade receivables - net	**60,017,424**	–	–	**60,017,424**
Notes receivable	**7,208,250**			**7,208,250**
Other receivables	**503,207**	–	–	**503,207**
Financial assets at FVOCI	**–**	**600,000**	–	**600,000**
Other noncurrent assets				
Rental deposits	–	**260,447**	–	**260,447**
Total undiscounted financial assets	**400,435,826**	**860,447**	–	**401,296,273**
Financial Liabilities				
Accounts and other payables				
Trade payables	**113,726,548**	–	–	**113,726,548**
Payable to related parties	**73,783,615**	–	–	**73,783,615**
Interest payable	**19,223,045**	–	–	**19,223,045**
Other payable	**2,594,910**	–	–	**2,594,910**
Accrued expenses	**3,554,706**	–	–	**3,554,706**
Payable to directors and officers	**117,678**	–	–	**117,678**
Notes payable	**1,361,505**	–	–	**1,361,505**
Advances from stockholders	**143,563,235**	–	–	**143,563,235**
Lease liabilities	**1,041,787**	**173,631**	–	**1,215,418**
Total undiscounted financial liabilities	**358,967,029**	–	–	**359,140,660**
Liquidity gap	**₱41,468,797**	**₱686,816**	**₱–**	**₱42,155,613**

December 31, 2020

	<1 year	>1 to <5 years	>5 years	Total
Financial Assets				
Cash	₱59,509,240	₱–	₱–	₱59,509,240
Accounts and other receivables				
Receivable from related parties	317,905,523	–	–	317,905,523
Trade receivables - net	37,159,314	–	–	37,159,314
Notes receivable	7,208,250			7,208,250
Other receivables	847,188	–	–	847,188
Other current assets				
Rental deposits	1,348,520			1,348,520
Financial assets at FVOCI	–	500,000	–	500,000
Total undiscounted financial assets	423,978,035	500,000	–	424,478,035

(Forward)

	<1 year	>1 to <5 years	>5 years	Total
Financial Liabilities				
Accounts and other payables				
Trade payables	105,324,993	–	–	105,324,993
Advances from stockholders	88,784,053	52,891,015	–	141,675,068
Payable to related parties	73,893,919	–	–	73,893,919
Interest payable	11,808,109	–	–	11,808,109
Other payable	10,426,453	–	–	10,426,453
(Forward)				
Accrued expenses	3,005,958	–	–	3,005,958
Notes payable	1,287,114	–	–	1,287,114
Payable to directors and officers	117,678	–	–	117,678
Total undiscounted financial liabilities	294,648,277	52,891,015	–	347,539,292
Liquidity gap	₱129,329,758	(₱52,391,015)	₱–	₱76,938,743

Foreign Currency Risk

The Parent Company's exposure to foreign exchange rate is minimal as concentration of business is denominated in Philippine peso.

The table below summarizes the Parent Company's exposure to foreign exchange risk as of December 31, 2021 and 2020. The applicable exchange rates were US$1.00 to ₱50.99 and S$1.00 to ₱37.55 in 2021 and US$1.00 to ₱48.02 and S$1.00 to ₱36.12 in 2020.

	2021		2020	
	Original Currency	**Peso equivalent**	Original Currency	Peso equivalent
Asset				
Cash in bank (USD)	**276,554**	**₱14,104,047**	347,204	₱16,678,295
Liabilities				
Accounts and other payables				
Payable to related party(USD)	**955,479**	**48,513,486**	691,487	33,216,279
Payable to related party (SGD)	**385,164**	**14,464,715**	385,164	13,912,121
Advances from stockholders (USD)	**2,120,099**	**108,228,769**	1,848,282	88,784,053
Notes payable (USD)	**26,815**	**1,361,505**	26,815	1,287,114
		172,568,475		137,199,567
Net foreign currency denominated financial instruments		**(₱158,464,428)**		(₱120,521,272)

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-foreign currency exchange rate, with all variables held constant, of the Parent Company's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Parent Company's equity.

	2021		2020	
	+1%	**-1%**	+1%	-1%
USD	**(₱914,228)**	**₱1,955,355**	(₱1,067,088)	₱1,065,115
SGD	**(144,651)**	**144,644**	(139,121)	(139,121)

There is no other impact on the Parent Company's equity other than those already affecting the net income.

Equity Price Risk

Equity price risk is the risk that the financial assets whose values will fluctuate as a result of changes in market prices. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in market. As of December 31, 2021 and 2020, the Parent Company has minimal exposure in equity price risk since the Parent Company's financial asset at FVOCI amounted only to ₱0.60 million and ₱0.50 million, respectively. Moreover, the Parent Company's financial asset at FVOCI are generally perceived as not highly susceptible to the equity price risk since the shares are issued by stable companies and are not subjected to other than temporary decline.

There is no impact on the Parent Company's equity other than those already affecting net income.

22. Segment Reporting

The Parent Company's operating business are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and serves different markets.

In 2021, the industry segments where the Parent Company operates follow:

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

The following tables regarding business segment revenue and profit information:

	2021		
	Mobile Consumer Services	**Enterprise Services**	**Total**
Revenues	**₱33,248,846**	**₱45,868,247**	**₱79,117,093**
Cost and expenses	**(41,347,085)**	**(79,727,745)**	**(121,074,830)**
Finance cost and other income	**(1,465,304)**	**(11,125,894)**	**(12,591,198)**
Income before income tax	**(9,563,543)**	**(44,985,392)**	**(54,548,935)**
Provision for (benefit from) income tax	**87,835**	**(3,353,970)**	**(3,266,135)**
Net income	**(₱9,651,378)**	**(₱41,631,422)**	**(₱51,282,800)**

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

The following tables present business segment assets and liabilities:

	2021		
	Mobile Consumer Services	**Enterprise Services**	**Total**
Segment assets	**₱78,440,951**	**₱648,037,516**	**₱726,478,467**
Segment liabilities	**₱100,591,252**	**₱285,397,217**	**₱385,988,469**

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

23. Notes to Parent Company Statements of Cash Flows

Disclosed below is the rollforward of liabilities under financing activities:

	January 1, 2021	**Cash flows**	**Non-cash changes**	**December 31, 2021**
Lease liability	**₱–**	**(₱868,156)**	**₱2,060,161**	**₱1,192,005**
Advances from stockholders	**138,086,776**	**–**	**4,942,917**	**143,147,371**
Total liabilities from financing activities	**₱138,086,776**	**(₱868,156)**	**₱7,003,078**	**₱144,339,376**

	January 1, 2020	Cash flows	Non-cash changes	December 31, 2020
Lease liability	₱861,023	(₱866,970)	₱5,947	₱–
Advances from stockholders	157,822,528	–	(19,735,752)	138,086,776
Total liabilities from financing activities	₱158,683,551	(₱866,970)	(₱19,729,805)	₱138,086,776

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

- Unrealized gain on foreign exchange revaluation of advances from stockholders amounted to ₱5.06 million and ₱5.01 million in 2021 and 2020, respectively.
- The Parent Company sold its 100% ownership in CTX to a stockholder for ₱5.01 million which was offset against advances from stockholders in 2020.
- Unrealized gain on financial assets at FVOCI amounted to ₱100,000 and ₱42,000 in 2021 and 2020, respectively. In 2020, net unrealized loss on financial assets at FVOCI decreased by ₱18,000 as a result of the recognition of deferred tax asset.

24. Other Matter

COVID-19 Outbreak

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

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

25. Events after the Reporting Date

On January 20, 2022, the Parent Company's BOD approved the issuance of common shares to Mr. Nico Jose S. Nolledo, a founder and currently the Chairman of the board, in exchange of ₱100.00 million capital infusion. Total number of shares issued is at 181,818,182 for 0.55 per share. The transaction was executed on March 21, 2022.

The Parent company considers this event as a non-adjusting subsequent event, accordingly, no adjustments have been made to the consolidated financial statements as of and for the year ended December 31, 2021.

26. Supplementary Information Required Under Revenue Regulations 15-2010

Revenue Regulations (RR) No. 15-2010 are promulgated to amend certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of parent company financial statements accompanying tax returns. In addition to the disclosures mandated under PFRS, RR No. 15-2010 requires disclosures regarding information on taxes, duties and license fees paid or accrued during the taxable year.

The Parent Company also reported and/or paid the following types of taxes for 2021:

<u>Value-added tax</u>

Output VAT

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

	Net Sales/Receipts	Output VAT
Taxable sales	₱63,426,706	₱7,611,205
Zero-rated sale	2,000	–
	₱63,428,706	₱7,611,205

The Parent Company's taxable sale of services are based on actual collections received, hence, may not be the same as amounts accrued in the parent company statements of comprehensive income.

Input VAT
Details of the Parent Company's input VAT follow:

Input tax carried over from previous period	₱3,628,095
Current year's domestic purchases/payments for:	
Domestic purchase of services	1,901,277
Domestic purchases of goods other than capital goods	2,686,819
Purchase of capital goods not exceeding ₱1 million	109,063
	8,325,254
Application against output VAT	(7,168,603)
Balance at end of year	₱1,156,651

Taxes and Licenses
This includes all other taxes, local and national, including licenses and permit fees lodged in the Parent Company statement of comprehensive income under the general and administrative expenses in the account "Taxes and licenses" for the year ended December 31, 2021.

Details consist of the following:

Municipal permits and licenses	₱444,298
Donor's tax	269,086
License renewal	30,510
Community tax certificate	10,500
Real property tax	10,170
BIR annual registration	500
Others	2,540
	₱767,604

Withholding Taxes
Details of withholding taxes paid/accrued for 2021 are as follow:

Withholding taxes on compensation and benefits	₱10,763,997
Expanded withholding taxes	1,130,985
	₱11,894,982

Tax Contingencies

The Parent Company did not receive any final tax assessments in 2021, nor did it have tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the administration of Bureau of Internal Revenue.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

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 Centre, 121 Valero St., Salcedo Village, Brgy. Bel-Air, Makati City

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

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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

"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS"

The management of **XURPAS INC. AND SUBSIDIARIES** (the "Group") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

NICO JOSE S. NOLLEDO
Chairman of the Board

ALEXANDER D. CORPUZ
President/ Chief Finance Officer

FERNANDO JUDE GARCIA
Treasurer/ Chief Technology Officer

Signed this MAY 16 2022

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

SUBSCRIBED AND SWORN TO before me, a Notary Public for and in TAGUIG CITY this May 16, 2022, affiants personally appeared and exhibiting to me their validly issued government ID with following details:

Name	Government Issued Identification Card No.	Place Issued / Expiry Date
Nico Jose S. Nolledo	N03-94-163989	LTO / 09-12-2022
Alexander D. Corpuz	P5670777A	DFA NCR East / 01-17-2028
Fernando Jude F. Garcia	N02-93-214861	LTO / 08-30/2024

Doc. No. 336
Page No. 69
Book No. 2
Series of 2022.

EDRIAN M. APAYA
PTR No. 8131748/01-04-2022/Pasig City
IBP No. 178878/01-04-22/ Masbati City
Roll No. 64655
MCLE Compliance VI-0025830; 04-16-2019
Unit 704, The Infinity Building
26th Street, Bonifacio Global City, Taguig City
Email address:emapaya@gorricetalaw.com
Telephone No. 5196892
Appointment No. 79 (2020-2021) - Taguig City
Commission extended until 30 June 2022

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

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

Building a better working world

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Xurpas Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity (capital deficiency) and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements, which indicates that the Group incurred net losses of ₱26.16 million, ₱68.82 million and ₱2,635.36 million, and net operating cash outflows of ₱39.21 million, ₱74.42 million and ₱116.21 million for the years ended December 31, 2021, 2020 and 2019, respectively. The Group's capital deficiency amounted to ₱7.91 million as of December 31, 2021 and the Group's current liabilities exceeded its current assets by ₱428.43 million and ₱370.47 million as of December 31, 2021 and 2020, respectively. As stated in Note 1, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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

Impairment testing of goodwill and investment in Micro Benefits Limited

The Group has goodwill arising from business combinations and has investments in associates. Under PFRSs, the Group is required to annually test the amount of goodwill for impairment while an investment in associate is tested for impairment when indicators exist that the investment may be impaired. The impairment tests are significant to our audit because the balances of goodwill and investment in Micro Benefits Limited, an associate, as of December 31, 2021 are material to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions as impacted by the COVID-19 pandemic, specifically discount rates, annual revenue growth rates, long-term growth rates, and earnings before interest, taxes, depreciation and amortization (EBITDA) margins.

The Group's disclosures about goodwill are included in Notes 3 and 11 while the disclosures about investment in Micro Benefits Limited are included in Note 9 to the consolidated financial statements.

Audit Response

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

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2021 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) for the year ended December 31, 2021, which is expected to be made available to us after that date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
Tax Identification No. 925-713-249
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 112004-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-119-2022, January 20, 2022, valid until January 19, 2025
PTR No. 8854339, January 3, 2022, Makati City

May 16, 2022

XURPAS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash (Notes 4 and 27)	**₱35,951,198**	₱67,743,841
Accounts and other receivables (Notes 5, 19 and 27)	**66,540,105**	70,290,208
Contract assets (Note 6)	**29,763,501**	4,995,516
Other current assets (Note 8)	**21,087,598**	22,798,171
Total Current Assets	**153,342,402**	165,827,736
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 7 and 27)	**600,000**	500,000
Investments in and advances to associates (Note 9)	**336,217,742**	340,547,348
Property and equipment (Note 10)	**4,660,131**	4,252,945
Intangible assets (Note 11)	**88,513,686**	87,837,200
Right-of-use assets (Note 18)	**1,174,941**	–
Other noncurrent assets (Note 8)	**21,434,436**	18,099,744
Total Noncurrent Assets	**452,600,936**	451,237,237
	₱605,943,338	₱617,064,973
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 12, 19 and 27)	**₱381,698,429**	₱373,541,734
Advances from stockholders (Notes 19 and 27)	**143,563,235**	88,784,053
Loans payable (Notes 13 and 27)	**29,726,407**	41,710,283
Contract liabilities (Note 6)	**25,763,916**	32,256,949
Current portion of lease liabilities (Note 18)	**1,019,202**	–
Total Current Liabilities	**581,771,189**	536,293,019
Noncurrent Liabilities		
Advances from stockholders - net of current portion (Notes 19 and 27)	**–**	49,302,723
Loans payable - net of current portion (Notes 13 and 27)	**9,066,663**	–
Lease liabilities - net of current portion (Note 18)	**172,803**	–
Deferred tax liabilities – net	**4,266**	–
Pension liabilities (Note 21)	**22,834,498**	26,816,555
Total Noncurrent Liabilities	**32,078,230**	76,119,278
Total Liabilities	**613,849,419**	612,412,297
Equity (Capital Deficiency)		
Equity attributable to equity holders of Xurpas Inc.		
Capital stock (Note 24)	**193,492,585**	193,492,585
Additional paid-in capital (Note 24)	**3,577,903,565**	3,577,903,565
Deficit (Note 24)	**(3,241,042,649)**	(3,243,882,830)
Accumulated net unrealized loss on financial assets at FVOCI (Note 7)	**(44,094,956)**	(44,194,956)
Cumulative translation adjustment	**50,821,647**	64,908,736
Remeasurement gain (loss) on defined benefit plan (Note 21)	**2,908,954**	(3,335,931)
Equity reserve (Notes 22 and 24)	**(363,424,608)**	(363,424,608)
Treasury stock (Note 24)	**(99,700,819)**	(99,700,819)
Revaluation surplus (Note 11)	**28,559,774**	18,819,666
	105,423,493	100,585,408
Noncontrolling interests (Notes 22 and 23)	**(113,329,574)**	(95,932,732)
Total Equity (Capital deficiency)	**(7,906,081)**	4,652,676
	₱605,943,338	₱617,064,973

See accompanying Notes to Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2021	2020	2019
INCOME (Note 14)			
Service income	**₱185,392,159**	₱121,361,392	₱879,812,486
Sale of goods	**24,638,512**	52,647,630	92,146,792
	210,030,671	174,009,022	971,959,278
DIRECT COSTS			
Cost of services (Note 15)	**158,875,530**	127,189,777	742,192,172
Cost of goods sold (Note 8)	**13,930,963**	38,009,423	83,281,895
	172,806,493	165,199,200	825,474,067
GENERAL AND ADMINISTRATIVE EXPENSES (Note 16)	**85,246,686**	119,849,055	2,204,423,906
EQUITY IN NET LOSSES OF ASSOCIATES (Note 9)	**320,749**	7,747,043	33,286,655
FINANCE COSTS - Net (Note 17)	**9,145,612**	9,981,548	38,041,631
OTHER CHARGES (INCOME) - Net (Note 17)	**(28,369,439)**	(55,227,183)	479,941,783
	66,343,608	82,350,463	2,755,693,975
LOSS BEFORE INCOME TAX	**(29,119,430)**	(73,540,641)	(2,609,208,764)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 20)	**(2,959,698)**	(4,723,381)	26,152,416
NET LOSS	**(26,159,732)**	(68,817,260)	(2,635,361,180)
OTHER COMPREHENSIVE INCOME			
Items that will be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustment	**(10,068,589)**	10,652,433	9,118,386
Share in OCI of an associate from cumulative translation adjustment (Note 9)	**(4,008,857)**	6,273,297	4,375,181
Item that will not be reclassified to profit or loss in subsequent periods:			
Revaluation surplus (Note 11)	**21,321,332**	18,819,666	–
Unrealized gain (loss) on financial assets at FVOCI, net of tax (Note 7)	**100,000**	42,000	(35,000)
Remeasurement gain (loss) on defined benefit plan, net of tax (Note 21)	**6,257,089**	241,869	(5,069,301)
	13,600,975	36,029,265	8,389,266
TOTAL COMPREHENSIVE LOSS	**(₱12,558,757)**	(₱32,787,995)	(₱2,626,971,914)
Net loss attributable to:			
Equity holders of Xurpas Inc.	**(₱8,741,043)**	(₱59,080,505)	(₱2,630,944,855)
Noncontrolling interests	**(17,418,689)**	(9,736,755)	(4,416,325)
	(₱26,159,732)	(₱68,817,260)	(₱2,635,361,180)
Total comprehensive income (loss) attributable to:			
Equity holders of Xurpas Inc.	**₱4,838,085**	(₱24,024,505)	(₱2,622,740,317)
Noncontrolling interests	**(17,396,842)**	(8,763,490)	(4,231,597)
	(₱12,558,757)	(₱32,787,995)	(₱2,626,971,914)
Loss per share (Note 26)			
Basic	**(₱0.01)**	(₱0.03)	(₱1.41)
Diluted	**(₱0.01)**	(₱0.03)	(₱1.41)

See accompanying Notes to Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CAPITAL DEFICIENCY)

Year Ended December 31, 2021

Equity attributable to equity holders of Xurpas Inc.

	Capital Stock (Note 24)	**Additional Paid-in Capital** (Note 24)	**Retained Earnings - Appropriated** (Note 24)	**Retained Earnings - Unappropriated (Deficit)** (Note 24)	**Accumulated Net Unrealized Loss on Financial Assets at FVOCI** (Note 7)	**Cumulative Translation Adjustment**	**Remeasurement Gain (Loss) on Defined Benefit Plan** (Note 21)	**Equity Reserve** (Notes 22 and 24)	**Treasury shares** (Note 24)	**Revaluation Surplus** (Note 11)	**Total**	**Non-Controlling Interest**	**Total Capital deficiency**
Balances at beginning of year	**₱193,492,585**	**₱3,577,903,565**	**₱115,464,275**	**(₱3,359,347,105)**	**(₱44,194,956)**	**₱64,908,736**	**(₱3,335,931)**	**(₱363,424,608)**	**(₱99,700,819)**	**₱18,819,666**	**₱100,585,408**	**(₱95,932,732)**	**₱4,652,676**
Transfer of revaluation surplus	–	–	–	**11,581,224**	–	–	–	–	–	**(11,581,224)**	–	–	–
Net loss	–	–	–	**(8,741,043)**	–	–	–	–	–	–	**(8,741,043)**	**(17,418,689)**	**(26,159,732)**
Other comprehensive income (loss) - net of tax effect	–	–	–	–	**100,000**	**(14,087,089)**	**6,244,885**	–	–	**21,321,332**	**13,579,128**	**21,847**	**13,600,975**
Total comprehensive income (loss)	–	–	–	**(8,741,043)**	**100,000**	**(14,087,089)**	**6,244,885**	–	–	**21,321,332**	**4,838,085**	**(17,396,842)**	**(12,558,757)**
Balances at end of year	**₱193,492,585**	**₱3,577,903,565**	**₱115,464,275**	**(₱3,356,506,924)**	**(₱44,094,956)**	**₱50,821,647**	**₱2,908,954**	**(₱363,424,608)**	**(₱99,700,819)**	**₱28,559,774**	**₱105,423,493**	**(₱113,329,574)**	**(₱7,906,081)**

Year Ended December 31, 2020

Equity attributable to equity holders of Xurpas Inc.

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

	Year Ended December 31, 2019											
	Equity attributable to equity holders of Xurpas Inc.											
	Capital Stock (Note 24)	Additional Paid-in Capital (Note 24)	Retained Earnings - Appropriated (Note 24)	Retained Earnings - Unappropriated (Deficit) (Note 24)	Net Unrealized Loss on Financial Assets at FVOCI (Note 7)	Cumulative Translation Adjustment	Remeasurement Gain (Loss) on Defined Benefit Plan (Note 21)	Equity Reserve (Notes 22 and 24)	Treasury shares (Note 24)	Total	Non-Controlling Interest	Total Equity
Balances at beginning of year, as previously reported	₱193,492,585	₱3,592,076,662	₱115,464,275	(₱671,838,812)	(₱44,219,956)	₱34,451,988	₱5,475,312	(₱402,222,322)	(₱115,464,275)	₱2,707,215,457	₱759,368,776	₱3,466,584,233
Adjustment as a result of PFRS 16 adoption	–	–	–	(271,300)	–	–	–	–	–	(271,300)	–	(271,300)
Balance at beginning of year, as restated	193,492,585	3,592,076,662	115,464,275	(672,110,112)	(44,219,956)	34,451,988	5,475,312	(402,222,322)	(115,464,275)	2,706,944,157	759,368,776	3,466,312,933
Issuance of treasury shares (Note 24)	–	(6,984,364)	–	–	–	–	–	–	8,045,364	1,061,000	–	1,061,000
Derecognition of defined benefit plan (Note 21)	–	–	–	(813,261)	–	–	813,261	–	–	–	–	–
Acquisition of noncontrolling interest (Notes 22 and 24)	–	–	–	–	–	–	–	36,090,788	–	36,090,788	(36,090,788)	–
Increase in noncontrolling interest (Notes 22 and 24)	–	–	–	–	–	–	–	2,706,926	–	2,706,926	4,375,884	7,082,810
Sale of a subsidiary (Note 23)	–	–	–	3,601,628	–	–	(3,601,628)	–	–	–	(821,591,499)	(821,591,499)
Net loss	–	–	–	(2,630,944,855)	–	–	–	–	–	(2,630,944,855)	(4,416,325)	(2,635,361,180)
Other comprehensive income (loss) - net of tax effect	–	–	–	–	(35,000)	13,498,222	(5,258,684)	–	–	8,204,538	184,728	8,389,266
Total comprehensive income	–	–	–	(2,630,944,855)	(35,000)	13,498,222	(5,258,684)	–	–	(2,622,740,317)	(4,231,597)	(2,626,971,914)
Balances at end of year	₱193,492,585	₱3,585,092,298	₱115,464,275	(₱3,300,266,600)	(₱44,254,956)	₱47,950,210	(₱2,571,739)	(₱363,424,608)	(₱107,418,911)	₱124,062,554	(₱98,169,224)	₱25,893,330

See accompanying Notes to Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(₱29,119,430)**	(₱73,540,641)	(₱2,609,208,764)
Adjustments for:			
Depreciation and amortization (Notes 10, 11, 15, 16 and 18)	**10,630,955**	29,570,496	76,642,044
Interest expense (Notes 13, 17, 18 and 19)	**9,189,337**	10,628,192	39,684,855
Writeoff of obsolete inventory (Notes 8 and 16)	**8,381,571**	–	–
Unrealized foreign currency exchange loss (gain)	**4,878,329**	(2,999,629)	(1,841,793)
Pension expense (Note 21)	**5,044,583**	3,684,223	5,191,208
Provision for impairment loss (Notes 8, 9, 11 and 16)	**2,631,821**	16,033,171	1,923,415,811
Equity in net losses of associates (Note 9)	**320,749**	7,747,043	33,286,655
Loss (gain) on retirement and disposal of property and equipment and derecognition of right-of-use asset and lease liabilities (Notes 10, 17 and 18)	**(267,358)**	1,168,543	244,602
Interest income (Notes 4 and 17)	**(43,725)**	(646,644)	(1,643,224)
Unrealized gain on revaluation of cryptocurrencies (Notes 11 and 17)	**–**	(555,709)	(1,995,765)
Loss (gain) on disposal of subsidiary (Notes 17 and 23)	**–**	(3,337,327)	478,950,094
Realized foreign exchange loss (gain) on sale of cryptocurrencies (Note 11)	**–**	–	442,064
Loss from sale of cryptocurrencies (Notes 11 and 17)	**–**	–	185,884
Gain on curtailment (Note 21)	**–**	–	(5,935,378)
Operating income (loss) before changes in working capital	**11,646,832**	(12,248,282)	(62,581,707)
Changes in working capital:			
Decrease (increase) in:			
Accounts and other receivables and contract assets	**(24,256,178)**	(35,711,003)	(48,359,985)
Other assets	**(8,357,085)**	15,712,645	(5,319,550)
Increase (decrease) in:			
Accounts and other payables	**(6,922,348)**	(34,689,691)	28,397,023
Contract liabilities	**(6,493,033)**	727,869	42,652,758
Other current liabilities	**–**	–	(8,109,539)
Cash used in operations	**(34,381,812)**	(66,208,462)	(53,321,000)
Interest received	**43,725**	646,644	1,643,224
Interest paid	**(3,349,543)**	(5,174,510)	(33,255,283)
Income taxes paid, including creditable withholding taxes	**(1,522,166)**	(3,681,110)	(31,274,360)
Net cash used in operating activities	**(39,209,796)**	(74,417,438)	(116,207,419)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of cryptocurrencies (Note 11)	**13,624,230**	–	2,411,670
Proceeds from disposal of property and equipment (Note 10)	**271,850**	–	3,075,635
Additions to:			
Intangible assets (Notes 11 and 29)	**(387,351)**	(96,332)	(3,036,792)
Property and equipment (Notes 10 and 29)	**(2,795,422)**	(1,238,440)	(9,286,275)
Cash of disposed subsidiary (Note 23)	**–**	(1,088,427)	–
Proceeds from disposal of subsidiary, net of cash disposed (Note 23)	**–**	–	373,028,681
Net cash provided by (used in) investing activities	**10,713,307**	(2,423,199)	366,192,919
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of loans payable (Note 13)	**(2,917,213)**	(10,346,413)	(316,346,770)
Payment of principal portion of lease liabilities (Note 18)	**(868,156)**	(2,184,116)	(21,833,336)
Proceeds from availment of loans payable (Note 13)	**–**	–	9,735,561
Advances from stockholders (Note 19)	**–**	–	150,000,000
Increase in noncontrolling interest (Note 22)	**–**	–	7,082,805
Issuance of treasury shares (Note 24)	**–**	–	1,061,000
Acquisition of noncontrolling interest (Note 22)	**–**	–	(4,000,000)
Dividends paid (Note 24)	**–**	–	(10,983,978)
Payment of advances from stockholders (Note 19)	**–**	–	(95,966,667)
Net cash used in financing activities	**(3,785,369)**	(12,530,529)	(281,251,385)

(Forward)

	Years Ended December 31		
	2021	2020	2019
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH	**₱489,214**	₱3,185,961	₱7,798,744
NET DECREASE IN CASH	**(31,792,643)**	(86,185,205)	(23,467,141)
CASH AT BEGINNING OF YEAR	**67,743,841**	153,929,046	177,396,187
CASH AT END OF YEAR (Note 4)	**₱35,951,198**	₱67,743,841	₱153,929,046

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

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

Prior to 2021, the Parent Company's registered office address and principal place of business is at 7th Floor, Cambridge Centre, 108 Tordesillas St. Salcedo Village, Makati City. On March 31, 2021, the Board of Directors (BOD) of the Parent Company approved the transfer of the principal place of business of the Parent Company to Unit 804 Antel 2000 Corporate Center, 121 Valero St., Salcedo Village, Brgy. Bel-Air, Makati City.

On December 2, 2014, the Parent Company's shares of stock were listed in the Philippine Stock Exchange (PSE).

The Group incurred net losses of ₱26.16 million, ₱68.82 million and ₱2,635.36 million, and net operating cash outflows of ₱39.21 million, ₱74.42 million and ₱116.21 million for the years ended December 31, 2021, 2020 and 2019, respectively. The Group's capital deficiency amounted to ₱7.91 million as of December 31, 2021 and the Group's current liabilities exceeded its current assets by ₱428.43 million and ₱370.47 million as of December 31, 2021 and 2020, respectively. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may not be able to realize its assets and discharge its liabilities in the normal course of business. Management assessed that the Group will be able to maintain its positive cash position and settle its liabilities as they fall due through future actions such as continuous venture into new revenue potentials, cost cutting measures, and equity funding to support liquidity.

Management does not have plans to liquidate and continues to believe that the Group is in a unique position being one of the few technology companies that can assist companies in their digital transformation initiatives and develop marketing promotions for consumer and enterprise businesses.

Planned acquisition of Wavemaker Group Inc.
In 2019, the Parent Company's BOD approved the acquisition of 100% equity interest in Wavemaker US Fund Management Holdings, LLC, a venture capital management firm based in Los Angeles, California, United States of America. In 2020, the parties agreed to purchase Wavemaker Group, Inc. instead of Wavemaker US Fund Management Holdings, LLC, a limited liability company. Wavemaker Group Inc. is a fund management entity duly incorporated under the laws of Delaware, United States of America, that primarily invests in companies that focuses on high technology industries.

On September 20, 2020, the Parent Company's BOD approved the purchase of 100% of Wavemaker Group Inc. at a purchase price of approximately ₱170.00 million which shall be paid in cash upon completion of the transaction. The Stock Purchase Agreement for the said acquisition has already been signed by the Parties in 2020. Notwithstanding the execution of the definitive agreements, the Parent Company's acquisition of Wavemaker Group Inc. is conditioned on receipt of the approval of the Parent Company's stockholders and certain regulatory confirmations prior to proceeding with the transaction. Accordingly, the trading of the Parent Company's shares with the PSE has been suspended on September 21, 2020 pending receipt of the regulatory clearances.

On December 22, 2021, the parties mutually agreed to terminate the Subscription Agreement, Stock Purchase Agreement and such other agreements due to failure to close the transaction by December 31, 2020. The PSE lifted the trading suspension on January 17, 2022.

The consolidated financial statements were approved and authorized for issue by the BOD on May 16, 2022.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) measured at fair value and cryptocurrencies under intangible assets measured under the revaluation model. The consolidated financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency. All amounts were rounded off to the nearest peso, except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

Statement of Compliance

The consolidated financial statements of the Group as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021 have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation

The consolidated financial statements include the accounts of Xurpas and its subsidiaries.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect that return through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other voter holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group obtains control until the date the Group ceases to control the subsidiary.

Noncontrolling interests (NCI) represent the portion of profit or loss and net assets in a subsidiary not wholly owned and are presented separately in the consolidated statement of comprehensive income and consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from the Parent Company's equity.

Total comprehensive income within a subsidiary is attributed to the noncontrolling interest even if that results in a deficit balance.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any noncontrolling interest and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income (OCI) to profit or loss or retained earnings, as appropriate.

As of December 31, 2021, 2020 and 2019, the consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

	Percentage Ownership			
	2021	2020	2019	**Principal Activities**
Xeleb Technologies Inc. (Xeleb Technologies)	**100.00**	100.00	100.00	Enterprise services and mobile consumer services
Xeleb Inc. (Xeleb)	**100.00**	100.00	100.00	Mobile consumer services
Seer Technologies, Inc. (Seer)	**70.00**	70.00	70.00	Enterprise services
Codesignate Inc. (Codesignate)[1]	**52.50**	52.50	52.50	Enterprise services
Storm Technologies, Inc. (Storm)	**51.31**	51.31	51.31	Human resource management
Pt. Storm Benefits Indonesia (Storm Indonesia)[2]	**51.31**	51.31	51.31	Human resource management
Allcare Technologies, Inc.[3]	**35.35**	**35.35**	43.02	Human resource management
Xurpas Enterprise Inc. (Xurpas Enterprise)	**100.00**	100.00	100.00	Enterprise services
Art of Click Pte. Ltd. (AOC)	**100.00**	100.00	100.00	Mobile consumer services
ODX Pte. Ltd. (ODX)	**100.00**	100.00	100.00	Enterprise services
CTX Technologies Inc.[4]	**–**	–	100.00	Enterprise services

[1]Codesignate is a 75.00%-owned subsidiary of Seer. The Group's effective ownership over Codesignate is 52.50%. The Group has determined that it has control over the entity and consolidates the entity on this basis.
[2] Storm Indonesia is 100%-owned of Storm Technologies, Inc.
[3] Storm has 68.90%-ownership over Allcare in 2021 and 2020 and 83.84% ownership in 2019. The Group's effective ownership over Allcare is 35.35%. in 2021 and 2020 and 43.02% in 2019, respectively. The Group has determined that it has control over the entity (see "Judgements" on Note 3).
[4] In March and September 2020, the Parent Company sold its 100% interest in CTX to a stockholder (see Note 23).

All subsidiaries are domiciled in the Philippines except for Storm Indonesia, which is domiciled in Indonesia, and AOC and ODX, which are domiciled in Singapore.

Xeleb Technologies
Xeleb Technologies was organized to primarily engage in the business of mobile content development. As of December 31, 2018, the Parent Company's interest in Xeleb Technologies is at 67%.

In 2019, Deeds of Absolute Sale were executed for the acquisition by the Parent Company of the remaining 33% stake in Xeleb Technologies from its minority stakeholders for a total consideration of ₱4.00 million. This brought Parent Company's interest in Xeleb Technologies to 100%.

On September 11, 2019, the BOD of the Parent Company approved the dissolution of Xeleb Technologies. As at December 31, 2021, Xeleb Technologies has yet to apply for the approval of government regulatory agencies for its dissolution.

Xeleb
On July 14, 2015, the Parent Company incorporated Xeleb, a mobile games company domiciled in the Philippines. Xeleb was organized primarily to design, develop, test, build, market, distribute, maintain, support, customize, sell and/or sell applications, games, software, digital solutions, whether internet, mobile or other handheld applications, portals, hardware and other related projects and services, except internet provider services, both for proprietary and custom development purposes.

On September 11, 2019, the BOD of the Parent Company approved the dissolution of Xeleb. As at December 31, 2021, Xeleb has yet to apply for the approval of government regulatory agencies for its dissolution.

Storm
Storm's primary purpose is to create, develop and maintain an online platform that allows companies to exchange their current human resources benefits given to employees and transform them into a wide range of products and services, provide client management services, data management and information processing services, software network management services, software development services, consultancy, project and program management, marketing solutions, information technology services and business process outsourcing services to various companies.

Xurpas Enterprise
On March 23, 2016, the Parent Company incorporated Xurpas Enterprise to primarily engage in the business of software development including designing, upgrading and marketing all kinds of information technology systems or parts thereof and other related services.

AOC
On October 6, 2016, Xurpas signed a Share Purchase Agreement for the acquisition of 100% stake in AOC for an aggregate consideration of ₱1.94 billion in cash and in Parent Company's shares. AOC is engaged in the business of mobile media agency that offers a marketing platform for advertisers.

On March 30, 2020, the BOD of the Parent Company approved the suspension of business operations of AOC.

ODX
In 2018, the Parent Company incorporated a wholly-owned subsidiary in Singapore, ODX, with the following principal activities: 1) other information technology and computer service activities (e.g., disaster recovery services) and 2) development of software for interactive digital media (except games).

ODX's platform, which will be an open data marketplace using blockchain technology, is under development. ODX has not started commercial operations as of December 31, 2021.

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year except for amended PFRS and improvements to PFRS which were adopted beginning January 1, 2021. Adoption of these amendments did not have any significant impact on the consolidated financial position or performance unless otherwise indicated.

- Amendments to PFRS 16, *Leases, COVID-19-related Rent Concessions beyond June 30, 2021*

  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

  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 amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

  This amendment is not applicable to the Group as there are no rent concessions granted to the Group as a lessee.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4, *Insurance Contracts,* and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing the transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods.

Standards and Interpretation Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for* derecognition *of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

    An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:
  - Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - o What is meant by a right to defer settlement
  - o That a right to defer must exist at the end of the reporting period

- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective beginning on or after January 1, 2025

- 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

  On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

  The new standard is not applicable to the Group since it has no activities that are predominantly connected with insurance or issue insurance contracts.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28, *Investments in Associates and Joint Ventures, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the

extent of unrelated investors' interests in the associate or joint venture.
On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Current and Noncurrent Classification
The 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 unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Cash
Cash includes cash on hand and in banks. Cash in bank earns interest based on the prevailing bank deposit rates.

Fair Value Measurement
Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy (see Note 27).

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

<u>Financial Instruments - initial recognition and subsequent measurement</u>
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

a. Financial assets
Initial recognition of financial instrument
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*. Refer to the accounting policies on revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost
The Group measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes "Accounts and other receivables" (except for "Advances to employees" which are subject to liquidation) and "Refundable deposits" under other current assets, and "Security deposit" 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 profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group has not designated any financial assets under this category.

Financial assets at FVOCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its quoted and unquoted equity investments under this category.

Financial assets at FVPL
Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes listed equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as other income in profit or loss when the right of payment has been established.

The Group has designated its unquoted debt investments under this category.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired
  Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of Financial Assets and Contract Assets
The Group recognizes an allowance for ECLs for all debt instruments not held at FVPL and contract assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix for trade receivables and contract assets that is based on historical credit loss experience, adjusted for forward-looking factors such as inflation and GDP growth rates 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, 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.

Write-off
A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. If a write-off is later recovered, the recovery is recognized in profit or loss to the extent of the carrying amount that would have been determined had no impairment loss been recognized.

b. Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include "Accounts and other payables" (except "Deferred output VAT", "Taxes payable" and provision relating to Token Pre-Sale Agreements ("PSA") and statutory payables included as "Others"), "Loans payable" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVPL
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial liabilities are only designated as at FVPL when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the liabilities or recognizing gains or losses on them on a different basis; or
- The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited

Financial liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Group's own credit risk. Such changes in fair value are recorded in equity reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument.

Financial liabilities arising from amounts received under the Share and Token Allocation Agreement classified as "Nontrade payables" under "Accounts and other payables" were designated at FVTPL as it contains embedded derivatives.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss.

This category generally applies to short-term debts.

Other Financial Liabilities
Issued financial instruments or their components, which are not designated at FVPL, are classified as accounts payable and accrued expenses where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effect of restatement of foreign currency-denominated liabilities is recognized in profit or loss.

This accounting policy applies to the Group's "Accounts and other payables" (except "Deferred output VAT", "Taxes payable" and provision relating to PSA and statutory payables included as "Others") and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Investments in and Advances to Associates
The Group's investments in associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

An investment is accounted for using the equity method from the day it becomes an associate. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the associate.

Under the equity method, the investment in an associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the associate, less any impairment in values. The consolidated statement of comprehensive income reflects the share of the results of the operations of the associate company. The Group's share of post-acquisition movements in the associate's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the associate company are eliminated to the extent of the interest in the associate company. Dividends received are treated as a reduction of the carrying value of the investment. The interest in the associate is the carrying value of the investment in associate determined using the equity method of

The Group discontinues applying the equity method when their investment in an associate is reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the associate. When the associate subsequently reports net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Inventories
Inventories are stated at the lower of cost and net realizable value (NRV). Cost which includes all cost directly attributable to acquisition such as purchase price and transport cost is determined using the first-in, first-out method. NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

An allowance for inventory losses is provided for slow-moving, obsolete and defective items based on management's physical inspection and evaluation. When inventories are sold, the allowance is reversed and the whole cost is charged to operations. Inventories are written off when there is no reasonable expectation of selling the inventory. Impairment losses are recognized in profit or loss.

Property and Equipment
Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price and other directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. It excludes the cost of day-to-day servicing.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the property and equipment which are as follows:

	Years
Transportation equipment	3
Office equipment	3 to 4
Information technology (IT) equipment	3 to 4
Furniture and fixtures	3 to 5
Leasehold improvements	Useful life (3 to 5) or lease term, whichever is shorter

The estimated residual values, useful life and depreciation and amortization method are reviewed at least annually to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

If there is an indication that there has been a significant change in depreciation and amortization rate or the useful lives, the depreciation of that property and equipment is revised prospectively to reflect the new expectations.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged against current operations.

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Cryptocurrencies which are not held in the ordinary course of business are recognized as intangible assets as these are identifiable non-monetary asset without physical substance.

Following initial recognition, intangible assets (other than cryptocurrencies) are carried at cost less any accumulated amortization and any accumulated impairment losses. Cryptocurrencies are subsequently carried at revalued amount, being its fair value at the date of the revaluation less any accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The estimated useful lives of intangible assets follow:

	Years
Customer relationships	Indefinite
Cryptocurrencies	Indefinite
Leasehold rights	7
Developed software	5 to 8

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

If the cryptocurrencies' carrying amount is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under "Revaluation surplus". However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

If the cryptocurrencies' carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance in the revaluation surplus in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under "Revaluation surplus". Changes in revaluation surplus are transferred to retained earnings in subsequent periods when the asset is derecognized.

Research and Development Costs
Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of services.

Business Combinations and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any noncontrolling interests in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument, is measured at fair value with changes in fair value recognized either in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests) and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

When goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Noncontrolling Interests

In a business combination, as of the acquisition date, the Group recognizes, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. There is a choice of two measurement methods for those components of noncontrolling interests that are both present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of a liquidation. They can be measured at:

a. acquisition-date fair value (consistent with the measurement principle for other components of the business combination); or
b. at their proportionate share of the value of net identifiable assets acquired.

Written put option over NCI

Any put option granted to noncontrolling interests gives rise to a financial liability measured at fair value, which will be the present value of the redemption amount. The Group's accounting policy on financial instruments applies for the subsequent measurement of the financial liability.

The Group assesses whether the terms and conditions of the option give the acquirer present access to the ownership interest in the share subject to the put option. Factors that indicate that the NCI put provides a present ownership interest include:

a. pricing - to the extent that the price is fixed or determinable, rather than being at fair value;
b. voting rights and decision-making - to the extent that the voting rights or decision-making connected to the shares concerned are restricted;
c. dividend rights - to the extent that the dividend rights attached to the shares concerned are restricted; and
d. issue of call options - a combination of put and call options, with the same period of exercise and same/similar pricing indicates that the arrangement is in the nature of a forward contract.

If it is concluded that the acquirer has a present ownership interest in the shares concerned, the put option is accounted for as an acquisition of the underlying shares, and no noncontrolling interest is recognized.

When the terms of the transaction do not provide a present ownership interest, the noncontrolling interests continues to be recognized within equity until the NCI put is exercised. The carrying amount of noncontrolling interest changes due to allocations of profit or loss, changes in other comprehensive income and dividends declared for the reporting period. The financial liability for the put option is recognized through a debit made to "Equity reserve", a component of equity attributable to the Parent Company.

If the put option is exercised, the entity accounts for an increase in its ownership interest. At the same time, the entity derecognizes the financial liability and recognizes an offsetting credit in the same component of equity reduced on initial recognition.

If the put option expires unexercised, the financial liability is reclassified to the same component of equity that was reduced on initial recognition.

<u>Impairment of Nonfinancial Assets</u>

The Group assesses at each financial reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Investments in associates
The Group also determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount and the carrying value of the associate and recognizes the difference in profit or loss.

In assessing impairment indicators, the Group considers, as a minimum, the following indicators: (a) dividends exceeding the total comprehensive income of the associate in the period the dividend is declared; or (b) the carrying amount of the investment in the consolidated financial statements exceeding the carrying amount of the associate's net assets, including goodwill.

Impairment of goodwill
For assessing impairment of goodwill, a test of impairment is performed annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit ("CGU") (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGUs is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

<u>Equity</u>
Capital stock and additional paid-in capital
Capital stock is measured at par value for all shares issued. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital".

Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. The costs of an equity transaction that is abandoned are recognized as an expense.

Treasury shares
Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to the

m respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Retained earnings (Deficit)
Retained earnings (deficit) represent the cumulative balance of net income or loss, dividend distributions, prior period adjustments, effects of the changes in accounting policy and other capital adjustments.

Unappropriated retained earnings
Unappropriated retained earnings represent the portion of retained earnings that is free and can be declared as dividends to stockholders.

Appropriated retained earnings
Appropriated retained earnings represent the portion of retained earnings which has been restricted and therefore is not available for dividend declaration.

Equity reserve
Equity reserve represents:
(a) a portion of equity against which the recognized liability for a written put option was charged;
(b) a portion of equity against which payments to a former shareholder of a subsidiary was charged;
(c) gains or losses resulting from increase or decrease in ownership without loss of control; and
(d) difference between the consideration transferred and the net assets acquired in common control business combination.

Revenue Recognition
Revenue from contracts with customers is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Revenue is recognized when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

Service income
Service income consists of revenue from Value Added Services (VAS) and Business Process Outsourcing (BPO). BPO is further subdivided into IT Staffing, Custom Development and Managed Services, Products and Other Services.

VAS are mobile and content application services provided to mobile subscribers. Revenue is recognized at a point in time, that is when services are delivered to the customers during the period.

IT staffing is a business segment where the Group deploys resources to clients to fulfill their IT requirements. Revenue is recognized at a point in time, that is when services are rendered to the customers during the period.

Custom Development and Managed Services are services offered to customers that are produced in the Group's premises. Revenue is recognized over time and at a point in time. In measuring the progress of its performance obligation over time for Custom Development, the Group uses the output method which measures progress based on the completion of proportion of work done and requires technical determination by the IT specialists.

Products are readily available solutions that will cater to customers' requirements. Revenue is recognized at a point in time, that is when goods are delivered to the customers during the period.

Other Services are recognized over time, that is, when services are rendered to the customers or over the period to which the customers are entitled to avail of the services.

Sale of goods
Revenue from the sale of goods in the ordinary course of activities is measured at the fair value of the consideration received or receivable, net of discounts and applicable taxes. Revenue is recognized at a point in time, which is normally upon delivery.

For the years ended December 31, 2021, 2020 and 2019, 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 and Other Income
Interest income is recognized as it accrues.

Cost and Expenses
"Cost of services", "Cost of goods sold", and "General and administrative expenses" are expenditures recognized in the consolidated statement of comprehensive income when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. The following specific recognition criteria must also be met before costs and expenses are recognized:

Cost of services
Cost that includes all expenses associated with the specific sale of services. Cost of services include salaries, wages and employee benefits, utilities and communication, supplies and other expenses related to services. Such costs are recognized when the related sales have been recognized.

Cost of goods sold
Cost of goods sold consists of inventory costs related to goods which the Group has sold. Inventory costs include all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

General and administrative expenses
General and administrative expenses constitute expenses of administering the business and are recognized in profit or loss as incurred.

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 2.5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in 'Impairment of nonfinancial assets' section.

ii) Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases
The Group applies the short-term lease recognition exemption to its short-term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Income Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting period.

Deferred tax

Deferred tax is provided using the balance sheet method on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and NOLCO can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will not reverse in the foreseeable future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investment in domestic associates.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the financial reporting date. Movements in deferred tax assets and liabilities arising from changes in tax rates are charged or credited to income for the period.

Deferred tax relating to items outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

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 statement of financial position with a corresponding debit or credit through other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

The Group also provided other long-term employee benefit obligations to an employee of a subsidiary as remuneration for the services provided by the employee to the subsidiary, which are to be settled in cash. A liability and expense for the long-term employee benefit is recognized when the services have been rendered and is amortized during the period of entitlement.

Share-based Payment Transactions
Certain employees of the Group receive remuneration (bonuses) in the form of share-based payment transactions from the Parent Company, whereby the employees are issued treasury shares in exchange for the rendered services (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value of the shares at the date the shares are granted. This is recognized as salaries, wages and employee benefits expense in profit or loss when vested.

Foreign Currency Transactions
The Group's consolidated financial statements are presented in Philippine Peso, which is also the Parent Company's and the subsidiaries' functional currency, except for AOC and ODX, which is Singapore dollar (SGD), and Storm Indonesia, which is Indonesian Rupiah (Rp). The Philippine peso is the currency of the primary economic environment in which the Parent Company operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions denominated in foreign currencies are initially recorded in Philippine Peso at the exchange rate at the date of transaction. Foreign currency-denominated monetary assets and liabilities are retranslated at the closing rate at reporting date. Exchange gains or losses arising from foreign currency transactions are recognized in profit or loss.

As at reporting date, the assets and liabilities of subsidiaries whose functional currency is not the Philippines Peso are translated into the presentation currency of the Parent Company (the Philippine Peso) at the closing rate as at the reporting date, and the profit or loss accounts are translated at monthly weighted average exchange rate. The exchange differences arising on the translation are recorded under other comprehensive income and accumulated in a separate component of equity under "Cumulative translation adjustment" account. Upon disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

Investment in foreign associates are translated to Philippine Peso using the closing exchange rate prevailing at reporting date. The Group's share in the results of operations of the foreign investee is translated using the exchange rate at the dates of the transactions or, where practicable, the rate that approximates the exchange rates at the dates of the transactions, such as the average rate for the period. Any resulting exchange difference is recognized as a separate component of equity.

Earnings (Loss) per Share (EPS)
Basic EPS is computed by dividing net income or loss for the year attributable to common stockholders of the parent by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income or loss for the year attributable to common stockholders of the parent by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares, if any.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and serves different markets. Financial information on business segments is presented in Note 28 to the consolidated financial statements.

Provisions
Provisions are recognized when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Accounting for crypto-related transactions
Proceeds Arising from the Pre-Sale Agreements ("PSA")
Proceeds from the PSA are recognized upon receipt and measured at the fair value of the related crypto currency. The entire proceeds are presented under the liability section of the consolidated statement of the financial position at initial recognition. The portion of the proceeds which pertains to the estimated costs to develop the ODX platform is treated as a constructive obligation (refer to the accounting policy for Provisions) and offset by the actual costs incurred for the platform. The remaining balance of the proceeds is accounted for by analogy to government grants under PAS 20, A*ccounting for Government Grants and Disclosure of Government Assistance*. This portion will be amortized over the life of the platform when it becomes available for use.

Platform Development Costs
Actual costs incurred in the development of the ODX platform are offset against provisions and treated as a fulfillment of the constructive obligation arising from the PSA.

ODX Tokens
ODX Tokens generated but not issued are not recognized in the consolidated financial statements. Issuance of ODX Tokens to third parties does not have impact to the consolidated financial statements. Risks and rewards to these ODX Tokens are transferred to the third parties upon issuance.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes when an inflow of economic benefits is probable.

This policy also applies to agreements which the Group entered into with certain advisors for which the services received are to be paid through internally generated tokens in the future and for which the obligation cannot be measured with sufficient reliability.

Events after the Reporting Period
Post year-end events up to date when the consolidated financial statements are authorized for issue that provide additional information about the Group's financial position at the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material. Information on events after the reporting period is presented in Note 1 to the consolidated financial statements

3. Significant Accounting Judgments and Estimates and Assumptions

The preparation of the accompanying consolidated financial statements in compliance with PFRSs requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments and estimates used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

a. *Assumption of going concern*
The use of the going assumption involves management making judgments, at a particular point in time, about the future outcome of events or condition that are inherently uncertain. The Group has no plans to liquidate. Management assessed that it will be able to maintain its positive cash position and settle its liabilities as they fall due through future actions such as continuous venture into new revenue potentials, cost cutting measures, and equity funding to support liquidity. Accordingly, the consolidated financial statements are prepared on a going concern basis.

b. *Determination of control over investment in subsidiaries*
The Group determined that it has control over its subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following were also considered:
   - The contractual arrangement with the other vote holders of the investee
   - Rights arising from other contractual agreements
   - The Group's voting rights and potential voting rights

c. *Existence of significant influence over associates*
The Group determined that it exercises significant influence over its associates (see Note 9) by considering, among others, its ownership interest (holding 20% or more of the voting power of the investee) and board representation.

d. *Capitalization of development costs*
The Group determined that intangible assets arising from development qualify for recognition by determining that all of the following are present:
   i. The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
   ii. Intention to complete and its ability and intention to use or sell the asset;
   iii. How the asset will generate future economic benefits;
   iv. The availability of resources to complete the asset; and
   v. The ability to measure reliably the expenditure during development.

e. *Determination of constructive obligation arising from cryptocurrency transactions*
The Group determined that a constructive obligation exists based on the terms of the agreements and the general expectations of the counterparties.

<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 and investments in associates*
Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. The cash flows are derived from the budget for the next five years which include factors considering COVID-19 pandemic but exclude restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the growth rates, earnings before interest, taxes and depreciation and amortization ("EBITDA") margins used for extrapolation purposes. These estimates are most relevant to goodwill recognized by the Group.

The Group recognized impairment loss on goodwill amounting to ₱1,811.39 million 2019 (nil in 2021 and 2020) based on an assessment of recoverability of goodwill using the DCF model (see Note 11). The carrying values of goodwill amounted to ₱48.22 million as of December 31, 2021 and 2020 (see Note 11).

Investments in associates are tested for impairment when circumstances indicate that the carrying value may be impaired.

The Group recognized impairment loss for its investments in associates amounting to ₱107.15 million in 2019 (nil in 2021 and 2020) (see Note 9). The carrying values of investments in associates amounted to ₱314.13 million and ₱318.46 million as of December 31, 2021 and 2020, respectively (see Note 9).

b. *Revenue recognition*
The Group's revenue recognition require management to make use of estimates that may affect the reported amount of revenue. The Group's revenue from sale of services for development projects recognized based on the percentage of completion are measured principally on the basis of the estimated completion of the development services. In measuring the progress of its performance obligation over time, the Group uses the output method which measures progress based on the completion of proportion of work done and requires technical determination by the Group's specialists.

Judgment is exercised in determining whether the Group can recognize revenue outright or over the development period. The Group recognizes revenue over the development period if all of the following criteria are met; otherwise, revenue is recognized outright:
- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the software/platform under development;
- the delivery of the developed software/platform directly expose the customer to any positive or negative effects of the Group's activities; and
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

Revenues from other revenue streams are recognized at a point in time when control over goods or services is transferred (see Note 2).

The Group recognized service income subject to percentage of completion amounting to ₱15.87 million, ₱60.25 million, and ₱66.68 million in 2021, 2020 and 2019, respectively. This is included as part of service income from enterprise services (see Note 14).

c. *Provisions and contingencies*
The Group is currently involved in assessments for national taxes. The estimate of the probable costs for the resolution of these assessments has been developed in consultation with external counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these assessments will have a material effect on the Group's consolidated financial position and results of operations (see Note 30).

d. *Provision for expected credit losses of accounts and other receivables*
The Group uses a provision matrix to calculate ECLs for accounts and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss pattern.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information, including impact of COVID-19. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The amount of ECLs is sensitive to changes in circumstances and of forecasted economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As of December 31, 2021 and 2020, allowance for impairment losses on accounts and other receivables amounted to ₱23.21 million and ₱22.34 million, respectively (see Notes 5 and 27).

e. *Realizability of deferred tax assets*
The Group reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the subsidiaries of the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized. The Group looks at its projected performance in the sufficiency of future taxable income.

The Group did not recognize deferred tax assets on deductible temporary differences and NOLCO amounting to ₱789.97 million and ₱1,001.93 million as at December 31, 2021 and 2020, respectively (see Note 20).

4. Cash

This account consists of:

	2021	2020
Cash on hand	**₱72,001**	₱103,497
Cash in banks	**35,879,197**	67,640,344
	₱35,951,198	₱67,743,841

Cash in banks earn interest at the prevailing bank deposit rates.

Interest income earned from cash in banks amounted to ₱0.04 million, ₱0.65 million and ₱1.64 million in 2021, 2020 and 2019, respectively (see Note 17).

5. Accounts and Other Receivables

This account consists of:

	2021	2020
Trade receivables	**₱58,404,493**	₱68,454,889
Receivable from related parties (Note 19)	**17,265,112**	11,379,848
Advances to employees	**1,826,111**	739,985
Others	**12,255,291**	12,054,504
	89,751,007	92,629,226
Less: allowance for impairment losses	**23,210,902**	22,339,018
	₱66,540,105	₱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 include advances to a third party, which are due and demandable.

The table below shows the movements in the provision for impairment losses of receivables:

	2021	2020
Balance at beginning of year	**₱22,339,018**	₱263,085,522
Provisions (Note 16)	**2,608,421**	5,898,251
Write-off	**(2,067,842)**	(256,199,497)
Translation adjustments	**331,305**	9,554,742
Balance at end of year	**₱23,210,902**	₱22,339,018

As of December 31, 2021 and 2020, the allowance for impairment losses pertains to:

	2021	2020
Trade receivables	**₱10,356,132**	₱9,898,543
Receivable from related parties (Note 19)	**5,485,061**	5,232,225
Others	**7,369,709**	7,208,250
	₱23,210,902	₱22,339,018

6. Contract Balances

This account consists of:

	2021	2020
Contract assets	**₱29,763,501**	₱4,995,516
Contract liabilities	**25,763,916**	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 conditioned with the acceptance of the customer, the amount recognized as contract assets are reclassified to trade receivables.

Contract liabilities consist of collections from customers under custom development services, trading of goods and other services which have not qualified for revenue recognition. Amount of revenue recognized from amounts included in contract liabilities at the beginning of the year amounted to ₱18.00 million, ₱28.99 million and ₱39.80 million in 2021, 2020 and 2019, respectively.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) amounted to ₱12.64 million, ₱4.07 million and ₱0.51 million in 2021, 2020 and 2019, respectively.

The performance obligations relate to the continuous custom development, trading of goods and other services which are expected to be recognized within one year.

7. Financial Assets at Fair Value through Other Comprehensive Income and Fair Value through Profit and Loss

This account consists of:

	2021	2020
Financial assets at FVOCI		
Quoted shares		
Club Punta Fuego	**₱600,000**	₱500,000
Unquoted equity investment	**–**	–
Financial assets at FVPL		
Unquoted debt instruments	**–**	–
	₱600,000	₱500,000

The rollforward analysis of financial assets at FVOCI follow:

	2021	2020
Balance at beginning of year	**₱500,000**	₱440,000
Unrealized gain on financial assets at FVOCI, net of tax	**100,000**	42,000
Effect of recognition of deferred tax asset (Note 20)	**–**	18,000
	₱600,000	₱500,000

The rollforward analysis of "Accumulated net unrealized loss on financial assets at FVOCI" follow:

	2021	2020
Balance at beginning of year	**(₱44,194,956)**	(₱44,254,956)
Unrealized gain (loss) on financial assets at FVOCI	**100,000**	42,000
Effect of recognition of deferred tax asset (Note 20)	**–**	18,000
Balance at end of year	**(₱44,094,956)**	(₱44,194,956)

Unrealized fair value gain (loss) on financial assets at FVOCI is recognized under "Other comprehensive income (loss)" in the consolidated statements of comprehensive income.

The quoted shares are categorized under the Level 2 of the fair value hierarchy. The unquoted equity investments are categorized under Level 3 (see Note 27).

Quoted equity investment
Quoted equity instrument consists of investment in golf club shares.

Unquoted equity investment
In April 2015, the Group acquired 666,666 shares of Series A Preferred Stock of Zowdow Inc. ("Zowdow") at a purchase price of $1.50 per share for a total investment of US$999,999 or ₱44.24 million. As at December 31, 2021 and 2020, the Group holds a 3.56% ownership of Zowdow on a fully-diluted basis. As at December 31, 2021 and 2020, the Group has unrealized loss on this investment amounting to ₱44.24 million.

Unquoted debt investments
The Group has convertible promissory notes and bonds receivable as of December 31, 2021 and 2020:

	2021	2020
Unquoted debt investments		
MatchMe Pte. Ltd.	**₱52,495,000**	₱52,495,000
Altitude Games Pte. Ltd.	**28,856,000**	28,856,000
Einsights Pte. Ltd.	**23,475,000**	23,475,000
Pico Candy Pte. Ltd.	**3,602,123**	3,602,123
	108,428,123	108,428,123
Less: remeasurement loss	**(108,428,123)**	(108,428,123)
Balance at end of year	**₱–**	₱–

8. **Other Assets**

Other current assets
This account consists of:

	2021	2020
Input VAT - net	**₱9,511,605**	₱10,970,661
Creditable withholding taxes	**7,226,893**	5,315,197
Prepaid expenses	**2,752,233**	3,933,297
Refundable deposits	**1,257,774**	1,230,016
Deferred input VAT	**188,773**	1,787,742
Inventories	**150,320**	1,137,660
	21,087,598	24,374,573
Less: allowance for impairment losses	**–**	1,576,402
	₱21,087,598	₱22,798,171

Input VAT represents VAT imposed on the Group by its suppliers for the acquisition of goods and services.

Creditable withholding taxes pertain to prepaid taxes recognized at the amount withheld at source upon payment and overpayment of income tax in previous years. This can be carried forward and claimed as tax credit against income tax due. In 2019, the Group recognized an impairment loss amounting to ₱1.58 million included under "General and administrative expenses" in the consolidated statements of comprehensive income (see Note 16).

Prepaid expenses mainly pertain to advances to suppliers, advance rent and prepaid professional fees.

Refundable deposits pertain to security deposit made for performance bond and rent which will be received within one year.

Deferred input VAT represents input VAT related to unpaid balances for the services availed by the Group. These will be recognized as input VAT and applied against output VAT upon payment. Any remaining balance is recoverable in future periods.

Inventories include purchases of goods to be sold. These are carried at cost. Loss recognized from written-off obsolete inventory amounted to ₱8.38 million in 2021. Cost of goods sold recognized amounted to ₱13.93 million, ₱38.01 million and ₱83.28 million in 2021, 2020 and 2019, respectively.

Other noncurrent assets
This account consists of:

	2021	2020
Creditable withholding tax	**₱20,537,686**	₱17,173,706
Deferred input VAT	**1,465,454**	–
Security deposit	**260,447**	–
Others	**747,251**	926,038
	23,010,838	18,099,744
Less: allowance for impairment losses	**1,576,402**	–
	₱21,434,436	₱18,099,744

9. Investments in and Advances to Associates

This account consists of:

	2021	2020
Investments in Associates		
Cost		
Balance at beginning and end of year	**₱577,561,081**	₱577,561,081
Equity in net loss		
Balance at beginning of year	**(174,125,133)**	(166,378,090)
Share in net losses during the year	**(320,749)**	(7,747,043)
Balance at end of year	**(174,445,882)**	(174,125,133)
Cumulative translation adjustment		
Balance at beginning of year	**22,174,302**	15,901,005
Movement during the year	**(4,008,857)**	6,273,297
Balance at end of year	**18,165,445**	22,174,302
Accumulated impairment		
Balance at beginning and end of year	**(107,147,488)**	(107,147,488)
	314,133,156	318,462,762
Advances to Associate	**22,084,586**	22,084,586
	₱336,217,742	₱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	
	2021	2020	2021	2020
Investments in Associates				
Micro Benefits Limited	**23.53**	23.53	**₱273,687,024**	₱282,015,980
Altitude Games Pte. Ltd.	**21.17**	21.17	**21,221,389**	20,923,654
PT Sembilan Digital Investama	**49.00**	49.00	**19,224,743**	15,523,128
MatchMe Pte. Ltd.	**29.10**	29.10	**–**	–
Altitude Games Inc.	**21.17**	21.17	**–**	–
			314,133,156	318,462,762
Advances to associate				
PT Sembilan Digital Investama			**22,084,586**	22,084,586
			₱336,217,742	₱340,547,348

Micro Benefits Limited
On March 9, 2016, the Group acquired 718,333 new Series C Preferred Shares equivalent to a 23.53% stake in Micro Benefits Limited ("Micro Benefits") for US$10.00 million. Micro Benefits, a company registered in Hong Kong, is engaged in the business of providing employee benefits to Chinese workers through its operating company, Micro Benefits Financial Consulting (Suzhou) Co. Ltd., located in China.

In 2019, indicators of impairment were identified by management, as a result, an impairment test was carried out for investment in Micro Benefits where it showed that an impairment provision must be recognized. In determining the provision, the recoverable amount was determined based on value-in-use ("VIU") calculations. The VIU was derived from cash flow projections over a period of five years based on the 2019 financial budgets and calculated terminal value.

Using the projections for five years and applying a terminal value thereafter, the Group calculated a recoverable amount of ₱303.52 million. Consequently, the Group recognized a provision for impairment loss of its investment in Micro Benefits amounting to ₱68.49 million in 2019.

In 2021 and 2020, indicators of impairment were identified by management, as a result, an impairment test was carried out for investment in Micro Benefits. No impairment loss was recognized by the Group on its investment in Micro Benefits. Refer to the discussion below for the significant assumptions for the VIU.

Micro Benefits' registered office address is at 11th Floor, Club Lusitano, 16 Ice House Street, Central, Hong Kong.

Altitude Games Pte. Ltd.
As at December 31, 2021 and 2020, the Group owns 21.17% ownership interest in Altitude Games Pte. Ltd. ("Altitude Games"), a Singaporean IT company engaged in computer game development and publishing. The Group acquired a total of 24.69 million shares with par value of US$0.01 per share for a total consideration of US$740,800 or US$0.03 per share.

Altitude Games' registered office address is at 16 Raffles Quay, #33-03, Hong Leong Building, Singapore.

PT Sembilan Digital Investama
On March 26, 2015, the Group acquired 147 shares representing 49% shareholdings in PT Sembilan Digital Investama ("SDI") amounting to ₱10.83 million. The acquisition gave the Group access to PT Ninelives Interactive, a mobile content and distribution company in Indonesia, which SDI owns.

As of December 31, 2021 and 2020, the Group has advances to SDI amounting to ₱22.08 million to fund its mobile content and distribution services.

SDI's registered office address is at J1. Pos Pengumben Raya No. 01 RT 010 RW 03, Kel Srengseng, Jakarta Barat.

MatchMe Pte. Ltd.
In 2015 and 2018, the Group acquired an aggregate of 1,547,729 ordinary shares or 29.10% interest in MatchMe, an international game development company based in Singapore, for a total consideration amounting to ₱63.58 million.

MatchMe incurred recurring losses for the past four years and attained capital deficiency position as of December 31, 2019. In 2019, MatchMe became dormant. On these bases, the Group recognized full impairment loss on its investment in MatchMe amounting to ₱38.66 million in 2019. MatchMe did not have operations in 2020.

MatchMe's registered office address is at 100 Cecil Street #10-01/002 the Globe, Singapore.

Altitude Games, Inc.
On July 22, 2015, the Group subscribed to 211,656 shares of stock or 21.17% shareholdings in

Altitude Games Inc. (“Altitude Philippines”), an affiliate of Altitude Games. Altitude Philippines engages in the business of development, design, sale and distribution of games and applications.

The Group has cumulative unrecognized share in net loss in Altitude Philippines amounting to ₱0.42 million and ₱0.26 million as of December 31, 2021 and 2020, respectively, and unrecognized share in net loss for the years ended December 31, 2021, 2020 and 2019 amounting to ₱0.12 million, ₱0.08 million and ₱0.03 million, respectively.

Altitude Philippine’s registered office address is at Unit A51 5th Floor Zeta II Bldg., Salcedo St. Legazpi Village, Makati City.

As of December 31, 2021, and 2020, there are no capital commitments relating to the Group’s interests in its associates.

The Group considers an associate with material interest if the net assets of the associate exceed 5% of the Group’s consolidated total assets as of reporting period and considers the relevance of the nature of activities of the entity compared to other operations of the Group. There are no significant restrictions on the Group’s ability to use assets and settle liabilities.

Following is the significant financial information of the associate with material interest:

Micro Benefits

	2021	2020
Current assets	**₱44,919,894**	₱43,288,887
Noncurrent assets	**321,476**	16,391,407
Current liabilities	**(25,029,710)**	(49,769,165)
Noncurrent liabilities	**(500,349,332)**	(454,651,622)
Total equity	**(480,137,672)**	(444,740,493)
Proportion of Group’s ownership	**23.53%**	23.53%
Group’s share in identifiable net assets	**(112,976,394)**	(104,647,438)
Goodwill and changes in fair value of net assets	**386,663,418**	386,663,418
Carrying amount of the investment	**₱273,687,024**	₱282,015,980

No dividends were received in 2021, 2020 and 2019.

	2021	2020
Total revenue	**₱107,431,416**	₱100,416,915
Total expenses	**126,841,663**	123,438,792
Net loss/ Total comprehensive loss	**(19,410,247)**	(23,021,877)
Group’s share in net loss/ total comprehensive loss for the year	**(₱4,567,231)**	(₱5,417,048)

Aggregate financial information on associates with immaterial interest is as follows:

	2021	2020
Carrying amount	**₱40,446,132**	₱36,446,782
Group’s share of net losses for the year	**4,246,482**	(2,329,995)
Group’s share in total comprehensive loss	**4,246,482**	(2,329,995)

In 2021 and 2020, the Group performed impairment testing using a discounted cash flow analysis to determine value-in-use. Key assumptions used to determine the value-in-use are discount rates including cost of debt and cost of capital and growth rates.

- *Discount rate*
  The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group used discount rates based on the industry's weighted average cost of capital (WACC). The rates used to discount the future cash flows are based on risk-free interest rates in the relevant markets where the associates domiciled taking into consideration the debt premium, market risk premium, gearing, corporate tax rate and asset beta of the associate. In 2021, 2020 and 2019, management assumed discount rates of 8.12%, 9.00% and 10.85%, respectively.

- *Growth rate*
  Annual growth rates in revenues are based on the Group's expectation of market developments and the changes in the environment in which it operates. The Group uses revenue growth rates based on past historical performance as well as expectations on the results of its strategies. On the other hand, the perpetual growth rate used to compute for the terminal value is based on the forecasted long-term growth of real gross domestic product (GDP) of the economy in which the business operates. In 2021, 2020 and 2019, management assumed average growth rates in revenues of 10.59% to 20.51%, 10.79% to 31.68% and 5.00% to 36.88%, respectively, and terminal growth rate of 2.50%.

Impairment loss amounting to ₱107.15 million was recognized in 2019 for the Group's investments in associates. No impairment loss was recognized in 2021 and 2020.

10. Property and Equipment

Rollforward of this account is as follows:

December 31, 2021

	Transportation Equipment	Office Equipment	IT Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Cost						
At beginning of year	**₱120,536**	**₱5,114,348**	**₱18,345,690**	**₱4,340,034**	**₱1,060,578**	**₱28,981,186**
Additions	**–**	**31,250**	**2,440,279**	**–**	**323,893**	**2,795,422**
Retirements and disposals	**–**	**(337,887)**	**(131,518)**	**(610,188)**	**–**	**(1,079,593)**
At end of year	**120,536**	**4,807,711**	**20,654,451**	**3,729,846**	**1,384,471**	**30,697,015**
Accumulated Depreciation and Amortization						
At beginning of year	**120,536**	**4,737,656**	**14,580,020**	**4,252,041**	**1,037,988**	**24,728,241**
Depreciation and amortization (Notes 15 and 16)	**–**	**300,640**	**1,892,304**	**44,020**	**146,780**	**2,383,744**
Retirements and disposals	**–**	**(337,887)**	**(127,026)**	**(610,188)**	**–**	**(1,075,101)**
At end of year	**120,536**	**4,700,409**	**16,345,298**	**3,685,873**	**1,184,768**	**26,036,884**
Net Book Value	**₱–**	**₱107,302**	**₱4,309,153**	**₱43,973**	**₱199,703**	**₱4,660,131**

December 31, 2020

	Transportation Equipment	Office Equipment	IT Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Cost						
At beginning of year	₱120,536	₱5,158,265	₱19,820,934	₱4,427,375	₱1,060,578	₱30,587,688
Additions	–	70,298	1,168,142	–	–	1,238,440
Retirements and disposals	–	(114,215)	(2,643,386)	(87,341)	–	(2,844,942)
At end of year	120,536	5,114,348	18,345,690	4,340,034	1,060,578	28,981,186
Accumulated Depreciation and Amortization						
At beginning of year	₱120,536	₱4,047,129	₱13,245,545	₱3,865,057	₱545,538	₱21,823,805
Depreciation and amortization (Notes 15 and 16)	–	799,826	3,455,747	474,323	492,450	5,222,346
Retirements and disposals	–	(96,741)	(1,922,967)	(87,339)	–	(2,107,047)
Translation adjustments	–	(12,558)	(198,305)	–	–	(210,863)
At end of year	120,536	4,737,656	14,580,020	4,252,041	1,037,988	24,728,241
Net Book Value	₱–	₱376,692	₱3,765,670	₱87,993	₱22,590	₱4,252,945

Depreciation and amortization are charged as follows:

	2021	2020	2019
Cost of services (Note 15)	**₱–**	₱99,387	₱224,972
General and administrative expenses (Note 16)	**2,383,744**	5,122,959	21,674,369
	₱2,383,744	₱5,222,346	₱21,899,341

The Group retired and disposed property and equipment with cost amounting to ₱1.08 million resulting in a gain of ₱0.27 million in 2021, ₱2.84 million resulting in a loss of ₱0.04 million in 2020, and ₱28.86 million resulting in a loss of ₱0.24 million in 2019 recognized under "Other income (charges)" account (see Note 17).

There is no capitalized interest as at December 31, 2021 and 2020.

There are no property and equipment pledged as collateral as at December 31, 2021 and 2020.

11. Intangible Assets

This account consists of:

December 31, 2021

	Goodwill	**Developed Software**	**Crypto-currencies**	**Total**
Cost				
At beginning of year	₱2,004,469,603	₱102,893,116	₱4,086,012	₱2,111,448,731
Additions	–	387,351	–	387,351
Disposals/ Derecognition	–	–	(2,043,006)	(2,043,006)
At end of year	2,004,469,603	103,280,467	2,043,006	2,109,793,076
Accumulated amortization				
At beginning of year	–	79,508,717	–	79,508,717
Amortization (Note 15)	–	7,407,967	–	7,407,967
At end of year	–	86,916,684	–	86,916,684
Accumulated Impairment				
At beginning and end of year	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	–	–	21,321,332	21,321,332
Disposals	–	–	(11,581,224)	(11,581,224)
At end of year	–	–	31,111,248	31,111,248
Net Book Value	₱48,221,984	₱7,137,448	₱33,154,254	₱88,513,686

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. In 2020, developed software of AOC was provided with allowance for impairment after suspension of its business operations.

Leasehold Rights
Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination. These are derecognized upon change in office address of Storm and Seer.

Cryptocurrencies
Cryptocurrencies pertain to units of Bitcoin and Ether held by the Group as at December 31, 2021 and 2020.

The fair value of cryptocurrencies was determined using quoted market prices in active markets categorized under Level 1 of fair value hierarchy. As at December 31, 2021 and 2020, the fair value of Bitcoin is USD46,219.50 per unit and USD28,790.33 per unit, respectively, while the fair value of Ether is USD3,682.63 and USD731.93, respectively.

In 2021 and 2019, the Group sold cryptocurrencies with cost amounting to ₱2.04 million and ₱2.65 million, respectively. The Group recognized “Loss from sale of cryptocurrencies” under “Other income (charges)” in 2021 and 2019 amounting to nil and ₱0.19 million, respectively (see Note 17). “Foreign exchange loss” in 2021 and 2019 amounted to ₱0.09 million and ₱0.44 million, respectively. There was no sale of cryptocurrencies in 2020.

In 2021 and 2020, revaluation of cryptocurrencies resulted in a gain of ₱21.32 million and ₱18.82 million, respectively, recognized under "Revaluation surplus" in "Other comprehensive income (loss)". Gain on revaluation of ₱0.56 million was also recognized in 2020 under "Unrealized gain (loss) on revaluation of cryptocurrencies" in "Other income (charges)" in the consolidated statements of comprehensive income. The Group also recognized gain of ₱2.00 million in 2019 under "Unrealized gain (loss) on revaluation of cryptocurrencies" in "Other income (charges)" in the consolidated statements of comprehensive income (see Note 17).

The amortization expense of intangible assets recognized in "Depreciation and amortization" under "Cost of services" in the consolidated statements of comprehensive income amounted to ₱7.41 million, ₱22.63 million and ₱32.65 million in 2021, 2020 and 2019, respectively (see Note 15).

<u>*Impairment testing of goodwill*</u>
Goodwill acquired through business combinations were reviewed to look for any indication that an asset may be impaired. The Group used a discounted cash flow analysis to determine value-in-use. Value-in-use reflects an estimate of the future cash flows the Group expects to derive from the cash-generating unit, expectations about possible variations in the amount or timing of those future cash flows, the time value of money and the price for bearing the uncertainty inherent in the asset. The calculation of the value-in-use is based on reasonable and supportable assumptions, the most recent budgets and forecasts approved by management covering a five-year period. Management determined the financial budgets based on past performance and its expectations for market development.

Key Assumptions Used in Value-in-Use Calculations
Key assumptions used to determine the value-in-use are discount rates including cost of debt and cost of capital, average revenue growth rates, long-term growth rates and EBITDA margins.

- *Discount rate*
  The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group used discount rates based on the industry's weighted average cost of capital (WACC). The rates used to discount the future cash flows are based on risk-free interest rates in the relevant markets where the subsidiaries are domiciled taking into consideration the debt premium, market risk premium, gearing, corporate tax rate and asset betas of these subsidiaries. In 2021, 2020 and 2019, management assumed discount rates of 8.57% to 11.53%, 13.39% to 15.33% and 10.95% to 12.92%, respectively.

- *Average annual revenue growth rate and long-term growth rate*
  Average growth rates in revenues are based on the Group's expectation of market developments and the changes in the environment in which it operates. The Group uses revenue growth rates based on past historical performance as well as expectations on the results of its strategies. On the other hand, the perpetual growth rate used to compute for the terminal value is based on the forecasted long-term growth of real gross domestic product (GDP) of the economy in which the business operates. In 2021, 2020 and 2019, management assumed average growth rates in revenues of 0.00% to 59.09%, 00.00% to 25.93% and 21.38% to 75.00%, respectively, and terminal growth rates of 3.00%, 3.00% and 1.00% to 3.00%, respectively.

- *EBITDA margin*
  The EBITDA margin represents the operating margin before depreciation and amortization and is estimated based on the margin achieved in the period immediately before the budget period and on estimated future development in the market. Committed operational efficiency programs are taken into consideration. In 2021, 2020 and 2019, management assumed EBITDA margin of 19.77% to 43.99%, 7.85% to 49.26% and 6.00% to 15.00%, respectively.

Management recognizes that unfavorable conditions can materially affect the assumptions used in the determination of value-in-use. An increase of 10.5% to over 100.0% discount rates, or a reduction of growth rates of 20.0% to over 100.0% would give a value-in-use equal to the carrying amount of the cash generating units.

Outstanding balance of goodwill per CGU is as follows:

	2021	2020
Storm Technologies, Inc.	**₱45,588,402**	₱45,588,402
Seer Technologies, Inc.	**2,633,582**	2,633,582
	₱48,221,984	₱48,221,984

The accumulated impairment on goodwill per CGU is as follows:

	2021	2020
Art of Click Pte. Ltd.	**₱1,787,723,086**	₱1,787,723,086
Storm Technologies, Inc.	**88,573,284**	88,573,284
Xeleb Technologies Inc.	**69,085,646**	69,085,646
Seer Technologies, Inc.	**10,865,603**	10,865,603
	₱1,956,247,619	₱1,956,247,619

In 2019, based on the assessment of AOC's VIU compared with its net asset's carrying amount, the Group recognized impairment loss amounting to ₱1,642.86 million.

The recoverable amounts have been based on value-in-use calculations using cash flow projections from forecasts provided by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using a steady growth rates of 3% to 6%.

Based on the assessment of subsidiaries' value-in-use compared to their net asset's carrying amount including goodwill, the Group recognized impairment loss amounting to ₱1,811.39 million in 2019 (see Note 16). No impairment loss was recognized in 2021 and 2020.

12. Accounts and Other Payables

This account consists of:

	2021	2020
Payable to third parties	**₱88,335,222**	₱52,191,204
Trade payables	**56,070,444**	82,184,225
Nontrade payable	**54,573,797**	52,488,918
Payable to related parties (Note 19)	**20,787,616**	14,868,070
Accrued expenses		
Taxes and licenses	**6,255,103**	7,514,551
Seminars and training	**5,856,982**	5,633,228
Professional fees	**4,090,629**	2,013,230
Interest expense	**23,467**	1,644,585
Salaries and wages	**–**	4,403,368
Inventories and supplies	**–**	1,209,395
Others	**524,225**	48,648

(Forward)

	2021	2020
Deferred output VAT	**₱5,635,826**	₱5,618,791
Taxes payable	**5,997,323**	5,975,256
Others	**133,547,795**	137,748,265
	₱381,698,429	₱373,541,734

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. The advances are noninterest-bearing and are settled within one year. As of May 16, 2022, no shares have been issued in relation to the deposit for future stock subscription.

Trade payables represent the unpaid subcontracted services and other cost of services to third parties. These are noninterest-bearing and are normally settled within one year.

Nontrade payables include proceeds received by ODX under the Share and Token Allocation Agreement which grants the investor rights to certain shares of ODX and internally generated tokens in the future depending on the happening of certain events prior to termination of the agreement.

Accrued expenses mainly consist of accruals for seminars and training, supplies, inventories, interest, professional fees, salaries and wages, taxes and licenses, and others. These are noninterest-bearing and are normally settled within one year.

Taxes payable include output VAT after application of available input VAT and expanded withholding tax on payment to suppliers and employees' compensation which are settled within one year.

Deferred output VAT represents deferral of output VAT related to trade receivables for the services rendered by the Group. These will be recognized as output VAT and applied against input VAT upon receipt of payment.

The Group reclassified the current portion of the 2020 advances from stockholders amounting to ₱88.78 million from "Accounts and other payables" to "Advances from stockholders" to conform to the 2021 presentation. The consolidated statement of financial position as at the beginning of the earliest period presented is not presented as the reclassifications amount to ₱99.04 as of January 1, 2020 and have no impact on total current liabilities as of January 1, 2020.

Others consist of statutory payables to SSS, Philhealth and HDMF. This account also includes provision relating to the Token Pre-Sale Agreements ("PSA") entered into by the Group, through ODX, with various investors for the sale of ODX tokens and other provisions for probable losses (see Note 30). These are noninterest-bearing and are normally settled within one year.

The table below shows the movements in the provision relating to the PSA:

	2021	2020
Balance at beginning of year	**₱129,675,146**	₱142,263,284
Cost incurred for platform development	**(1,320,000)**	(7,663,896)
Translation adjustments	**4,870,713**	(4,924,242)
Balance at end of year	**₱133,225,859**	₱129,675,146

Other provisions for probable losses amounted to ₱5.63 million as of December 31, 2020 (nil as of December 31, 2021) (see Note 30).

13. **Loans Payable**

This account pertains to unsecured and interest bearing 30- to 180- day term loans entered into by the Group with different local banks and non-banks, with interest rates of 6.75% to 12% in 2021 and 2020.

The rollforward analysis of this account follow:

	2021	2020
Balance at beginning of year	**₱41,710,283**	₱52,130,272
Payment of loans	**(2,917,213)**	(10,346,413)
Translation adjustment	−	(73,576)
Balance at end of year	**38,793,070**	41,710,283
Noncurrent loans payable	**9,066,663**	−
	₱29,726,407	₱41,710,283

Noncurrent loans payable pertains to the portion of the loans which are payable from 2023 to 2024. Interest expense recognized in the consolidated statements of comprehensive income amounted to ₱1.73 million, ₱3.18 million and ₱26.64 million in 2021, 2020 and 2019, respectively (see Note 17).

Undrawn loan commitments amounted to ₱0.43 million as of December 31, 2021 (nil as of December 31, 2020). There were no transaction costs and interest expense capitalized in 2021 and 2020.

14. **Service Income and Sale of Goods**

Service income, amounting to ₱185.39 million, ₱121.36 million and ₱879.81 million in 2021, 2020 and 2019, respectively, pertain to revenues earned from mobile consumer products and services, enterprise services and knowledge process outsourcing and other services rendered by the Group to its customers. Revenues from these segments are recognized at a point in time, except for revenues from custom development included under enterprise services which are recognized over time.

Revenue from sale of goods amounted to ₱24.64 million, ₱52.65 million and ₱92.15 million in 2021, 2020 and 2019, respectively. Revenues are recognized at a point in time for the sale of goods.

<u>Revenue from contracts with customers</u>

The Group derives revenue from the transfer of goods and services over time and at a point in time, in different product types of its service income. The Group's disaggregation of revenue from contracts with customers are presented below:

	2021	2020	2019
Service income			
Mobile consumer services	**₱40,546,742**	₱21,999,969	₱19,919,308
Enterprise services	**117,575,756**	88,238,485	854,726,094
Other services	**27,269,661**	11,122,938	5,167,084
	185,392,159	121,361,392	879,812,486
Sale of goods	**24,638,512**	52,647,630	92,146,792
	₱210,030,671	₱174,009,022	₱971,959,278

15. **Cost of Services**

Cost of services consists of the following:

	2021	2020	2019
Salaries, wages and employee benefits	**₱91,270,033**	₱70,498,778	₱539,037,013
Outsourced services	**35,474,015**	19,246,698	27,792,212
Outside services	**16,669,479**	5,373,667	–
Depreciation and amortization (Notes 10 and 11)	**7,407,967**	22,728,782	32,870,053
Web hosting	**2,981,500**	2,832,968	15,737,294
Consultancy fees	**1,531,663**	2,089,715	6,511,677
Rent (Note 18)	**932,985**	871,661	1,816,621
Commissions	**568,364**	101,456	2,607,323
Utilities	**118,360**	175,976	5,475,671
Segment fee and network costs	**53,571**	356,895	88,664,108
Seminar and trainings	**–**	–	2,375,694
Royalty fees (Note 18)	**–**	–	1,222,981
Miscellaneous	**1,867,593**	2,913,181	18,081,525
	₱158,875,530	₱127,189,777	₱742,192,172

Miscellaneous cost of services includes membership fees and other costs.

16. **General and Administrative Expenses**

This account consists of:

	2021	2020	2019
Salaries, wages and employee benefits	**₱31,461,844**	₱39,616,735	₱107,481,565
Professional fees	**15,783,739**	24,061,793	42,255,889
Writeoff of obsolete inventory (Note 8)	**8,381,571**	–	–
Marketing and promotions	**4,574,361**	3,200,648	1,355,721
Transportation and travels	**3,294,994**	2,691,623	4,845,579
Depreciation and amortization (Notes 10 and 18)	**3,222,988**	6,841,714	43,771,991
Provision for impairment losses (Notes 5, 8, 9 and 11)	**2,631,821**	16,033,171	1,923,415,811
Taxes and licenses	**2,527,716**	4,434,493	11,393,352
Directors' fees (Note 19)	**1,465,000**	2,670,000	2,080,000
Dues and subscriptions	**1,175,300**	915,623	4,622,509
Utilities	**1,056,934**	1,560,652	6,931,028
Outsourced services	**1,030,054**	603,694	17,244,408
Rent (Note 18)	**471,135**	3,737,651	6,302,923
Entertainment, amusement and recreation	**453,794**	447,935	1,652,236

(Forward)

	2021	2020	2019
Supplies	**₱293,226**	₱343,581	₱2,545,853
Insurance	**431,765**	650,491	1,248,759
Repairs and maintenance	**377,500**	246,998	1,246,713
Seminars and trainings	**268,459**	324,815	1,926,166
Advertising	**250,431**	331,422	1,224,214
Miscellaneous	**6,094,054**	11,136,016	22,879,189
	₱85,246,686	₱119,849,055	₱2,204,423,906

Miscellaneous expense includes provision for probable losses, notarial and other costs.

17. Finance Costs and Other Income (Charges)

Finance costs - net consist of:

	2021	2020	2019
Interest expense on loans payable (Notes 13 and 19)	**₱9,143,361**	₱10,582,571	₱37,027,649
Accretion of interest on lease liabilities (Note 18)	**45,976**	45,621	2,657,206
Interest income (Note 4)	**(43,725)**	(646,644)	(1,643,224)
	₱9,145,612	₱9,981,548	₱38,041,631

Other income (charges) consist of:

	2021	2020	2019
Gain from derecognition of long-outstanding payables	**₱19,353,927**	₱36,011,082	₱–
Gain (loss) on retirement and disposal of property and equipment and derecognition of right-of-use asset and lease liabilities (Notes 10 and 18)	**267,358**	(1,168,543)	(244,602)
Foreign exchange gain (loss)	**(4,878,329)**	2,999,629	(408,024)
Bank charges	**(461,735)**	(509,085)	(6,518,570)
Penalties earned from late payments of customers	**–**	4,489,427	–
Gain (loss) on sale of subsidiary (Note 23)	**–**	3,337,327	(478,950,094)
Unrealized gain on revaluation of cryptocurrencies (Note 11)		555,709	1,995,765
Loss from sale of cryptocurrencies (Note 11)	**–**	–	(185,884)
Other income	**14,088,218**	9,511,637	4,369,626
	₱28,369,439	₱55,227,183	(₱479,941,783)

Other income pertains to gain on debt restructuring, gain on curtailment and other miscellaneous income.

18. **Agreements and Lease Commitments**

Agreements with Licensors

The Group entered into various agreements with licensors for the use of and or distribution of the licensors' products and services as mobile content. Under these agreements, the Group pays the licensors a certain percentage of revenues earned from the use and distribution of licensors' products and services. The amounts arising from these agreements are recorded as "Royalty fees" under "Cost of services", and the related liability are recorded as "Accrued expenses" under "Accounts and other payables". In 2019, royalty fees amounted to ₱1.22 million. No royalty fees were recognized in 2021 and 2020 (see Note 15).

Group as Lessee

The Group entered into various lease agreements with third parties for the office spaces it occupies. Leases have terms ranging from one to three years and renewable subject to new terms and conditions to be mutually agreed upon by both parties.

a. In March 2021, the Parent Company entered into a non-cancellable lease contract with Milestone Petroleum Marketing Corporation for the lease of an office unit in Antel Corporate Center for a period of two (2) years which commenced on March 1, 2021 and expires on February 28, 2023. The applicable rate per month is ₱0.09 million. The lease contract may be renewed upon the terms and conditions mutually agreed by both parties with an escalation rate of 4.00% per year.

b. The Parent Company has noncancellable lease contract with Gervel, Inc. for the 7th floor office space which terminated on March 31, 2020. The applicable rate per month is ₱0.27 million.

   On March 31, 2020, the lease contract was renewed for a period of one (1) year which terminated on March 31, 2021. The applicable rate per month is ₱0.33 million.

c. In 2017, the Parent Company entered into a non-cancellable lease contract with Gervel, Inc. for the 6th floor office space for a period of two (2) years and four and a half (4.5) months which commenced on November 16, 2017 and expired on March 31, 2020. The applicable rate per month is ₱0.33 million. The lease contract may be renewed in writing by mutual agreement of the parties.

   In 2019, the Parent Company assigned the contract of lease to Xurpas Enterprise, Inc. On March 31, 2020, the contract of lease expired and terminated.

d. Storm has cancellable lease contract with All Estate Realty Brokerage Inc. for office space which expired on April 15, 2020. Monthly rent applicable on the first year amounted to ₱0.05 million per month with 10% annual escalation rate on the second year.

e. In 2017, Seer entered into finance lease agreements with BPI Leasing Corporation for the use of IT equipment with a lease term of three (3) to five (5) years. Effective monthly interest rates range from 0.90% to 1.42% in 2018 and 0.83% to 1.12% in 2017. In 2019, Seer has recognized right-of-use asset and lease liability as a result of the PFRS 16 adoption using a discount rate of 10.75% with residual value amounting to ₱0.31 million. In January 2020, the contract of lease was terminated and not renewed. The residual value was derecognized which resulted to a loss amounting to ₱0.31 million recognized in 2020 under "Other income (charges)" in the consolidated statement of comprehensive income (see Note 17).

f. In 2019, AOC entered into a noncancellable lease agreement with Singapore Service Residence Pte Ltd for a period of two (2) years from August 1, 2019 to July 21, 2021 with an applicable rental rate per month of SG$4,000. On July 31, 2020, AOC pre-terminated its contract of lease which resulted to a loss on derecognition of right-of-use asset and lease liabilities amounting to ₱1.09 million recognized under "Other income (charges)" in the consolidated statement of comprehensive income (see Note 17).

Rollforward of right-of-use assets is as follows:

	2021	2020
Cost		
Balance at beginning of year	**₱8,901,896**	₱16,396,951
Addition	**2,014,185**	–
Pre-termination of lease contract and derecognition of right-of-use asset	**(8,901,896)**	(7,367,421)
Translation adjustment	**–**	(127,634)
Balance at end of year	**2,014,185**	8,901,896
Accumulated Depreciation		
Balance at beginning of year	**8,901,896**	11,784,466
Depreciation	**839,244**	1,718,755
Pre-termination of lease contract and derecognition of right-of-use asset	**(8,901,896)**	(4,679,455)
Translation adjustments	**–**	78,130
Balance at end of year	**839,244**	8,901,896
Net Book Value	**₱1,174,941**	₱–

The rollforward analysis of lease liabilities as of December 31, 2021 and 2020 follows:

	2021	2020
Balance at beginning of year	**₱–**	₱3,809,525
Addition	**2,014,185**	–
Accretion of interest (Note 17)	**45,976**	45,621
Pre-termination of lease contract	**–**	(1,563,979)
Payments	**(868,156)**	(2,184,116)
Translation adjustment	**–**	(107,051)
Balance at end of year	**₱1,192,005**	₱–
Current lease liabilities	**₱1,019,202**	₱–
Noncurrent lease liabilities	**₱172,803**	₱–

The following are the amounts recognized in the consolidated statements of comprehensive income:

	2021	2020
Depreciation expense of right-of-use assets (Note 16)	**₱839,244**	₱1,718,755
Loss on derecognition of right-of-use asset and lease liabilities (Notes 17)	**–**	1,123,987
Accretion of interest expense on lease liabilities (Note 17)	**45,976**	45,621
Rent expense on short-term leases charged under:		
Cost of services (Note 15)	**932,985**	871,661
General and administrative expenses (Note 16)	**471,135**	3,737,651
	₱2,289,340	₱7,497,675

19. Related Party Transactions

The Group, in the normal course of business, has transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture.

Terms and conditions of transactions with related parties
There have been no guarantees provided or received for any related party receivables and payables. Except as otherwise indicated, these accounts are noninterest-bearing, generally unsecured and shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties. Impairment assessment is undertaken through examination of the financial position of the related party and market in which this related party operates.

Material related party transactions ("RPT")
This refers to any related party transaction, either individually, or in aggregate over a 12-month period with the same related party, amounting to 10% or higher of the Group's total assets. All material related party transactions are subject to the review by the RPT Committee.

In the event wherein there are changes in the RPT classification from non-material to material, the material RPT shall be subject to the provisions of the related party transactions policy.

Details of transactions with related parties and their outstanding payables to a related party as at December 31, 2021 and 2020 follow:

			Amount/Volume		Outstanding Balance			
					2021		2020	
	Terms	Conditions	2021	2020	Receivable	Payable	Receivable	Payable
Associates								
Advances (a, b)	Noninterest-bearing	Unsecured, with impairment	**₱514,149**	₱565,146	**₱11,400,996**	**₱–**	₱10,943,048	₱–
Stockholders								
Payable to directors and officers (a-b)	Interest-bearing	Unsecured	**–**	–	**–**	**143,563,235**	–	138,086,776

(Forward)

	Terms	Conditions	Amount/Volume 2021	Amount/Volume 2020	Outstanding Balance 2021 Receivable	Outstanding Balance 2021 Payable	Outstanding Balance 2020 Receivable	Outstanding Balance 2020 Payable
Interest (a-b)	Noninterest-bearing	Unsecured	**₱7,414,936**	₱7,392,016	**₱–**	**₱19,223,045**	₱–	₱11,808,109
Payable to directors and officers (c-d)	Noninterest-bearing	Unsecured	**1,465,000**	2,670,000	**–**	**1,318,500**	–	2,187,000
Advances (g)	One year; noninterest-bearing	Unsecured	**–**	–	**–**	**117,678**	–	117,678
Cash held in trust (e)	One year; noninterest-bearing	Unsecured	**–**	–	**–**	**–**	–	–
Affiliates								
Receivable (a)	Noninterest-bearing	Unsecured, no impairment	**9,490,586**	390,000	**5,864,116**	**–**	436,800	–
Advances (b)	Noninterest-bearing	Unsecured	**726,890**	1,063,017	**–**	**128,393**	–	755,283
					₱17,265,112	**₱164,350,851**	₱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 of December 31, 2021, and 2020, receivable from Altitude Games amounted to ₱5.26 million. The Parent Company recognized allowance for impairment loss amounting to ₱2.63 million as of December 31, 2021 and 2020 (see Note 5).

b. The Parent Company made payments on behalf of SDI and MatchMe for their outsourced services. Outstanding balance amounted to ₱6.14 million and ₱5.68 million as of December 31, 2021 and 2020, respectively. The Parent Company recognized allowance for impairment loss amounting to ₱2.86 million and ₱2.60 million as of December 31, 2021 and 2020, respectively (see Note 5).

Stockholders:

a. In 2017, the Parent Company entered into a loan agreement with its directors amounting to US$1,945,758 or ₱97.15 million subject to 5% interest rate per annum. The loan is due and demandable. In 2021, 2020 and 2019, the Group recognized interest expense amounting to ₱4.71 million, ₱4.59 million and ₱5.78 million, respectively, under "Finance Cost and Other income (charges)" in its consolidated statements of comprehensive income (see Note 17). As at December 31, 2021 and 2020, outstanding loans and interest payable amounted to ₱94.26 million and ₱13.97 million, respectively, and ₱88.78 million and ₱9.26 million, respectively.

   The Group reclassified the current portion of the 2020 advances from stockholders amounting to ₱88.78 million from "Accounts and other payables" to "Advances from stockholders" to conform to the 2021 presentation. The consolidated statement of financial position as at the beginning of the earliest period presented is not presented as the reclassifications amount to ₱99.04 million and have no impact on total current liabilities as of January 1, 2020.

b. On April 29, 2019, the Parent Company entered into a loan agreement with its directors amounting to ₱150.00 million subject to 5.50% interest rate per annum for 3 years from date of agreement and may be renewed upon mutual agreement. In 2021 and 2020, the Group recognized interest expense amounting to ₱2.70 million and ₱2.81 million, respectively, under "Finance Cost and Other income (charges)" in its consolidated statements of comprehensive income (see Note 17).

As at December 31, 2021 and 2020, outstanding loans and interest payable pertaining to this transaction amounted to ₱49.30 million and ₱5.25 million, respectively, and ₱49.30 million and ₱2.55 million, respectively.

c. Payable to directors and officers also pertain to directors' fees amounting to ₱1.47 million, and ₱2.67 million in 2021 and 2020, respectively (see Note 16). Outstanding payable amounted to ₱1.32 million and ₱2.19 million as at December 31, 2021 and 2020, 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. Outstanding payable as at December 31, 2021 and 2020 amounted to ₱0.12 million.

Affiliates:

a. The Parent Company entered into an agreement with CTX wherein the Parent Company agreed to perform financial, legal, human resources, sales and marketing support, administrative support and technical services for a fee. In relation to this, outstanding trade receivable and total service income recognized as at and for the years ended December 31, 2021 and 2020 amounted to ₱2.29 million and ₱1.82 million, respectively, and ₱0.44 million and ₱0.39 million, respectively.

b. In 2021, the Group entered into service agreement with CTX to provide staff augmentation services. The Group's outstanding receivable and revenue from these services amounted to ₱7.20 million and ₱4.04 million, respectively.

c. Advances from affiliate pertain to payments made by CTX to the Parent Company for operational purposes subject to future liquidation. Outstanding payable as at December 31, 2021 and 2020 amounted to ₱0.73 million and ₱0.76 million, respectively.

Key management compensation
Compensation of key management personnel amounted to ₱16.80 million, ₱18.66 million and ₱28.48 million in 2021, 2020 and 2019, respectively. In 2019, the Parent Company issued 415,000 common shares from the Parent Company's treasury shares at ₱1.23 per share to its President and Chief Finance Officer.

Compensation of key management personnel by benefit type follows:

	2021	2020	2019
Short-term employee benefits	**₱13,830,358**	₱17,148,373	₱31,031,220
Post-employment benefits*	**2,969,622**	1,511,747	(2,546,793)
	₱16,799,980	₱18,660,120	₱28,484,427

**includes gain on curtailment on defined benefit plan in 2019*

20. Income Taxes

Provision for (benefit from) income tax for the years ended December 31, 2021, 2020 and 2019 consists of the following:

	2021	2020	2019
Deferred	**(₱2,765,285)**	(₱8,401,307)	(₱7,628,461)
Current	**(201,889)**	3,554,509	33,461,365
Final	**7,476**	123,417	319,512
	(₱2,959,698)	(₱4,723,381)	₱26,152,416

The components of the Group's net deferred tax assets are as follows:

	2021	2020
Deferred tax assets on:		
NOLCO	**₱–**	₱1,486,725
Pension liability	**2,769,551**	1,449,570
Right of use assets	**293,735**	–
Net unrealized loss on financial assets at FVOCI	**25,000**	18,000
	3,088,286	2,954,295
Deferred tax liabilities on:		
Unrealized foreign exchange gain	**–**	1,486,725
Remeasurement gain on retirement plan	**2,769,551**	1,449,570
Lease liabilities	**298,001**	–
Unrealized gain on financial assets at FVOCI	**25,000**	18,000
	3,092,552	2,954,295
Net deferred tax liabilities	**(₱4,266)**	₱–

As of December 31, 2021, net deferred tax liabilities amounted to ₱4,266 (nil as of December 31, 2020).

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. Below are the Group's deductible temporary differences for which no deferred tax assets are recognized since management believes that there are no sufficient taxable profits against which the deferred tax assets can be utilized:

	2021	2020
NOLCO	**₱630,650,675**	₱876,385,111
Accrued expenses	**108,009,189**	87,859,902
Allowance for impairment losses	**24,787,304**	17,938,753
Pension liability	**21,325,225**	14,283,679
MCIT	**5,171,013**	5,448,084
Unrealized foreign exchange loss	**9,726**	12,688
Net lease liability	**17,063**	–
	₱789,970,195	₱1,001,928,217

Below are the remaining amounts of deductible temporary differences related to items recorded under other comprehensive income for which no deferred tax assets are recognized:

	2021	2020
Net unrealized loss on financial assets as FVOCI	**₱44,094,956**	₱44,194,956
Remeasurement loss on defined benefit plan	**2,911,226**	11,010,677
	₱47,006,182	₱55,205,633

Bayanihan to Recover as One Act

Republic Act No. 11494 or the Bayanihan to Recover as One Act was signed into law on September 11, 2020. Pursuant to Revenue Regulations No. 25-2020 implementing relevant provisions of the Bayanihan to Recover as One Act relative to NOLCO, unless otherwise disqualified from claiming the deduction, the business or enterprise which incurred net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss. The net operating loss for said taxable years may be carried over as a deduction even after the expiration of the Bayanihan to Recover as One Act, provided the same are claimed within the next five (5) consecutive taxable years immediately following the year of such loss.

The carryforward NOLCO and MCIT of the Parent Company and local subsidiaries that can be claimed as deduction from future taxable income or used as deduction against income tax liabilities follow:

NOLCO:

Year Incurred	Beginning	Additions	Applied	Expired	End	Year of Expiration
2018	₱360,715,857	₱–	₱105,980,235	₱254,735,622	₱–	2021
2019	204,926,341	–	–	–	204,926,341	2022
2020	23,447,664	–	700,205	–	22,747,459	2025
2021	–	53,036,263	–	–	53,036,263	2026
	₱667,016,889	₱53,036,263	₱105,980,235	₱254,735,622	₱280,710,063	

Subject to qualifying conditions, NOLCO of foreign subsidiaries which can be carried forward indefinitely amounted to ₱349.94 million and ₱372.85 million in 2021 and 2020, respectively.

MCIT:

Year Incurred	Beginning	Additions	Applied	Expired	End	Year of Expiration
2018	₱634,747	₱–	₱–	₱634,747	634,747	2021
2019	1,186,713	–	–	–	1,186,713	2022
2020	3,626,624	–	–	–	3,626,624	2023
2021	–	357,693	–	–	357,693	2024
	₱5,448,085	₱357,693	₱–	₱634,747	₱5,171,031	

The reconciliation between the statutory and effective income tax rates for the years ended December 31, 2021, 2020 and 2019 follows:

	2021	2020	2019
Statutory income tax rate	**(₱7,279,858)**	(₱22,062,192)	(₱782,762,629)
Adjustments resulting from:			
Changes in unrecognized deferred tax assets	**4,530,372**	14,181,663	70,352,480
Nondeductible expenses	**2,824,983**	1,929,225	737,361,900
Expired MCIT	**634,747**	514,249	–
Nondeductible loss from investments in associates	**80,187**	2,324,113	–
Deductible rental expense	**4,266**	–	–
Interest income subjected to final tax	**(1,722)**	(70,475)	(157,409)
CREATE impact	**(858,291)**	–	–
Effect of lower income tax rate	**(2,894,382)**	11,294	1,741,924
Nontaxable income	–	(1,551,258)	(383,850)
Provision for (benefit from) income tax	**(₱2,959,698)**	(₱4,723,381)	₱26,152,416

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations.
- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2011 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT, 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Group would have been subjected to lower minimum corporate income tax rate of 1% effective July 1, 2020.

- Based on the provisions of Revenue Regulations (RR) No. 05-2021 dated April 08, 2021 issued by the BIR, the prorated CIT rate of the Company for CY2020 is 27.5%. This will result in lower provision for current income tax for the year ended December 31, 2020, and higher creditable withholding taxes as of December 31, 2020 by ₱0.86 million. The effect of CREATE was reflected in the Parent Company and local subsidiaries' 2020 annual income tax return. However, for financial reporting purposes, these changes are recognized in the 2021 financial statements in accordance with PIC Q&A 2020-07.

- There is no impact in the recognized provision since no deferred tax assets were recognized in excess of the recognized deferred tax liabilities as of December 31, 2020.

21. Retirement and Other Long-term Employee Benefits

The Group does not have an established retirement plan and only conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) which is of the defined benefit type and provides a retirement benefit equal to 22.5 days' pay for every year of credited service. The regulatory benefit is paid in a lump sum upon retirement.

The principal actuarial assumptions used to determine the cost of pension benefits with respect to the discount rate and salary increase rate were based on historical and projected rates. Annual cost is determined using the projected unit credit actuarial valuation method.

The components of net pension expense (income) in the consolidated statements of comprehensive income are as follows:

	2021	2020	2019
Current service cost	**₱3,974,910**	₱2,314,166	₱4,090,412
Net interest cost on benefit obligation	**1,069,673**	1,371,430	1,100,796
Past service cost – curtailment	**–**	(1,373)	(5,935,378)
	₱5,044,583	₱3,684,223	(₱744,170)

The Group had retrenchment programs in 2020 and 2019 which caused significant reduction in the headcount. Specifically, the decline in the number of employees covered by the Group's plan included 17 and 79 officers in 2020 and 2019, respectively. The Group recognized pension expense amounting to ₱5.04 million, ₱3.69 million and ₱2.86 million included in "Salaries, wages and employee benefits" under "General and administrative expenses" in the consolidated statements of comprehensive income in 2021, 2020 and 2019, respectively. "Gain on curtailment" amounting to ₱5.93 million was recognized under "Other charges (income)" in the consolidated statement of comprehensive income in 2019.

As of December 31,2021 and 2020, pension liabilities amounted to ₱22.83 million and ₱26.82 million, respectively.

The following table presents the changes in the present value of defined benefit obligation:.

	2021	2020
Balance at beginning of year	**₱26,816,555**	₱24,823,772
Current service cost	**3,974,910**	2,314,166
Interest cost on benefit obligation	**1,069,673**	1,371,430
Net actuarial gains	**(9,026,640)**	(1,691,440)
Past service cost - curtailment	**–**	(1,373)
	₱22,834,498	₱26,816,555

The Group does not currently employ any asset-liability matching.

Remeasurement gain (loss) on defined benefit plan under consolidated statements of comprehensive income follow:

	2021	2020	2019
Actuarial gain (loss) on defined benefit obligation	**₱9,026,640**	₱1,691,440	(₱4,617,208)
Actual return excluding amount included in net interest cost	–	–	(110,591)
Tax effect relating to actuarial gain	**(2,769,551)**	(1,449,571)	(341,502)
	₱6,257,089	₱241,869	(₱5,069,301)

Actuarial loss on defined benefit pension plan recorded under "Remeasurement gain (loss) on defined benefit plan" in the consolidated statements of changes in equity follow:

	2021	2020	2019
Balance at beginning of year	**₱1,100,058**	₱1,341,927	(₱6,529,546)
Actuarial loss (gain) on defined benefit obligation	**(9,026,640)**	(1,691,440)	4,617,208
Tax effect relating to actuarial gain	**2,769,551**	1,449,571	341,502
Sale of subsidiary	–	–	3,615,433
Actual return excluding amount included in net interest cost	–	–	110,591
Derecognition of defined benefit plan	–	–	(813,261)
	(₱5,157,031)	₱1,100,058	₱1,341,927
Attributable to:			
Equity holders of Xurpas Inc.	**(₱2,911,226)**	₱3,335,931	₱2,571,739
Noncontrolling interests	**(2,245,805)**	(2,235,873)	(1,229,812)
	(₱5,157,031)	₱1,100,058	₱1,341,927

The assumptions used to determine pension benefits of the Group are as follows:

	2021	2020	2019
Discount rate	**4.65% - 5.21%**	3.03% – 4.20%	5.50 – 5.54%
Salary projection rate	**3.00% - 5.00%**	3.00% – 5.00%	3.00 – 5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption of the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

		(Decrease) increase on DBO	
		2021	2020
Discount rate	(+) 1.0%	**(₱2,890,267)**	(₱3,681,606)
	(−) 1.0%	**3,512,105**	4,455,167
Salary increase rate	(+) 1.0%	**3,482,390**	4,375,265
	(−) 1.0%	**(2,920,220)**	(3,679,163)

The weighted average duration of defined benefit obligation at the end of the reporting period is 5.80 to 19.70 years and 6.90 to 28.52 years in 2021 and 2020, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2021 and 2020:

	2021	2020
Within 1 year	**₱1,968,841**	₱1,852,961
More than 1 year to 5 years	**5,229,196**	–
More than 5 years to 10 years	**6,791,026**	12,554,993
	₱13,989,063	₱14,407,954

22. Business Combinations and Acquisition of Noncontrolling Interests

Business Combinations

Yondu, Inc. ("Yondu")
On September 16, 2015, the Parent Company acquired 22,950 shares of common stock in Yondu, a content developer and provider of mobile value-added services and information technology services for a total consideration of ₱900.00 million. The 5,000 shares out of the 22,950 shares were from unissued shares of Yondu while 17,950 shares were purchased from GTI. Purchase price of unissued shares and shares previously held by GTI amounted to ₱230.00 million and ₱670.00 million, respectively. The purchase resulted in a 51% ownership by the Parent Company in Yondu.

Included in the Shareholders' Agreement are a call and put option granting the Parent Company the right to require GTI to sell and granting GTI the right to require the Parent Company to purchase all, but not part only, of the 49% shareholding of GTI in Yondu at ₱39,215.69 per company share, respectively. The options have an exercise date starting September 16, 2016 and will expire after two years therefrom. The put option and call option shall be exercised by a share swap of Xurpas shares for shares held by GTI or a combination of share swap and cash, at the mutual agreement of both parties. In September 2018, the call and put options remained unexercised and were terminated in line with their expiration.

On September 11, 2019, the BOD of the Parent Company approved the sale of the 51% ownership shares of Yondu Inc to GTI at a purchase price of ₱501.25 million (see Note 23).

Acquisition of Noncontrolling Interests

Xeleb Technologies Inc.
On September 11, 2019, Deeds of Absolute Sale were executed for the acquisition by the Parent Company of the remaining 33.00% interest in Xeleb Technologies for ₱4.00 million. This brought Parent Company's interest in Xeleb Technologies to 100%. The acquisition resulted in the decrease in equity reserve amounting to ₱36.09 million in 2019.

Increase in Noncontrolling Interests

Storm Technologies, Inc.
In 2019, Storm issued an aggregate of 3,985 shares to individual stockholders for a total consideration of ₱7.08 million.

Allcare Technologies, Inc.
In 2020, Allcare issued an aggregate of 134,800 shares to its stockholders for a total consideration of ₱11.00 million bringing Storm's ownership over Allcare from 83.84% to 71.62%. This transaction did not result in a loss of Group's control over Allcare.

23. Deconsolidated Subsidiary

CTX Technologies Inc.
On March 30, 2020, the Parent Company and the other stockholder of CTX, entered into a Deed of Absolute Sale for the sale of 8,000,000 shares equivalent to 80% interest in CTX for a total amount of ₱4.00 million. On September 30, 2020, the same parties entered into another Deed of Absolute Sale for the sale of the remaining 1,999,995 shares for a total amount of ₱1.27 million. The purchase price totaling to ₱5.27 million was offset against Parent Company's payable to the same stockholder.

Total gain on disposal of CTX recognized in 2020 presented under "Other income (charges)" in the consolidated statement of comprehensive income amounted to ₱3.34 million (see Note 17) computed as follows:

Assets	
Cash	₱1,088,427
Other current assets	962,997
	2,051,424
Liabilities	
Accounts and other payables	123,521
Net assets attributable to Xurpas (100% owned)	1,927,903
Proceeds from sale	(5,265,230)
Gain on sale	(₱3,337,327)

Cash outflow related to the disposal follows:

Cash proceeds from sale	₱–
Cash balance of CTX	1,088,427
Net cash outflow	(₱1,088,427)

Yondu Inc.
On September 11, 2019, the Parent Company and GTI entered into a Deed of Absolute Sale for the sale of 22,950 shares equivalent to 51% interest in Yondu for a total amount of ₱501.25 million. As a result, the Group consolidated Yondu's statement of comprehensive income up to the date of sale.

Total loss on disposal of Yondu recognized in 2019 presented under "Other income (charges)" in the consolidated statement of comprehensive income amounted to ₱478.95 million (see Note 17) computed as follows:

Assets	
Cash	₱128,222,993
Receivables	523,247,314
Other current assets	21,053,392
Contract asset	15,215,727
Property and equipment (Note 10)	34,041,056
Right-of-use assets (Note 18)	54,708,846
Intangible assets (Note 11)	1,670,874,726
Deferred tax assets	17,393,201
Other noncurrent assets	17,303,818
	2,482,061,073
Liabilities	
Accounts and other payables	202,556,042
Pension liability - net (Note 21)	1,104,812
Income tax payable	11,216,822
Contract liability	19,102,598
Lease liabilities (Note 18)	56,849,444
Dividends payable	50,293,088
Deferred tax liability	339,145,001
	680,267,807
Net assets	1,801,793,266
Noncontrolling interests in Yondu	(821,591,498)
Net assets attributable to Xurpas	980,201,768
Proceeds from sale	(501,251,674)
Loss on sale	₱478,950,094

Remeasurement gain on defined benefit plan of Yondu attributable to the equity holders of Xurpas Inc. amounting to ₱3.60 million recognized in OCI was closed to Deficit upon disposal of Yondu.

Cash inflow related to the disposal follows:

Proceeds from sale	₱501,251,674
Cash balance of Yondu	128,222,993
Net cash inflow	₱373,028,681

Yondu operates both under mobile consumer services and enterprise services segments of the Group.

	Period Ended September 11, 2019
Revenues	₱793,778,134
Cost and expenses	694,720,109
Income before income tax	99,058,025
Provision for income tax	22,342,650
Net income from a deconsolidated subsidiary	₱76,715,375

	Period Ended September 11, 2019
Earnings per share	
Basic EPS, for net income attributable to equity holders of the Parent Company from a deconsolidated subsidiary	₱0.04

The net cash flows from the activities of Yondu are as follows:

	Period Ended September 11, 2019
Net cash provided by operating activities	₱91,877,092
Net cash used in investing activities	(11,437,294)
Net cash used in financing activities	(58,482,998)
Effect of exchange rate changes	141,573

24. Equity (Capital Deficiency)

The details of the Parent Company's capital stock follow:

	2021	2020
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)

In accordance with Revised Securities Regulation Code Rule 68, Annex 68-K, below is the summary of the Parent Company's track record of registration of securities as of December 31:

	Number of shares registered	Issue/offer price	Date of approval	**2021** Number of holders of securities as of December 31	2020 Number of holders of securities as of December 31
Common shares	344,000,000	₱3.97 issue price	November 13, 2014	26	24

The balance of additional paid-in capital (APIC) as of December 31, 2021 and 2020 represents the excess of the subscription price over paid-up capital.

On March 2, 2018, the Parent Company issued 67,285,706 common shares by way of block sale to implement the amendments in a share purchase agreement related to acquisition of AOC. The shares were issued at ₱3.80 per share.

In 2020 and 2019, APIC reduced as a result of reissuance of treasury shares by the amount of ₱7.19 million and ₱6.98 million, respectively.

Retained Earnings

Appropriations

Appropriated retained earnings which relates to buyback program of common shares in 2016 amounted to ₱115.46 million as of December 31, 2021 and 2020.

Dividends declaration

The Parent Company has no dividend declarations made in 2021, 2020 and 2019.

Deficit includes accumulated equity in the net losses of subsidiaries and associates amounting to ₱452.95 million and ₱567.88 million as of December 31, 2021 and 2020, respectively.

Equity Reserve

In 2016, the Parent Company purchased additional shares from noncontrolling interests of Xeleb, Xeleb Technologies and Storm. The transactions were accounted as an equity transaction since there was no change in control. Equity reserve recognized as a result of these transactions amounted to ₱43.72 million.

In 2017, a reserve amounting to ₱358.50 million was recognized for the payment resulting from amendments in the purchase price and the acquisition of the Parent Company's own shares related to the acquisition of AOC.

In 2019, the Parent Company purchased the remaining 33% stake from noncontrolling interests of Xeleb Technologies. The transaction was accounted as an equity transaction since there was no change in control resulting to a reduction in equity reserve amounting to ₱36.09 million.

In 2019, a reduction in equity reserve amounting to ₱2.71 million was recognized due to the increase in noncontrolling interests of Storm Technologies from 43.40% to 48.69%.

Treasury Stock

As of January 1, 2018, the Parent Company has 63,985,642 treasury shares with cost amounting to ₱115.06 million which pertains to acquisition of shares made in 2017.

On April 8, 2019, the Parent Company reissued 415,000 treasury shares with a cost of ₱3.81 million for a price of ₱1.23 per share.

On July 14, 2019, the Parent Company reissued 475,000 treasury shares with a cost of ₱4.23 million for a price of ₱1.16 per share.

On July 23, 2020, the Parent Company reissued 966,667 treasury shares with a cost of ₱7.72 million for a price of ₱0.57 per share.

As of December 31, 2021 and 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 December 31, 2021, the Plan has been on hold for approval of the SEC and PSE.

Capital Management
The primary objective of the Group's capital management is to improve its credit rating and capital ratios in order to support its business operations and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and status of its operations. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The Group's sources of capital follow:

	2021	2020
Capital stock	**₱193,492,585**	₱193,492,585
Additional paid-in capital	**3,577,903,565**	3,577,903,565
Deficit	**(3,241,042,649)**	(3,243,882,830)
	₱530,353,501	₱527,513,320

The Group is subject to certain capital requirement as a listed entity (i.e., delisting after 3 consecutive years of negative total equity. The Group regards its equity as its primary source of capital.

As of December 31, 2021, the Group is in capital deficiency position for the first time. Refer to Note 1 on the Group's plan to address their capital deficiency. No changes were made in the capital management policies in 2021, 2020 and 2019.

25. Subsidiary with Material Noncontrolling Interests

Noncontrolling interests pertain to the percentage interests in subsidiaries that the Parent Company does not own. The summarized financial information is provided below for the subsidiary with material noncontrolling interest. This information is based on the amounts before intercompany eliminations.

The Parent Company considers a subsidiary with material noncontrolling interests if its net assets exceed 5.00% of its total consolidated net assets of the Group as of reporting period and considers the relevance of the nature of activities of the entity compared to other operations of the Group. There are no significant restrictions on the Parent Company's ability to use assets and settle liabilities of the Group.

As of December 31, 2021 and 2020, financial information of identified subsidiaries with material noncontrolling interests is as follows:

Storm

	2021	2020
Proportion of equity interests held by noncontrolling interests	**48.69%**	48.69%
Accumulated balances of noncontrolling interests	**(101,203,549)**	(₱84,635,512)
Loss allocated to noncontrolling interests	**(16,592,935)**	(10,635,929)
Other comprehensive income (loss) allocated to noncontrolling interests	**24,897**	(41,433)
Total comprehensive loss allocated to noncontrolling interests	**(16,568,038)**	(10,677,362)

	2021	2020
Statements of financial position		
Current assets	**₱41,039,286**	₱31,240,942
Noncurrent assets	**16,868,108**	7,729,785
Current liabilities	**265,418,574**	249,494,180
Noncurrent liabilities	**9,408,787**	309,269
Total capital deficiency	**(216,919,967)**	(210,832,722)
Attributable to:		
Equity holders of Xurpas Inc.	**(115,716,418)**	(126,197,210)
Noncontrolling interests	**(101,203,549)**	(84,635,512)
Statements of comprehensive income		
Revenue and other income	**₱52,381,340**	₱64,970,350
Cost and expenses	**73,188,549**	83,324,861
Loss before income tax	**(20,807,209)**	(18,354,511)
Provision for income tax	**46,402**	384,325
Loss from operations	**(20,853,611)**	(18,738,836)
Other comprehensive (loss) income	**19,804**	(85,096)
Total comprehensive loss	**(20,833,807)**	(18,823,932)
Attributable to:		
Equity holders of Xurpas Inc.	**(4,265,769)**	(8,146,570)
Noncontrolling interests	**(16,568,038)**	(10,677,362)
Statements of cash flows		
Net cash used in operating activities	**₱18,741,813**	(₱5,438,661)
Net cash provided by (used in) investing activities	**(210,232)**	(188,032)
Net cash (used in) provided by financing activities	**(11,328,547)**	(3,075,278)
Effect of exchange rate changes	**19,804**	(67,895)

Seer

	2021	2020
Proportion of equity interests held by noncontrolling interests	**30.00%**	30.00%
Accumulated balances of noncontrolling interests	**(₱12,126,015)**	(₱11,297,220)
Profit (loss) allocated to noncontrolling interests	**(828,805)**	899,174
Other comprehensive income allocated to noncontrolling interests	**–**	1,014,698
Total comprehensive income (loss) allocated to noncontrolling interests	**(828,805)**	1,913,872
Statements of financial position		
Current assets	**₱8,921,292**	₱21,273,182
Noncurrent assets	**11,685,271**	9,976,316
Current liabilities	**59,412,092**	67,292,338
Noncurrent liabilities	**327,000**	327,000
Total equity (capital deficiency)	**(39,132,529)**	(36,369,840)
Attributable to:		
Equity holders of Xurpas Inc.	**(27,006,513)**	(25,072,620)
Noncontrolling interests	**(12,126,015)**	(11,297,220)

	2021	2020
Statements of comprehensive income		
Revenue and other income	**₱5,274,035**	₱48,773,333
Cost and expenses	**7,904,866**	46,983,245
Income (loss) before income tax	**(2,630,831)**	1,790,088
Provision for (benefit from) income tax	**131,853**	(1,207,152)
Income (loss) from operations	**(2,762,684)**	2,997,240
Other comprehensive income	**-**	3,382,330
Total comprehensive income (loss)	**(2,762,684)**	6,379,570
Attributable to:		
Equity holders of Xurpas Inc.	**(1,933,879)**	4,465,698
Noncontrolling interests	**(828,805)**	1,913,872
Statements of cash flows		
Net cash (used in) provided by operating activities	**₱2,137,838**	(₱3,374,224)
Net cash provided by investing activities	**–**	–
Net cash provided by (used in) financing activities	**(655,329)**	1,191,349

26. Earnings (Loss) Per Share

The Group's earnings (loss) per share for the years ended December 31, 2021, 2020 and 2019 were computed as follow:

	2021	2020	2019
Net loss attributable to the equity holders of the Parent Company	**(₱8,741,043)**	(₱59,080,505)	(₱2,630,944,855)
Weighted average number of outstanding shares	**1,872,796,877**	1,872,253,954	1,871,488,960
Basic loss per share	**(₱0.01)**	(₱0.03)	(₱1.41)
Diluted loss per share	**(₱0.01)**	(₱0.03)	(₱1.41)

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. As of December 31, 2021, there's no potentially dilutive common shares.

27. Financial Instruments

Fair Value Information
The methods and assumptions used by the Group in estimating fair value of the financial instruments are as follows:

- Cash, accounts and other receivables (except for advances to employees which are subject to liquidation), refundable deposits under other current assets, security deposit 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"), and loans payable - Carrying amounts approximate fair values due to the relatively short-term maturities of these instruments. The difference between carrying amount and fair value is immaterial.

- Financial assets at FVOCI (quoted equity investments) - Fair value is based on quoted prices published in the market.

- Financial assets at FVOCI (unquoted equity investments) - Fair values are based on the latest selling price available.

- Financial assets at FVPL (unquoted debt investments) - Fair values are based on the comparable prices adjusted for specific market factors such as nature, industry, location and market recovery rates.

- Nontrade payable - Fair values are determined using prices in such transaction which still approximate the fair values at yearend.

- Advances from stockholders - Fair value is estimated using the discounted cash flow methodology using the applicable risk-free rates for similar types of loans adjusted for credit spread. The discount rate used in 2020 is 2.36%.

The fair values and carrying values of financial assets at FVOCI and advances from stockholders are as follows:

	2021		2020	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Asset measured at fair value				
Financial asset				
Financial assets at fair value through other comprehensive income	**₱600,000**	**₱600,000**	₱500,000	₱500,000
Liability for which fair value is disclosed				
Financial liability				
Advances from stockholders	**143,147,371**	**143,147,371**	138,204,454	136,158,143

Fair Value Hierarchy

The Group uses the following three-level hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Quoted financial assets at FVOCI amounting to ₱0.60 million and ₱0.50 million as of December 31, 2021 and 2020, respectively, were classified under Level 2 (see Note 7).

As at December 31, 2021 and 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, security deposit under other noncurrent assets, accounts and other payables (excluding taxes payable, deferred output VAT, and statutory payables), and loans payable, which arise directly from operations. The main purpose of these financial instruments is to finance the Group's operations and to earn additional income on excess funds.

Exposure to credit risk, liquidity risk and foreign currency risk arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

There were no changes in the Group's risk management objectives and policies in 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 in banks, and accounts and other receivables. Credit risk management involves monitoring its exposure to credit risk on a continuous basis.

In 2020, the Group has identified one customer with concentration of credit risk amounting to ₱22.82 million which constitutes 33.33% of the consolidated trade receivables. There is no concentration of credit risk in 2021.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rate is based on days past due of all customers as they have similar loss patterns. The expected credit loss rate ranges from 0.44% to 37.07% that resulted in the ECL of ₱23.53 million and ₱22.34 million as of December 31, 2020 and 2019, respectively.

The Group's credit risk exposure on its accounts and other receivables using provision matrix is as follows (amounts in millions):

December 31, 2021

	Trade receivables						**Receivable from related parties**	**Other receivables**
	Current	**< 30 days**	**30-60 days**	**61-90 days**	**> 90 days**	**Total**		
ECL rate	**0.44-0.92%**	**1.45-3.91%**	**3.17-6.49%**	**5.75-9.61%**	**9.98-37.07%**		**0-50%**	**0.76-100%**
Estimated total gross carrying amount at default	**4.52**	**11.64**	**4.47**	**0.20**	**37.58**	**58.40**	**17.27**	**12.26**
ECL	**₱0.02**	**₱0.19**	**₱0.13**	**₱0.01**	**₱10.00**	**₱10.36**	**₱5.49**	**₱7.37**

December 31, 2020

	Trade receivables						Receivable from related parties	Other receivables
	Current	< 30 days	30-60 days	61-91 days	> 90 days	Total		
ECL rate	0.43-1.57%	1.73-9.81%	3.02-19.23%	6.18-31%	8.85-41.06%		0-50%	60%
Estimated total gross carrying amount at default	₱30.59	₱6.67	₱7.29	₱0.72	₱23.18	₱68.45	₱11.38	₱12.05
ECL	₱0.04	₱0.01	₱0.04	₱0.08	₱9.73	₱9.90	₱5.23	₱7.21

The credit quality of the financial assets was determined as follows:

Cash in banks - based on the nature of the counterparty and the Group's rating procedure. These are held by counterparty banks with minimal risk of bankruptcy and are therefore classified as high grade.

Trade receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to three defaults in payment; and low grade pertains to receivables with more than three defaults in payment.

Receivable from related parties - The credit risk depends primarily on the level of loss absorbing capacity of the counterparty. The Group evaluates if the counterparties are adequately capitalized or the counterparties' latest financial statements show positive results.

Liquidity Risk
Liquidity risk is the risk that the Group will be unable to meet its obligations as they fall due. The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirement, finance capital expenditures and service maturing debts. To cover its short-term funding requirements, the Group intends to use internally generated funds. The Group can also obtain additional advances from its stockholders, refinance its short-term loans, negotiate for credit lines and negotiate for longer payment terms for its payables to manage liquidity.

The table summarizes the maturity profile of the Group's financial assets and liabilities and contract assets as at December 31, 2021 and 2020 based on contractual undiscounted payments:

December 31, 2021

	<1 year	>1 to <5 years	>5 years	Total
Financial Assets				
Cash	**₱35,951,198**	**₱–**	**₱–**	**₱35,951,198**
Accounts and other receivables				
Trade receivables – net	**48,048,361**	–	–	**48,048,361**
Receivable from related parties - net	**11,780,051**	–	–	**11,780,051**
Others	**4,885,582**	–	–	**4,885,582**
Financial asset at FVOCI	**600,000**	–	–	**600,000**
Other assets				
Refundable deposits	**1,257,774**	–	–	**1,257,774**
Security deposit	–	**260,447**	–	**260,447**
Total undiscounted financial assets	**102,522,966**	**260,447**	–	**102,783,413**
Contract assets	**29,763,501**	–	–	**29,763,501**
Total undiscounted financial assets and contract assets	**132,286,467**	**260,447**	–	**132,546,914**
Financial Liabilities				
Trade and other payables				
Payable to third parties	**88,335,222**	–	–	**88,335,222**
Trade payables	**56,070,444**	–	–	**56,070,444**
Nontrade payable	**54,573,797**	–	–	**54,573,797**
Accrued expenses	**16,750,406**	–	–	**16,750,406**
Payable to related parties	**20,787,616**	–	–	**20,787,616**
Other payables	**321,935**	–	–	**321,935**
Advances from stockholders	**143,563,235**	–	–	**143,563,235**
Lease liabilities	**1,041,787**	**173,631**	–	**1,215,418**
Loans payable	**29,726,407**	**9,066,663**	–	**39,793,070**
Total undiscounted financial liabilities	**411,170,849**	**9,240,294**	–	**421,411,143**
Liquidity gap	**(₱283,448,029)**	**(₱8,979,847)**	**₱–**	**(₱288,864,229)**

December 31, 2020

	<1 year	>1 to <5 years	>5 years	Total
Financial Assets				
Cash	₱67,743,841	₱–	₱–	₱67,743,841
Accounts and other receivables				
Trade receivables – net	58,556,346	–	–	58,556,346
Receivable from related parties - net	11,379,848	–	–	11,379,848
Others	12,054,504	–	–	12,054,504
Financial asset at FVOCI	500,000	–	–	500,000
Other current assets				
Refundable deposits	1,230,016	–	–	1,230,016
Total undiscounted financial assets	151,464,555	–	–	151,464,555
Contract assets	4,995,516	–	–	4,995,516
Total undiscounted financial assets and contract assets	156,460,071	–	–	156,460,071
Financial Liabilities				
Trade and other payables				
Trade payables	82,184,225	–	–	82,184,225
Nontrade payable	52,488,918	–	–	52,488,918
Payable to third parties	52,191,204	–	–	52,191,204
Accrued expenses	22,467,005	–	–	22,467,005
Payable to related parties	3,059,961	5,423,300	–	8,483,261
Other payables	7,409,572	–	–	7,409,572
Advances from stockholders	100,592,162	49,302,723	–	149,894,885
Loans payable	46,001,611	–	–	46,001,611
Total undiscounted financial liabilities	366,394,658	54,726,023	–	421,120,681
Liquidity gap	(₱209,934,587)	(₱54,726,023)	₱–	(₱264,660,610)

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans payable with variable interest rates.

The following tables demonstrate the sensitivity of the Group's loss before tax and equity to a reasonably possible change in interest rates in 2021 and 2020, with all other variables held constant:

		Effect on loss before income tax Increase (decrease)	
		2021	2020
Floating rate borrowings	(+) 1.0%	**(₱97,337)**	(₱97,337)
	(−) 1.0%	**97,337**	97,337

Foreign Currency Risk
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The following table shows the foreign currency-denominated monetary assets and their respective Philippine peso equivalent as of December 31, 2021 and 2020.

	2021		2020	
	Original currency	**Peso equivalent**	Original currency	Peso equivalent
Cash in bank				
US Dollar (USD)	**$289,877**	**₱14,780,828**	$354,005	₱17,000,381
Trade receivables				
US Dollar (USD)	**460,720**	**23,492,112**	364,938	17,525,412
Foreign currency denominated assets		**38,272,940**		34,525,793
Trade Payables				
US Dollar (USD)	**1,123,077**	**57,265,696**	1,884,896	90,518,380
Net foreign currency denominated financial instruments		**(₱18,992,756)**		(₱55,992,587)

In translating the foreign currency-denominated monetary assets into Peso amounts, the exchange rates used were as follows:

	2021	2020
USD to ₱	**₱50.99**	₱48.02

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-foreign currency exchange rate, with all variables held constant, of the Group’s profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group’s equity.

	2021		2020	
	+₱1	**-₱1**	+₱1	-₱1
USD	**(₱372,480)**	**₱372,480**	(₱1,165,638)	₱1,165,638

There is no other impact on the Group’s equity other than those already affecting the net income.

28. Segment Reporting

The industry segments where the Group operates follow:

- Mobile consumer services - includes airtime management, content development and management and marketing and advertising solutions
- Enterprise services - includes platform development and customization, system integration, mobile platform consultancy services, management of off-the-shelf application and social media related services. This also includes IT staff augmentation, other various enterprise solutions-based services to telecommunication companies and other companies for network and applications development
- Other services - includes consultancy and other services in the field of human resource management, trading in general, sourcing for and supplying of goods to import and export goods

The following tables regarding business segment revenue and profit information for the years ended December 31, 2021, 2020 and 2019:

2021

	Mobile consumer services	**Enterprise services**	**Other services**	**Intersegment adjustments**	**Consolidated**
INCOME					
Service income	**₱40,546,742**	**₱153,624,511**	**₱27,269,661**	**(₱36,048,755)**	**₱185,392,159**
Sale of goods	**–**	**–**	**24,638,512**	**–**	**24,638,512**
	40,546,742	**153,624,511**	**51,908,173**	**(36,048,755)**	**210,030,671**
COST AND EXPENSES	**(54,336,823)**	**(178,164,666)**	**(73,188,546)**	**47,636,856**	**(258,053,179)**
Equity in net losses of associates	**–**	**–**	**–**	**(320,749)**	**(320,749)**
Finance cost and other income	**24,558,276**	**(5,827,413)**	**473,165**	**19,799**	**19,223,827**
Income (loss) before income tax	**10,768,195**	**(30,367,568)**	**(20,807,210)**	**11,287,151**	**(29,119,430)**
Provision for (benefit from) income tax	**(241,176)**	**2,758,657**	**40,135**	**–**	**2,959,698**
Net income (loss)	**₱11,009,374**	**(₱27,608,911)**	**(₱20,847,345)**	**₱11,287,151**	**(₱26,159,732)**
Net loss attributable to:					
Equity holders of Xurpas Inc.					**(₱8,741,043)**
Noncontrolling interests					**(17,418,689)**
					(₱26,159,732)

2020

	Mobile consumer services	Enterprise services	Other services	Intersegment adjustments	Consolidated
INCOME					
Service income	₱21,999,969	₱249,554,087	₱11,122,938	(₱161,315,602)	₱121,361,392
Sale of goods	–	–	52,647,630	–	52,647,630
	21,999,969	249,554,087	63,770,568	(161,315,602)	174,009,022
COST AND EXPENSES	(44,575,272)	(314,150,018)	(83,324,863)	157,001,898	(285,048,255)
Equity in net losses of associates	–	–	–	(7,747,043)	(7,747,043)
Finance cost and other income	31,230,384	21,738,820	1,199,781	(8,923,350)	45,245,635
Income (loss) before income tax	8,655,081	(42,857,111)	(18,354,514)	(20,984,097)	(73,540,641)
Provision for (benefit from) income tax	(206,171)	2,050,202	384,325	(6,951,737)	(4,723,381)
Net income (loss)	₱8,861,252	(₱44,907,313)	(₱18,738,839)	(₱14,032,360)	(₱68,817,260)
Net loss attributable to:					
Equity holders of Xurpas Inc.					(₱59,080,505)
Noncontrolling interests					(9,736,755)
					(₱68,817,260)

2019

	Mobile consumer services	Enterprise services	Other services	Intersegment adjustments	Consolidated
INCOME					
Service income	₱68,328,261	₱861,815,858	₱5,167,085	(₱55,498,718)	₱879,812,486
Sale of goods	–	–	92,146,792	–	92,146,792
	68,328,261	861,815,858	97,313,877	(55,498,718)	971,959,278
COST AND EXPENSES	(2,638,038,464)	(782,298,521)	(162,033,368)	552,472,380	(3,029,897,973)
Equity in net losses of associates	–	–	–	(33,286,655)	(33,286,655)
Finance cost and other charges	(225,469,560)	(301,506)	(8,320,836)	(283,891,512)	(517,983,414)
Income (loss) before income tax	(2,795,179,763)	79,215,831	(73,040,327)	179,795,495	(2,609,208,764)
Provision for income tax	4,251,154	21,750,856	6,782,696	(6,632,290)	26,152,416
Net income (loss)	(₱2,799,430,917)	₱57,464,975	(₱79,823,023)	₱186,427,785	(₱2,635,361,180)
Net loss attributable to:					
Equity holders of Xurpas Inc.					(₱2,630,944,855)
Noncontrolling interests					(4,416,325)
					(₱2,635,361,180)

The following tables present business segment assets and liabilities as at December 31, 2021, 2020 and 2019:

2021

	Mobile consumer services	**Enterprise services**	**Other services**	**Intersegment adjustments**	**Consolidated**
Other information					
Segment assets	**₱174,587,302**	**₱806,070,932**	**₱57,907,392**	**(₱432,622,288)**	**₱605,943,338**
Deferred tax assets	**–**	**–**	**–**	**–**	**–**
Total assets	**₱174,587,302**	**₱806,070,932**	**₱57,907,394**	**(₱432,622,288)**	**₱605,943,338**
Segment liabilities	**₱277,486,900**	**₱615,398,491**	**₱274,827,361**	**(₱553,862,390)**	**₱613,850,362**
Deferred tax liabilities	**–**	**–**	**–**	**–**	**–**
Total liabilities	**₱277,486,900**	**₱615,398,491**	**₱274,827,361**	**(₱553,862,390)**	**₱613,850,362**

2020

	Mobile consumer services	Enterprise services	Other services	Intersegment adjustments	Consolidated
Other information					
Segment assets	₱106,917,961	₱844,652,105	₱53,686,901	(₱388,191,994)	₱617,064,973
Deferred tax assets	–	–	–	–	–
Total assets	₱106,917,961	₱844,652,105	₱53,686,901	(₱388,191,994)	₱617,064,973
Segment liabilities	₱340,002,835	₱525,500,132	₱249,803,449	(₱502,894,119)	₱612,412,297
Deferred tax liabilities	–	–	–	–	–
Total liabilities	₱340,002,835	₱525,500,132	₱249,803,449	(₱502,894,119)	₱612,412,297

2019

	Mobile consumer services	Enterprise services	Other services	Intersegment adjustments	Consolidated
Other information					
Segment assets	₱845,921,672	₱1,008,614,774	₱68,342,525	(₱1,208,936,126)	₱713,942,845
Deferred tax assets	–	17,393,201	–	(17,393,201)	–
Total assets	845,921,672	1,026,007,975	68,342,525	(1,226,329,327)	713,942,845
Segment liabilities	616,475,165	697,641,903	256,635,229	(889,654,522)	681,097,775
Deferred tax liabilities	–	–	–	6,951,740	6,951,740
Total liabilities	₱616,475,165	₱697,641,903	₱256,635,229	(₱882,702,782)	₱688,049,515

29. Notes to Consolidated Statements of Cash Flows

Disclosed below is the rollforward of liabilities under financing activities:

	January 1, 2021	**Cash flows**	**Non-cash changes**	**Foreign exchange movement**	**December 31, 2021**
Loans payable	**₱41,710,283**	**(₱2,917,213)**	**₱–**	**₱–**	**₱38,793,070**
Lease liabilities	**–**	**(868,156)**	**2,060,161**	**–**	**1,192,005**
Advances from stockholders	**138,086,776**	**–**	**5,476,459**	**–**	**143,563,235**
Total liabilities from financing activities	**₱179,797,059**	**(₱4,210,921)**	**₱7,536,620**	**₱–**	**₱183,548,310**

	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	153,071,966	–	(14,985,190)	–	138,086,776
Total liabilities from financing activities	₱209,011,763	(₱12,530,529)	(₱4,695,439)	(₱180,627)	₱191,605,168

	January 1, 2019	Cash flows	Non-cash changes	Foreign exchange movement	December 31, 2019
Loans payable	₱358,741,481	(₱306,611,209)	₱–	₱–	₱52,130,272
Dividends payable	63,163,332	(10,983,978)	(52,179,354)	–	–
Lease liabilities	76,495,086	(21,833,336)	(50,852,225)	–	3,809,525
Advances from stockholders	102,421,544	54,033,333	(3,382,911)	–	153,071,966
Total liabilities from financing activities	₱600,821,443	(₱285,395,190)	(₱106,414,490)	₱–	₱209,011,763

The noncash investing and financing activities of the Group are as follows:

- Unrealized gain on financial assets at FVOCI amounted to ₱100,000 and ₱42,000 in 2021 and 2020, respectively. In 2020, net unrealized loss on financial assets at FVOCI decreased by ₱ 18,000 respectively as a result of the recognition of deferred tax asset.
- Cumulative translation adjustments recognized under "Investments in associates" amounted to ₱4.01 million, ₱6.27 million and ₱4.38 million in 2021, 2020 and 2019, respectively.
- As of December 31, 2019, additions to property and equipment which remain outstanding payable amounting ₱0.88 million (nil as of December 31, 2021 and 2020). In 2021 proceeds from sale of property and equipment amounted to ₱0.27 million and in 2020, proceeds from sale of property and equipment to employees offset against salaries payable amounted to ₱0.69 million.
- As of December 31, 2019, additions to intangible asset which remain outstanding amounting to ₱0.74 million (nil as of December 31, 2021 and 2020).
- In 2019, Storm issued 3,985 common shares to various individuals for a total consideration of ₱7.08 million resulting in the Parent Company's ownership from 53.96% to 51.31% in Storm. Net increase in NCI amounted to ₱4.38 million.
- In 2019, the Parent Company issued 415,000 and 475,000 shares to its employees taken from its treasury shares for a price of ₱1.23 and ₱1.16 per share, respectively. In 2020, the Parent Company reissued 966,667 treasury shares to its employees with a cost of ₱7.72 million for a price of ₱0.57 per share. No treasury shares were reissued in 2021.

30. Provisions and Contingencies

The Group is currently involved in assessments for national taxes and the outcome of these assessments is not presently determinable.

In the opinion of management and its legal counsel, the eventual liability under these assessments, if any, will not have a material effect on the Group's financial position and results of operations. The information usually required under PAS 37 is not disclosed on the ground that it may prejudice the outcome of the assessments.

The Group, through ODX, entered into Token Pre-Sale Agreements ("PSA") with various investors for the sale of ODX tokens. Investment received from the PSA amounted to USD2.69 million (equivalent to ₱129.68 million) as of December 31, 2021 and 2020, respectively (see Note 12).

The Group, through ODX, also entered into advisory agreements with various advisors for which the services to be received are to be paid through internally generated tokens and for which the obligation cannot be measured with sufficient reliability.

31. Events after the Reporting Date

On January 20, 2022, the Parent Company's BOD approved the issuance of common shares to Mr. Nico Jose S. Nolledo, a founder and currently the Chairman of the board, in exchange of ₱100.00 million capital infusion. Total number of shares issued is at 181,818,182 for 0.55 per share. The transaction was executed on March 21, 2022.

The Group considers this event as a non-adjusting subsequent event, accordingly, no adjustments have been made to the consolidated financial statements as of and for the year ended December 31, 2021.

32. Other Matters

COVID-19 Outbreak

The COVID-19 not only affected the health of people but also had severe effects to the economy and various businesses. The pandemic has affected the Group in terms of economic and social aspects and work from home set up brought about by the government-imposed lockdown and alert levels in the country.

Despite the obstacles brought by the pandemic, the Group was able to sustain its operations as it took advantage of the opportunity to provide quality digital transformation services to its clients. Refer to Note 3 for additional discussions of how management considered the impact of COVID-19 to certain financial statement accounts.

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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121 Valero St., Salcedo Village, Brgy. Bel-Air
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Xurpas Inc. and its subsidiaries (the Group) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated May 16, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for the purpose of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
Tax Identification No. 925-713-249
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 112004-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-119-2022, January 20, 2022, valid until January 19, 2025
PTR No. 8854339, January 3, 2022, Makati City

May 16, 2022

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and Board of Directors
Xurpas Inc.
Unit 804 Antel 2000 Corporate Centre
121 Valero St., Salcedo Village, Brgy. Bel-Air
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Xurpas Inc. and its subsidiaries (the Group) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated May 16, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
Tax Identification No. 925-713-249
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
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PTR No. 8854339, January 3, 2022, Makati City

May 16, 2022

XURPAS INC. AND SUBSIDIARIES
INDEX TO THE SUPPLEMENTARY SCHEDULES

SCHEDULE A

XURPAS INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS

Name of issuing entity and association of each issue	Amount shown in the balance sheet	Income received or accrued
Loans and receivables		
Cash and cash equivalent		
Cash on hand	₱72,001	₱–
Cash in banks		
Bank of the Philippine Islands		
Current Account	12,747,375	15,541
Savings Account	524,524	493
US Dollar Account	13,927,839	3,148
Robinsons Bank		
Savings Account	24,191	–
Security Bank		
Current Account	3,291,384	5,744
Savings Account	–	–
US Dollar Account	305,303	–
Unionbank		
Current Account	3,297,019	2,878
Savings Account	174,501	160
US Dollar Account	–	–
China Bank		
Current Account	404,935	14,195
Savings Account	–	–
US Dollar Account	–	–
Metrobank		
Savings Account	155,285	76
Asia United Bank		
Current Account	25,231	–
Banco De Oro		
Current Account	–	–
Savings Account	344,122	313
US Dollar Account	–	–
CIMB Niaga Bank	148,357	–
CIMB Bank		
US Dollar Account	274,520	–
SG Dollar Account	(3,380)	–
OCBC Bank		
US Dollar Account	38,342	–
SG Dollar Account	137,358	–
Paypal	62,290	–
Cash equivalent		
Time deposit	–	–
Accounts and other receivables		
Trade	58,404,493	–
Receivable from related parties	17,265,112	–
Others	12,255,291	–
	123,876,095	42,548
Financial assets at fair value through other comprehensive income		
Quoted equity investment	600,000	–
	600,000	–
	₱124,476,095	₱42,548

SCHEDULE B

XURPAS INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Write off	Current	Noncurrent	Balance at the end of the year
Advances to employees	₱739,985	₱1,705,282	(₱619,156)	₱–	₱1,826,111	₱–	₱1,826,111

XURPAS INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

	Amount owed by Xurpas Parent to Xurpas Subsidiaries			
	Receivable balance per Xurpas Parent	Payable balance per Xurpas Subsidiaries	Current	Noncurrent
Storm Technologies Inc.	₱118,555,798	₱118,555,798	₱118,555,798	₱–
Xurpas Enterprise Inc.	142,485,159	142,485,159	142,485,159	–
Seer Technologies Inc.	47,917,731	47,917,731	47,917,731	–
Art of Click Pte. Ltd.	38,831,512	38,831,512	38,831,512	–
ODX Pte. Ltd	6,968,195	6,968,195	6,968,195	–
Xeleb Technologies Inc. and subsidiary	1,775,477	1,775,477	1,775,477	–
Subtotal	₱356,533,872	₱356,533,872	₱356,533,872	₱–

	Amount owed by Xurpas Subsidiaries to Xurpas Parent			
	Receivable balance per Xurpas Subsidiaries	Payable balance per Xurpas Parent	Current	Noncurrent
Xeleb Technologies Inc. and subsidiary	₱78,161,182	₱78,161,182	₱78,161,182	₱–
Xurpas Enterprise Inc.	40,539,080	40,539,080	40,539,080	–
ODX Pte. Ltd.	48,513,486	48,513,486	48,513,486	–
Art of Click Pte. Ltd.	15,826,220	15,826,220	15,826,220	–
Subtotal	₱183,039,968	₱183,039,968	₱183,039,968	₱–

	Amount owed to Xurpas Subsidiary to Xurpas Subsidiary		
Receivable to	Payable from	Current	Noncurrent
Seer Technologies Inc.	Xurpas Enterprise Inc.	₱1,473,573	₱–
Xurpas Enterprise Inc.	Storm Technologies Inc.	743,137	–
Xurpas Enterprise Inc.	Seer Technologies Inc.	354,816	–
Storm Technologies Inc.	Xurpas Enterprise Inc.	124,047	
Subtotal		2,695,573	₱–
Total eliminated receivables		₱542,269,413	₱–

XURPAS INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT

		Long-term Debt	
Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption “current portion of long-term” in related balance sheet	Amount shown under caption “long-term debt” in related balance sheet
Loans Payable	₱16,000,000	₱2,505,764	₱9,066,663

SCHEDULE E

XURPAS INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

Indebtedness to Related Parties (Long-term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period

The Group does not have long-term loans from related companies in its consolidated statements of financial position.

SCHEDULE F

XURPAS INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS

Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee
		Not Applicable		

The Group does not have any guarantees of securities of other issuing entities by the issuer for which the consolidated financial statements is filed.

XURPAS INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK

Capital Stock						
Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	5,000,000,000	1,872,796,877*	–	–	660,683,616	1,212,113,261

**Net of treasury shares.*

SCHEDULE H

XURPAS INC. AND SUBSIDIARIES

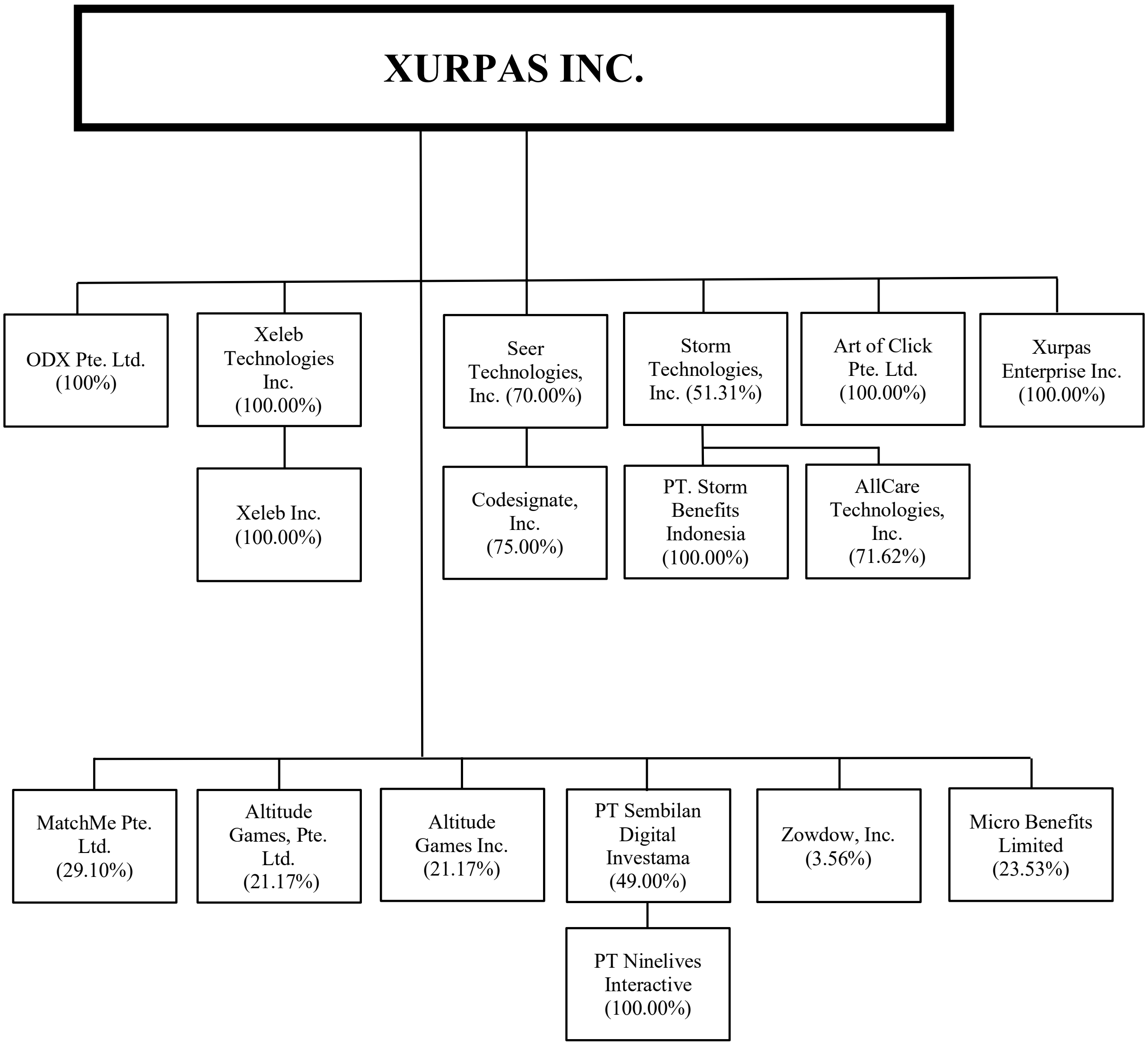
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

Unappropriated Retained Earnings of the Parent Company, beginning	(₱2,990,096,532)
Less adjustments:	
Unrealized forex exchange gain – net (except those attributable to Cash)	(18,805,198)
Impairment loss	2,541,884,618
Unappropriated Retained Earnings, as adjusted, beginning	(467,017,112)
Net Loss based on the face of Audited Financial Statements	(51,282,800)
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)	–
Fair value adjustment (M2M gains)	–
Movement of allowance for impairment loss	9,444,738
Net Loss Actual/Realized	(41,838,062)
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 of the Parent Company, end available for dividend distribution	₱–

SCHEDULE I

XURPAS INC. AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES



Note: Xeleb Technologies Inc. and Xeleb Inc. are in the process of liquidation

XURPAS INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE ON FINANCIAL SOUNDNESS INDICATORS

Ratio	Formula	2021	2020
Current Ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets ₱153,342,402 Divide by: Total Current Liabilities 581,771,189 Current Ratio 0.26	**0.26**	0.31
Acid Test Ratio/Quick Ratio	Quick Assets (*Total Current Assets less Other Current Assets*) divided by Total Current Liabilities Total Current Assets ₱153,342,402 Less: Other Current Assets 21,087,598 Quick Assets 132,254,804 Divide by: Total Current Liabilities 581,771,189 Acid Test Ratio 0.23	**0.23**	0.27
Solvency Ratio	Total Assets divided by Total Liabilities Total Assets ₱605,943,338 Divide by: Total Liabilities 613,849,419 Solvency Ratio 0.99	**0.99**	1.01
Debt-to-Equity Ratio	Total Liabilities divided by Total Equity Attributable to Parent Total Liabilities ₱613,849,419 Divide by: Equity Attributable to equity holders of Xurpas Inc. 105,423,493 Debt-to-Equity Ratio 5.82	**5.82**	6.09
Asset-to-Equity Ratio	Total Assets divided by Equity Attributable to Parent Total Assets ₱605,943,338 Divide by: Equity Attributable to equity holders of Xurpas Inc. 105,423,493 Asset-to-Equity Ratio 5.75	**5.75**	6.13
Interest Rate Coverage Ratio	Earnings before Interest and Taxes (EBIT)/Interest Charges Loss before Income Tax (₱29,119,430) Add: Interest Expense 9,143,361 EBIT (19,976,069) Divided by: Interest Expense 9,143,361 Interest Expense Coverage Ratio -2.18)	**(2.18)**	(5.92)

Ratio	Formula	2021	2020
Return on Equity	Net Income attributable to equity holders of Xurpas Inc. divided by Average Total Equity (*Total Equity PY + Total Equity CY divided by 2)* Net Income (Loss) attributable to equity holders of Xurpas Inc. (₱8,741,043) Total Equity attributable to equity holders of Xurpas Inc. (CY) 105,423,493 Total Equity attributable to equity holders of Xurpas Inc. (PY) 100,585,408 Average Total Equity 103,004,451 Return on Equity -0.08)	**(0.08)**	(0.53)
Return on Assets	Net Income attributable to equity holders of Xurpas Inc. divided by Average Total Assets (*Total Assets PY + Total Assets CY divided by 2)* Net Income (Loss) attributable to equity holders of Xurpas Inc. (₱8,741,043) Total Assets (CY) 605,943,338 Total Assets (PY) 617,064,973 Average Total Assets 611,504,156 Return on Assets -0.01)	**(0.01)**	(0.09)
Net Income Margin	Net Income attributable to equity holders of Xurpas Inc. divided by Revenue Loss attributable to equity holders of Xurpas Inc. (₱8,741,043) Divided by: Revenue 210,030,671 Net Income Margin Ratio (-0.04)	**(0.04)**	(0.34)
Gross margin ratio	Gross margin divided by Revenue Revenue ₱210,030,671 Less: Direct costs 172,806,493 Gross margin 37,224,178 Divided by: Revenue 210,030,671 Gross Margin Ratio 0.18	**0.18**	0.05
Operating margin ratio	Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) divided by Revenue Loss before Income Tax (₱29,119,430) Add: Depreciation and Amortization 10,630,955 Interest Expense 9,143,361 EBITDA (9,345,114) Divided by: Revenue 210,030,671 Operating Margin Ratio (-0.04)	**(0.04)**	(0.19)

ANNEX "F"

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**	**March 31**

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Alexander D. Corpuz	**mar@xurpas.com**	**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 **March 31, 2022**

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) 889-6764
8. Issuer's telephone number, including area code

   Not Applicable
9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Shares	**2,116,744,034**

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [✓] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
    Philippine Stock Exchange Common Shares 1,797,700,660

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
    Yes [✓] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.
    Yes [✓] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Unaudited Interim Condensed Consolidated Statements of Financial Position
As at March 31, 2022 (with Comparative Audited Consolidated Statements of Financial Position as at December 31, 2021)

Unaudited Interim Condensed Consolidated Statements of Income and Comprehensive Income
For the Three-Month Periods Ended March 31, 2022 and 2021

Unaudited Interim Condensed Consolidated Statements of Changes in Equity
For the Three-Month Periods Ended March 31, 2022 and 2021

Unaudited Interim Condensed Consolidated Statements of Cash Flows
For the Three-Month Periods Ended March 31, 2022 and 2021

Notes to Unaudited Interim Condensed Consolidated Financial Statements

Attachments:

Schedule I: Map Showing the Relationships Between and Among the Companies in the Group, Its Subsidiaries and Associate
Schedule II: Schedule of All Effective Standards and Interpretations under Philippine Financial Reporting Standards
Schedule III: Reconciliation of Retained Earnings Available for Dividend Declaration
Schedule IV: Financial Ratios

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The MD&A is a discussion and analysis of the Company's financial position as at March 31, 2022 and December 31, 2021 and performance for the three-month periods ended March 31, 2022 and 2021. The primary objective of this MD&A is to help the readers understand the dynamics of the Company's business and the key factors underlying the Company's financial results.

The MD&A as of and for the three-month period ended March 31, 2022 and 2021 should be read in conjunction with the unaudited interim condensed consolidated financial statements and the accompanying notes.

PART I--FINANCIAL INFORMATION

Item 1. – FINANCIAL STATEMENTS

XURPAS INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalent (Notes 5 and 25)	**₱119,876,573**	₱35,951,198
Accounts and other receivables (Notes 6 and 25)	**57,223,325**	66,540,105
Contract assets (Note 7)	**45,483,679**	29,763,501
Other current assets (Note 9)	**21,763,909**	21,087,598
Total Current Assets	**244,347,486**	153,342,402
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (Notes 8 and 25)	**600,000**	600,000
Investments in and advances to associates (Note 10)	**336,766,019**	336,217,742
Property and equipment (Note 11)	**4,912,024**	4,660,131
Right-of-use asset	**923,168**	1,174,941
Intangible assets (Note 12)	**87,604,488**	88,513,686
Other noncurrent assets	**19,449,033**	21,434,436
Total Noncurrent Assets	**450,254,732**	452,600,936
	₱694,602,218	₱605,943,338
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 13 and 25)	**₱383,675,828**	₱381,698,429
Advances from stockholders	**143,563,235**	143,563,235
Loans payable (Notes 14 and 25)	**30,443,180**	29,726,407
Contract liabilities (Note 7)	**28,641,463**	25,763,916
Current portion of lease liability	**940,759**	1,019,202
Total Current Liabilities	**587,264,465**	581,771,189
Noncurrent Liabilities		
Loan payable – net of current portion	**8,212,613**	9,066,663
Lease liabilities – net of current portion	**–**	172,803
Deferred tax liabilities – net	**4,266**	4,266
Pension liabilities	**22,834,498**	22,834,498
Total Noncurrent Liabilities	**31,051,377**	32,078,230
Total Liabilities	**618,315,842**	613,849,419
Equity		
Equity attributable to equity holders of Xurpas Inc.		
Capital stock (Note 23)	**211,674,403**	193,492,585
Additional paid-in capital (Note 23)	**3,659,721,747**	3,577,903,565
Deficit (Note 23)	**(3,244,939,377)**	(3,241,042,649)
Net unrealized loss on financial assets at FVOCI (Note 8)	**(44,094,956)**	(44,094,956)
Cumulative translation adjustment	**41,737,804**	50,821,647
Retirement benefit reserve	**2,908,954**	2,908,954
Equity reserve (Notes 22 and 23)	**(363,424,608)**	(363,424,608)
Revaluation surplus	**26,913,890**	28,559,774
Treasury stock (Note 23)	**(99,700,819)**	(99,700,819)
	190,797,038	105,423,493
Noncontrolling interests	**(114,510,662)**	(113,329,574)
Total Equity (Capital Deficiency)	**76,286,376**	(7,906,081)
	₱694,602,218	₱605,943,338

See accompanying Notes to Interim Condensed Consolidated Financial Statements

XURPAS INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	March 31	
	2022 (Unaudited)	2021 (Unaudited)
INCOME		
Service income (Note 15)	**₱47,698,847**	₱24,562,943
Sale of goods	**–**	15,075,852
	47,698,847	39,638,795
COST AND EXPENSES		
Cost of services (Note 16)	**39,207,674**	29,808,224
Cost of goods sold	**–**	10,168,218
	39,207,674	39,976,442
GENERAL AND ADMINISTRATIVE EXPENSES (Note 17)	**16,995,255**	15,018,488
EQUITY IN NET EARNINGS OF ASSOCIATES (Note 10)	**(5,436,479)**	(755,682)
OTHER CHARGES – NET (Note 18)	**2,007,192**	2,203,271
	13,565,968	16,466,077
LOSS BEFORE INCOME TAX	**(5,074,795)**	(16,803,724)
PROVISION FOR INCOME TAX (Note 21)	**3,021**	3,101
NET LOSS	**(5,077,816)**	(16,806,825)
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that may be reclassified to profit or loss in subsequent periods:		
Cumulative translation adjustment	**(9,083,843)**	1,818,689
Item that may not be reclassified to profit or loss in subsequent periods:		
Unrealized fair value gain (loss) on cryptocurrencies	**(1,645,884)**	17,193,608
	(10,729,727)	19,012,297
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱15,807,543)**	₱2,205,472
Net income (loss) attributable to:		
Equity holders of Xurpas Inc.	**(₱3,896,728)**	(₱18,000,590)
Noncontrolling interests	**(1,181,088)**	1,193,765
	(₱5,077,816)	(₱16,806,825)
Total comprehensive income (loss) attributable to:		
Equity holders of Xurpas Inc.	**(₱14,626,455)**	₱1,046,172
Noncontrolling interests	**(1,181,088)**	1,159,300
	(₱15,807,543)	₱2,205,472
Loss per share (Note 24)		
Basic	**₱–**	(₱0.01)
Diluted	**₱–**	(₱0.01)

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	March 31	
	2022 (Unaudited)	2021 (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 of period	**₱193,492,585**	₱193,492,585
Issuance of common shares	**18,181,818**	–
Balance at end of period	**211,674,403**	193,492,585
ADDITIONAL PAID-IN CAPITAL (Note 23)		
Balance at beginning of period	**3,577,903,565**	3,577,903,565
Issuance of common shares	**81,818,182**	–
Balance at end of period	**3,659,721,747**	3,577,903,565
RETAINED EARNINGS (DEFICIT) (Note 23)		
Appropriated		
Balance at beginning and end of period	**115,464,275**	115,464,275
Unappropriated		
Balance at beginning of period	**(3,356,506,924)**	(3,359,347,105)
Transfer of revaluation surplus	**–**	11,123,553
Net loss	**(3,896,728)**	(18,000,590)
Balance at end of period	**(3,360,403,652)**	(3,366,224,142)
	(3,244,939,377)	(3,250,759,867)
NET UNREALIZED LOSS ON FINANCIAL ASSETS AT FVOCI (Note 8)		
Balance at beginning and end of period	**(44,094,956)**	(44,194,956)
CUMULATIVE TRANSLATION ADJUSTMENT		
Balance at beginning of period	**50,821,647**	64,908,736
Movement during the period	**(9,083,843)**	1,853,154
Balance at end of period	**41,737,804**	66,761,890
RETIREMENT BENEFIT RESERVE		
Balance at beginning and end of period	**2,908,954**	(3,335,931)
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	**28,559,774**	18,819,666
Movement during the period	**(1,645,884)**	6,070,055
Balance at end of period	**26,913,890**	24,889,721
TREASURY STOCK (Note 23)		
Balance at beginning and end of period	**(99,700,819)**	(99,700,819)
	190,797,038	101,631,580
NONCONTROLLING INTERESTS		
Balance at beginning of period	**(113,329,574)**	(95,932,732)
Cumulative translation adjustment	**–**	(34,465)
Net loss	**(1,181,088)**	1,193,765
Balance at end of period	**(114,510,662)**	(94,773,432)
	₱76,286,376	₱6,858,148

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	March 31	
	2022 (Unaudited)	2021 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱5,074,795)**	(₱16,803,724)
Adjustments for:		
Interest expense (Note 18)	**1,914,765**	2,256,120
Depreciation and amortization (Notes 16 and 17)	**809,304**	5,604,602
Interest income (Note 5)	**(15,725)**	(15,504)
Equity in net earnings of associates (Note 10)	**(5,436,479)**	(755,682)
Operating loss before changes in working capital	**(7,802,930)**	(9,714,188)
Changes in working capital		
Decrease (increase) in:		
Accounts and other receivables and contract assets – net	**(6,403,398)**	38,203,484
Other current assets	**(676,311)**	(14,467,945)
Increase (decrease) in:		
Accounts and other payables	**(188,612)**	(17,024,178)
Contract liabilities	**2,877,547**	(1,293,239)
Net cash used in operations	**(12,193,704)**	(4,296,066)
Interest paid	**–**	(275,643)
Interest received	**15,725**	15,504
Income taxes paid	**(3,021)**	(3,101)
Net cash provided by (used in) operating activities	**(12,181,000)**	(4,559,306)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment (Note 11)	**(539,246)**	(495,536)
Decrease (increase) in noncurrent assets	**1,985,403**	(1,728,949)
Net cash used in investing activities	**1,446,157**	(2,224,485)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	**100,000,000**	–
Proceeds from loans payable	**–**	9,730,000
Payment of loans payable	**(137,277)**	(1,175,680)
Net cash provided by (used in) financing activities	**99,862,723**	8,554,320
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH	**(5,202,505)**	2,397,085
NET INCREASE(DECREASE) IN CASH	**83,925,375**	4,167,614
CASH AT BEGINNING OF PERIOD	**35,951,198**	67,743,841
CASH AT END OF PERIOD (Note 5)	**₱119,876,573**	₱71,911,455

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 May 16, 2022.

2. Summary of Significant Accounting Policies

Basis of Preparation
The interim condensed consolidated financial statements of the Group as at March 31, 2022 and for the three-month periods ended March 31, 2022 and 2021, 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, 2021.

The interim condensed consolidated financial statements are presented in Philippine Peso (₱), the Group's presentation currency. All amounts were rounded-off to the nearest Peso, except when otherwise indicated. The interim condensed consolidated financial statements have been prepared under the historical cost basis, except for except for financial assets at fair value through other comprehensive income (FVOCI), available-for-sale (AFS) financial assets which have been measured at fair value and financial liabilities at fair value through profit or loss (FVPL).

Statement of Compliance
The accompanying interim condensed consolidated financial statements of the Group as at March 31, 2022 and December 31, 2021 and for the three-month periods ended March 31, 2022 and 2021 have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The accompanying consolidated financial statements include the accounts of Xurpas Inc. and its subsidiaries as at March 31, 2022 and December 31, 2021.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect that return through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other voter holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls and investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group obtains control until the date the Group ceases to control the subsidiary.

Noncontrolling interests ("NCI") represent the portion of profit or loss and net assets in a subsidiary not wholly owned and are presented separately in the consolidated statement of comprehensive income and consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from the Parent Company's equity.

Total comprehensive income within a subsidiary is attributed to the noncontrolling interest even if that results in a deficit balance.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any noncontrolling interest and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

As at March 31, 2022 and December 31, 2021, the consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

	Percentage Ownership		
	March 31, 2022	December 31, 2021	**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.**	**35.35**	35.35	Human resource management
Xurpas Enterprise Inc. (Xurpas Enteprise)	**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.

<u>Xeleb Technologies, Inc.</u>
Xeleb Technologies, Inc. was organized to primarily engage in the business of mobile content development.

In 2019, Deeds of Absolute Sale were executed for the acquisition by the Parent Company of the remaining 33% stake in Xeleb Technologies from its minority stakeholders for a total consideration of ₱4.00 million. This brought Parent Company's interest in Xeleb Technologies to 100%.

On September 11, 2019, the board of directors of the Parent Company approved the dissolution of Xeleb Technologies.

<u>Xurpas Enterprise Inc.</u>
On March 23, 2016, the Parent Company incorporated Xurpas Enterprise. Xurpas Enterprise shall primarily engage in the business of software development including designing, upgrading and marketing all kinds of information technology systems or parts thereof and other related services.

<u>Xeleb Inc.</u>
On July 14, 2015, the Parent Company incorporated Xeleb Inc., a mobile games company domiciled in the Philippines. Xeleb was organized primarily to design, develop, test, build, market, distribute, maintain, support, customize, sell and/or sell applications, games, software, digital solutions, whether internet, mobile or other handheld applications, portals, hardware and other related projects and services, except internet provider services, both for proprietary and custom development purposes.

On September 11, 2019, the board of directors of the Parent Company approved the dissolution of Xeleb.

<u>Storm Technologies, Inc.</u>
The Parent Company's ownership is 56.60% of the outstanding capital stock of Storm as of December 31, 2017. In 2018, Storm issued 3,601 common shares to various individuals for a total of ₱11.97 million. This brought down the Parent Company's ownership from 56.60% to 53.96% of the outstanding capital stock of Storm, which resulted in a transfer of the Parent Company's share in the accumulated net losses of Storm to the noncontrolling interest amounting to ₱3.19 million. Net increase in NCI amounted to ₱8.78 million. No change in control resulted from the said transaction.

In 2019, Storm issued 3,985 common shares to various individuals for a total consideration of ₱4.38 million. This brought down the Parent Company's ownership from 53.96% to 51.31% of the outstanding capital stock of Storm. Net increase in NCI amounted to ₱4.38 million. No change in control resulted from the said transaction.

Storm's primary purpose is to create, develop and maintain an online platform that allows companies to exchange their current human resources benefits given to employees and transform them into a wide range of products and services, provide client management services, data management and information processing services, software network management services, software development services, consultancy, project and program management, marketing solutions, information technology services and business process outsourcing services to various companies.

Art of Click Pte. Ltd.
On October 6, 2016, the Parent Company signed a Share Purchase Agreement with Emmanuel Michael Jean Allix and Wavemaker Labs Pte. Ltd. (the "Sellers") for the acquisition of 100% stake in Art of Click for an aggregate consideration of ₱1.94 billion in cash and in Parent Company's shares (see Note 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, 2022. 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.

Investments in Associates
The Group's investments in its associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

An investment is accounted for using the equity method from the day it becomes an associate. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the associate.

Under the equity method, the investment in an associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the associate, less any impairment in values. The consolidated statement of comprehensive income reflects the share of the results of the operations of the associate company. The Group's share of post-acquisition movements in the associate's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the associate company are eliminated to the extent of the interest in the associate company and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investment in associate company is reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the associate company. When the associate company subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances. When necessary, adjustments are made to bring the reporting dates and accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Inventories

Inventories are stated at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price and other directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. It excludes the cost of day-to-day servicing.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the property and equipment which are as follows:

	Years
Transportation equipment	3
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.

<u>Business Combinations and Goodwill</u>
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any noncontrolling interests in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms' economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognized either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests) and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

When goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measure based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

<u>Noncontrolling interests</u>
In a business combination, as of the acquisition date, the Group recognizes, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. There is a choice of two measurement methods for those components of noncontrolling interests that are both present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of a liquidation. They can be measured at:

a. acquisition-date fair value (consistent with the measurement principle for other components of the business combination); or
b. at their proportionate share of the value of net identifiable assets acquired.

Written put option over NCI
Any put options granted to noncontrolling interests give rise to a financial liability measured at fair value, which will be the present value of the redemption amount. The Group's accounting policy on financial instruments applies for the subsequent measurement of the financial liability.

The Group assesses whether the terms and conditions of the option give the acquirer present access to the ownership interest in the share subject to the put option. Factors that indicate that the NCI put provides a present ownership interest include:

a. pricing - to the extent that the price is fixed or determinable, rather than being at fair value;
b. voting rights and decision-making – to the extent that the voting rights or decision-making connected to the shares concerned are restricted;
c. dividend rights – to the extent that the dividend rights attached to the shares concerned are restricted; and
d. issue of call options – a combination of put and call options, with the same period of exercise and same/similar pricing indicates that the arrangement is in the nature of a forward contract.

If it is concluded that the acquirer has a present ownership interest in the shares concerned, the put option is accounted for as an acquisition of the underlying shares, and no noncontrolling interest is recognized.

When the terms of the transaction do not provide a present ownership interest, the noncontrolling interests continues to be recognized within equity until the NCI put is exercised. The carrying amount of noncontrolling interest changes due to allocations of profit or loss, changes in other comprehensive income and dividends declared for the reporting period. The financial liability for the put option is recognized through a debit made to another component of equity attributable to the parent.

If the put option is exercised, the entity accounts for an increase in its ownership interest. At the same time, the entity derecognizes the financial liability and recognizes an offsetting credit in the same component of equity reduced on initial recognition.

If the put option expires unexercised, the financial liability is reclassified to the same component of equity that was reduced on initial recognition.

Combinations of Entities under Common Control

Business combinations of entities under common control are accounted for using the pooling of interests method. The pooling of interest method is generally considered to involve the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity under the "Equity reserve" account.

The financial information in the consolidated financial statements are not restated for periods prior to the combination of the entities under common control.

Impairment of Nonfinancial Assets

The Group assesses at each financial reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Investments in associates

The Group also determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount and the carrying value of the associate company and recognizes the difference in profit or loss.

In assessing impairment indicators, the Group considers, as a minimum, the following indicators: (a) dividends exceeding the total comprehensive income of the associate in the period the dividend is declared; or (b) the carrying amount of the investment in the separate financial statements exceeding the carrying amount of the associate's net assets, including goodwill.

Intangible assets with indefinite useful life
Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level and when circumstances indicate that the carrying value may be impaired.

Impairment of goodwill
For assessing impairment of goodwill, a test of impairment is performed annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGUs is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

<u>Equity</u>
Capital stock and additional paid-in capital
Capital stock is measured at par value for all shares issued. When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital". When the shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. The costs of an equity transaction that is abandoned are recognized as an expense.

Treasury shares
Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Retained earnings (deficit)
Retained earnings represent the cumulative balance of net income or loss, dividend distributions, prior period adjustments, effects of the changes in accounting policy and other capital adjustments.

Unappropriated retained earnings
Unappropriated retained earnings represent the portion of retained earnings that is free and can be declared as dividends to stockholders.

Appropriated retained earnings
Appropriated retained earnings represent the portion of retained earnings which has been restricted and therefore is not available for dividend declaration.

Equity reserve
Equity reserve represents:
(a) a portion of equity against which the recognized liability for a written put option was charged;
(b) gains or losses resulting from increase or decrease in ownership without loss of control; and
(c) difference between the consideration transferred and the net assets acquired in common control business combination.

<u>Revenue Recognition</u>
Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognized when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

Service income
Service income consists of revenue from Value Added Services (VAS) and Business Process Outsourcing (BPO). BPO is further subdivided into IT Staffing, Custom Development and Managed Services, and Products.

VAS are mobile and content application services provided to mobile subscribers. Revenue is recognized at a point in time, that is when services are delivered to the customers during the period.
IT staffing is a business segment where the Group deploys resources to clients to fulfill their IT requirements. Revenue is recognized at a point in time, that is when services are rendered to the customers during the period.

Custom Development and Managed Services are services offered to customers that are produced in the Company's premises. Revenue is recognized over time and at a point in time. In measuring the progress of its performance obligation over time for Custom Development, the Group uses the output method which measures progress based on the completion of proportion of work done and requires technical determination by the IT specialists.

Products are readily available solutions that will cater to customers' requirements. Revenue is recognized at a point in time, that is when goods are delivered to the customers during the period.

Sale of goods
Revenue from the sale of goods in the ordinary course of activities is measured at the fair value of the consideration received or receivable, net of discounts and applicable taxes. Revenue is recognized at a point in time, which is normally upon delivery.

For the year ended December 31, 2021, the Group has no variable consideration but the timing of revenue recognition resulted in contract assets and liabilities.

<u>Contract Balances</u>
Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional (e.g., warranty fees).

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer (e.g., upfront fees, implementation fees, subscription fees, etc.). If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Interest income
Interest income is recognized as it accrues using the effective interest method.

Other income
Other income is recognized as they accrue.

<u>Cost and Expenses</u>
"Cost of services", "Cost of goods sold", and "General and administrative expenses" are expenditures recognized in the consolidated statement of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measure reliably. The following specific recognition criteria must also be met before costs and expenses are recognized:

Cost of services
Cost that includes all expenses associated with the specific sale of services. Cost of services include salaries, wages and employee benefits, utilities and communication, supplies and other expenses related to services. Such costs are recognized when the related sales have been recognized.

Cost of goods sold
Cost of goods sold consists of inventory costs related to goods which the Group has sold. Inventory costs include all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

General and administrative expenses
General and administrative expenses constitute expenses of administering the business and are recognized in profit or loss as incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee
Except for short-term leases and leases of low-value assets, the Group applies a single recognition and measurement approach for all leases. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of cost to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Office space	1.5 to 3 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in Impairment of nonfinancial assets section.

ii) Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments 9e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases
The Group applies the short-term lease recognition exemption to its short-term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

<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.

<u>Judgments</u>
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

a. *Going concern assessment*
The management has made an assessment of the Group's ability to continue as a going concern and is satisfied that it can continue in business for the foreseeable future (see Note 1). The Group incurred net loss of ₱5.08 million, and net operating cash outflows of ₱12.18 million for the three-month period ended March 31, 2022. As of March 31, 2022 the Group's current liabilities exceeded its current assets by ₱342.92 million. Management has considered this in their assessment and has concluded that the ability to continue as a going concern is mainly dependent on future actions such as continuous venture into new revenue potentials, cost cutting measures, and entry of new strategic investors.

Management does not have plans to liquidate and continues to believe that the Group is in a unique position being one of the few technology companies that can assist companies in their digital transformation initiatives and develop marketing promotions for consumer and enterprise businesses.

b. *Determination of control over investment in subsidiaries*
The Group determined that it has control over its subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following were also considered:
- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual agreements
- The Group's voting rights and potential voting rights

c. *Existence of significant influence over associates*
The Group determined that it exercises significant influence over its associates (see Note 10) by considering, among others, its ownership interest (holding 20% or more of the voting power of the investee) and board representation.

d. *Capitalization of development costs*
The Group determined that intangible assets arising from development qualify for recognition by determining that all of the following are present:
i. The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
ii. Intention to complete and its ability and intention to use or sell the asset;
iii. How the asset will generate future economic benefits;
iv. The availability of resources to complete the asset; and
v. The ability to measure reliably the expenditure during development.

e. *Determination of constructive obligation arising from cryptocurrency transactions*
The Group determined that a constructive obligation exists based on the terms of the agreements and the general expectations of the counterparties.

Management's Use of Estimates
The key assumptions concerning future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. *Evaluating impairment of goodwill, intangible assets with indefinite useful lives and investments in associates*
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less cost of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a Discounted Cash Flow (DCF) model.

The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the growth rates, earnings before interest, taxes, depreciation and amortization (EBITDA) margins, working capital and capital expenditures used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Group.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level and when circumstances indicate that the carrying value may be impaired.

The carrying value of goodwill as of March 31, 2022 and December 31, 2021 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 ₱314.68 million and ₱314.13 million as of March 31, 2022 and December 31, 2021, respectively (see Note 10).

b. *Revenue recognition*
The Group's revenue recognition require management to make use of estimates that may affect the reported amount of revenue. The Group's revenue from sale of services for development projects recognized based on the percentage of completion are measured principally on the basis of the estimated completion of the development services. In measuring the progress of its performance obligation over time, the Group uses the output method which measures progress based on the completion of proportion of work done and requires technical determination by the Group's specialists.

c. *Provisions and contingencies*
The Group is currently involved in assessments for national taxes. The estimate of the probable costs for the resolution of these assessments has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these assessments will have a material effect on the Group's consolidated financial position and results of operation.

d. *Provision for expected credit losses of trade receivables and contract assets*
The Group uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss pattern.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As of March 31, 2022 and December 31, 2021, allowance for impairment losses on accounts and other receivables amounted to ₱23.41 million and ₱23.21 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 not subject to the seasonality of revenue realization. With the current revenue trends in Storm, the seasonality is not apparent.

5. Cash and cash equivalent

This account consists of:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Cash on hand	**₱84,235**	₱72,001
Cash in banks	**119,792,338**	35,879,197
	₱119,876,573	₱35,951,198

Cash in banks earn interest at the prevailing bank deposit rates.

Interest income earned from cash in banks amounted to ₱0.02 million and ₱0.01 million for the three-month periods ended March 31, 2022 and 2021, respectively.

6. Accounts and Other Receivables

This account consists of:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Trade receivables	**₱50,293,752**	₱58,404,493
Receivable from related parties (Note 20)	**16,185,997**	17,265,112
Advances to employees	**2,054,227**	1,826,111
Others	**12,100,854**	12,255,291
	80,634,830	89,751,007
Less: Allowance for impairment loss	**23,411,505**	23,210,902
	₱57,223,325	₱66,540,105

Trade receivables arise from the mobile content development, mobile solution and key platform development services rendered by the Group to its customers. These are noninterest-bearing and are generally settled on a 30- to 60-day term.

Advances to employees mainly pertain to advances which are subject to liquidation.

Others are noninterest-bearing and are generally collectible within one year.

The table below shows the movements in the provision for impairment losses of trade receivables:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
At beginning of year	**₱23,210,903**	₱22,339,018
Provisions	**–**	2,608,421
Write-off	**–**	(2,067,842)
Translation adjustments	**200,603**	331,306
	₱23,411,505	₱23,210,903

7. **Contract Balances**

This account consists of:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Contract assets	**₱45,483,679**	₱29,763,501
Contract liabilities	**28,641,463**	25,763,916

Contract assets are initially recognized for revenues earned from custom development as receipt of consideration is conditional on successful completion of proportion of work. Upon completion of performance obligation and acceptance by the customer, the amount recognized as contract assets are reclassified to trade receivables.

Contract liabilities consist of collections from customers under custom development services which have not qualified for revenue recognition.

8. **Financial Assets at Fair Value through Other Comprehensive Income**

This account consists of:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of period	**₱600,000**	₱500,000
Unrealized gain on financial assets at FVOCI, net of tax	**–**	100,000
	₱600,000	₱600,000

The roll forward analysis of net unrealized loss on financial assets at FVOCI follows:

	March 31	
	2022 (Unaudited)	2021 (Unaudited)
Balance at beginning of period	**(₱44,094,956)**	(₱44,194,956)
Unrealized gain on financial assets at FVOCI	**–**	–
Balance at end of period	**(₱44,094,956)**	(₱44,194,956)

Unrealized loss on financial assets at FVOCI is recognized under “Other comprehensive income” in the consolidated statements of comprehensive income.

Carrying amount of the investments in financial assets at FVPL and financial assets at FVOCI as at March 31, 2022 and December 31, 2021 are as follow:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Quoted shares		
Club Punta Fuego	**₱600,000**	₱600,000
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)
	–	–
	₱600,000	₱600,000

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 March 31, 2022 and December 31, 2021, 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
MatchMe Pte. Ltd.
On November 2, 2015, the Group acquired a convertible promissory note for US$300,000 (₱14.06 million) issued by MatchMe Pte. Ltd. ("MatchMe"), an associate of the Group based in Singapore (Note 10). On February 11, 2016, the Group acquired additional convertible promissory note issued by MatchMe for US$500,000 (₱23.89 million). On October 7, 2016, the Group acquired additional convertible promissory note issued by MatchMe for US$300,000 (₱14.55 million).

Altitude Games Pte. Ltd.
On January 19, 2016, the Group purchased a convertible promissory note for US$400,000 (₱19.26 million) issued by Altitude Games Pte. Ltd. ("Altitude Games"), an associate of the Group. On September 21, 2016, the Group acquired additional convertible promissory note for US$200,000 (₱9.60 million) issued by Altitude Games.

Einsights Pte, Ltd.
On September 30, 2015, the Group purchased a convertible promissory note for US$500,000 (₱23.48 million) issued by Einsights Pte, Ltd. ("Einsights"), a Singapore-based technology solutions provider with operations in Singapore, Vietnam, Hong Kong, India, Australia, Canada and Switzerland.

Pico Candy Pte. Ltd.
In August 2013, the Group invested in Pico Candy Pte. Ltd.'s convertible bonds amounting to SG $0.10 million, which is equivalent to ₱3.60 million. Pico Candy Pte. Ltd. operates a digital sticker distribution platform. It was founded in 2013 and is based in Singapore.

9. Other Current Assets

This account consists of:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Creditable withholding tax	**₱7,919,788**	₱7,226,893
Input VAT	**7,205,054**	9,511,605
Deferred input VAT	**2,820,205**	188,773
Prepaid expenses	**2,339,971**	2,752,233
Refundable deposits	**1,270,646**	1,257,774
Inventories	**208,245**	150,320
	₱21,763,909	₱21,087,598

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.

Inventories include purchases of goods to be sold. These are carried at cost. Cost of goods sold recognized amounted to nil and ₱10.17 million for the three-month periods ended March 31, 2022 and 2021, respectively.

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 2021, 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.

10. Investments in and Advances to Associates

This account consists of:

	March 31, 2022 (Unaudited)	December 31, 2021 (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	**(174,445,882)**	(174,125,133)
Share in net loss (earnings) during the period	**5,436,479**	(320,749)
Balance at end of period	**(169,009,403)**	(174,445,882)
Cumulative translation adjustment		
Balance at beginning of period	**18,165,445**	22,174,302
Movement during the period	**(4,888,202)**	(4,008,857)
Balance at end of period	**13,277,243**	18,165,445
Accumulated impairment	**(107,147,488)**	(107,147,488)
Advances to associate (Note 8)	**22,084,586**	22,084,586
	₱336,766,019	₱336,217,742

The equity in cumulative translation adjustments represents exchange differences arising from the translation of financial statements of the foreign operations, whose functional currency is other than Philippine Peso.

The Group's equity in the net assets of associates and the related percentages of ownership are shown below:

	Percentages of Ownership		Carrying Amounts	
	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)	**March 31, 2022 (Unaudited)**	December 31, 2021 (Audited)
Micro Benefits Limited	**23.53%**	23.53%	**₱268,841,542**	₱273,687,024
Altitude Games Pte. Ltd	**21.17**	21.17	**22,355,212**	21,221,389
PT Sembilan Digital Investama	**49.00**	49.00	**23,484,679**	19,224,743
MatchMe Ltd.	**29.10**	29.10	**–**	–
Altitude Games Inc.	**21.17**	21.17	**–**	–
			₱314,681,433	₱314,133,156
Advances to associate				
PT Sembilan Digital Investama			**22,084,586**	22,084,586
			₱ 336,766,019	₱336,217,742

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 March 31, 2022 and December 31, 2021, there are no capital commitments relating to the Group's interests in its associates.

The Group considers an associate with material interest if its net assets exceed 5% of its total consolidated net assets of the Group as of reporting period and considers the relevance of the nature of activities of the entity compared to other operations of the Group. There are no significant restrictions on the Parent Company's ability to use assets and settle liabilities of the Group.

11. Property and Equipment

The Group acquired property and equipment amounting to ₱0.54 million and ₱0.41 million during the three-month period ended March 31, 2022 and March 31, 2021, respectively. Depreciation expense amounted to ₱0.29 million and ₱0.53 million for the three-month periods ended March 31, 2022 and 2021, respectively.

12. Intangible Assets

This account consists of:

March 31, 2022

	Goodwill	Developed Software	Crypto-currencies	Total
Cost				
At beginning of year	**₱2,004,469,603**	**₱103,280,467**	**₱2,043,006**	**₱2,109,793,076**
Additions	–	**239,950**	–	**239,950**
At end of year	**2,004,469,603**	**103,520,417**	**2,043,006**	**2,110,033,026**
Accumulated amortization				
At beginning of year	–	**86,902,906**	–	**86,902,906**
Amortization (Note 15)	–	**283,958**	–	**283,958**
At end of year	–	**87,186,864**	–	**87,186,864**
Accumulated Impairment				
At beginning and end of year	**1,956,247,619**	**9,226,334**	–	**1,965,473,953**
Accumulated revaluation surplus				
At beginning of year	–	–	**31,111,248**	**31,111,248**
Revaluation increase	–	–	**(878,969)**	**(878,969)**
At end of year	–	–	**30,232,279**	**30,232,279**
Net Book Value	**₱48,221,984**	**₱7,107,219**	**₱32,275,285**	**₱87,604,488**

December 31, 2021

	Goodwill	Developed Software	Crypto-currencies	Total
Cost				
At beginning of year	₱2,004,469,603	₱102,893,116	₱4,086,012	₱2,111,448,731
Additions	–	387,351	–	387,351
Disposals/Derecognition	–	–	(2,043,006)	(2,043,006)
At end of year	2,004,469,603	103,280,467	2,043,006	2,109,793,076
Accumulated amortization				
At beginning of year	–	79,508,717	–	79,508,717
Amortization (Note 15)	–	7,407,967	–	7,407,967
At end of year	–	86,916,684	–	86,916,684
Accumulated Impairment				
At beginning and end of year	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	–	–	21,321,332	21,321,332
Disposals	–	–	(11,581,224)	(11,581,224)
At end of year	–	–	31,111,248	31,111,248
Net Book Value	₱48,221,984	₱7,137,448	₱33,154,254	₱88,513,686

Goodwill
Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group.

Developed software
Developed software pertain to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment.

Leasehold rights
Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination.

Cryptocurrencies
Cryptocurrencies pertain to units of Bitcoin held by the Group as at March 31, 2022.

The fair value of cryptocurrencies was determined using quoted market prices in active markets categorized under Level 1 of fair value hierarchy. As at March 31, 2022 and December 31, 2021, the fair value of Bitcoin is valued at USD45.525.00 per unit and USD46,219.50 per unit, respectively, while the fair value of Ether is USD3,385.29 and USD3,682.63, respectively.

During the three-month periods ended March 31, 2021, the Group sold cryptocurrencies with cost amounting to ₱2.0 million. The Group recognized "Gain from sale of cryptocurrencies" and "Foreign exchange gain" under "Other income (charges)" amounting to ₱11.45 million (see Note 18).

The amortization expense of intangible assets recognized in "Depreciation and amortization" under "Cost of services" in the consolidated statements of comprehensive income amounted to ₱0.27 million and ₱1.84 million for the three-month periods ended March 31, 2022 and 2021, respectively (see Note 16).

13. **Accounts and Other Payables**

This account consists of:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Payable to third parties	**₱87,446,829**	₱88,335,222
Nontrade payable	**55,836,176**	54,573,797
Trade payables	**52,014,232**	56,070,444
Payable to related parties (Note 20)	**21,311,957**	20,787,616
Accrued expenses	**14,333,993**	16,750,406
Taxes payable	**5,928,260**	5,997,323
Deferred output VAT	**4,723,992**	5,635,826
Others	**142,080,389**	133,547,795
	₱383,675,828	₱381,698,429

Trade payable represents the unpaid subcontracted services and other cost of services to third parties. These are noninterest-bearing and are normally settled within one year.

Nontrade payables include proceeds received by ODX under the Share and Token Allocation Agreement which grants the investor rights to certain shares of ODX and internally generated tokens in the future depending on the happening of certain events prior to termination of the agreement.

Accrued expenses mainly consist of ac cruals for salaries, professional fees, utilities, transportation and travel, rent, outsourced services and royalty. These are noninterest-bearing and are normally settled within one year.

Taxes payable include output VAT after application of available input VAT and expanded withholding tax on payment of suppliers and employees' compensation which are settled within one year.

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.

Deferred output VAT represents deferral of output VAT related to trade receivables for the services rendered by the Group. These will be recognized as output VAT and applied against input VAT upon receipt of payment.

Others consist of statutory payables to SSS, Philhealth and HDMF. This account also includes provision relating to the Token Pre-Sale Agreements ("PSA") entered into by the Group, through ODX, with various investors for the sale of ODX tokens. These are noninterest-bearing and are normally settled within one year.

The table below shows the movements in the provision relating to the PSA:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of year	**₱133,225,859**	₱129,675,146
Cost incurred for platform development	–	(1,320,000)
Translation adjustments	**3,081,726**	4,870,713
	₱136,307,585	₱133,225,859

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:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of the period	**₱38,793,070**	₱41,710,283
Payment of loans	**(137,277)**	(2,917,213)
	₱38,655,793	₱38,793,070

Interest expense recognized in the consolidated statements of comprehensive income during the three-month periods ended March 31, 2022 and 2021 amounted to ₱0.06 million and ₱0.48 million, respectively (see Note 18).

There were no undrawn loan commitments, transaction costs and interest expenses capitalized as at March 31, 2022 and December 31, 2021.

15. Service Income

Service income, amounting to ₱47.70 million and ₱24.56 million for the three-month periods ended March 31, 2022 and 2021, 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 three-month periods ended March 31, 2022 and 2021 consists of:

	March 31	
	2022 (Unaudited)	2021 (Unaudited)
Salaries, wages and employee benefits	**₱31,848,183**	₱18,988,943
Outsourced services	**5,628,692**	2,489,607
Web hosting	**724,716**	758,022
Depreciation and amortization	**270,178**	5,079,302
Consultancy fees	**212,000**	282,625
Commission	**109,623**	204,486
Utilities	**41,460**	91,142
Rent (Note 19)	–	932,985
Segment fee and network costs	–	53,571
Others	**372,822**	927,541
	₱39,207,674	₱29,808,224

17. General and Administrative Expenses

General and administrative expenses for the three-month periods ended March 31, 2022 and 2021 consists of:

	March 31	
	2022 (Unaudited)	2021 (Unaudited)
Salaries, wages and employee benefits	**₱7,471,913**	₱5,767,927
Professional fees	**2,459,261**	3,722,968
Taxes and licenses	**1,710,962**	599,347
Outsourced services	**1,212,704**	**388,293**

(Forward)

	March 31	
	2022	2021
	(Unaudited)	(Unaudited)
Marketing and promotions	**764,422**	881,665
Depreciation and amortization	**539,126**	525,302
Dues and subscription	**343,685**	232,351
Advertising	**270,878**	102,078
Utilities	**266,520**	121,961
Entertainment, amusement and recreation	**132,550**	102,000
Transportation and travel	**103,364**	847,773
Repairs and maintenance	**84,850**	26,677
Rent (Note 19)	**37,772**	135,808
Insurance	**59,914**	35,364
Supplies	**59,052**	91,734
Seminars and trainings	**42,823**	29,831
Miscellaneous	**1,435,459**	1,407,409
	₱16,995,255	₱15,018,488

18. **Other Charges (Income) - net**

This account consists of:

	March 31	
	2022	2021
	(Unaudited)	(Unaudited)
Interest expense	**₱1,914,765**	₱2,256,120
Bank charges	**108,152**	96,717
Other income	**–**	(134,062)
Interest income	**(15,725)**	(15,504)
	₱2,007,192	₱2,203,271

19. **Operating Lease Commitments**

The Group entered into various lease agreements with third parties for the office spaces it occupies. Leases have terms ranging from one to three years and renewable subject to new terms and conditions to be mutually agreed upon by both parties.

Set out below are the movements and carrying amounts of right-of-use asset recognized as of March 31, 2022 and December 31, 2021:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Cost		
Balance at beginning of period	**₱2,014,185**	₱8,901,896
Addition	**–**	2,014,185
Disposal	**–**	(8,901,896)
Balance at end of period	**2,014,185**	2,014,185
Accumulated Depreciation		
Balance at beginning of period	**839,244**	8,901,896
Depreciation	**251,773**	839,244
Disposal	**–**	(8,901,896)
	1,091,017	839,244
	₱923,168	₱ 1,174,941

The rollforward analysis of lease liability as of March 31, 2022 and December 31, 2021 follows:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of period	**₱1,192,005**	₱–
Additions	–	2,014,185
Accretion of interest	**9,201**	45,976
Payments	**(260,447)**	(868,156)
Balance at end of period	**₱940,759**	₱1,192,005
Current lease liability	**₱940,759**	₱1,019,202
Noncurrent lease liability	**₱–**	₱172,803

Total rent expense charged under "Cost of services" and "General and administrative expenses" in the consolidated statements of comprehensive income amounted to ₱0.03 million and ₱1.07 million for the three-month periods ended March 31, 2022 and 2021, respectively (see Notes 16 and 17).

As at March 31, 2022 and December 31, 2021, the future minimum lease payments within one year under noncancellable operating leases amounted to ₱1.19 million and ₱1.11 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 March 31, 2022 and December 31, 2021 follow:

			Amount/ Volume		**Outstanding Balance**			
					March 31, 2022		December 31, 2021	
	Terms	**Conditions**	**March 31, 2022**	March 31, 2021	**Receivable**	**Payable**	Receivable	Payable
Associate								
Advances	Noninterest-bearing	Unsecured, no impairment	**₱131,810**	₱124,379	**₱11.532,806**	**₱–**	₱11,400,996	₱–
			131,810	124,379	**11,562,806**		11,400,996	–
Stockholders								
Payable to directors and officers (a-b)	Interest-bearing	Unsecured	–	–	–	**143,563,235**	–	143,563,235
Payable to directors and officers (c)	Noninterest-bearing	Unsecured	–	–	–	–	–	1,318,500
Interest	Noninterest-bearing	Unsecured	**1,842,841**	1,868,940	–	**21,065,886**		19,223,045
Advances (d)	One year; noninterest-bearing	Unsecured, no impairment	–	–	–	**117,678**	–	117,678
			–	1,868,940	–	**164,746,799**	–	164,222,458
Affiliate								
Management fee (a)	Noninterest-bearing	Unsecured	–	–	**4,653,191**		5,864,116	–
Advances (b)	Noninterest-	Unsecured	–	–		**128,393**	–	128,393

Terms	Conditions	Amount/ Volume March 31, 2022	March 31, 2021	Outstanding Balance March 31, 2022 Receivable	Payable	December 31, 2021 Receivable	Payable
bearing							
		₱–	₱–	4,653,191	128,393	5,864,116	128,393
				₱16,185,997	₱164,875,192	₱17,265,112	₱164,350,851

Associates:

a. In 2017, the Parent Company entered into a US$100,000 noninterest-bearing short-term loan agreement with Altitude Games for working capital purposes. As at March 31, 2022 and December 31, 2021, receivable from Altitude Games amounted to ₱5.26 million.

b. The Parent Company made payments on behalf of its associates. As at March 31, 2022 and December 31, 2021, outstanding balance amounted to ₱5.81 million.

Stockholders:

a. In 2017, the Parent Company entered into a loan agreement with its directors amounting to US$1,945,758 or ₱97.15 million subject to 5% interest rate per annum. The Group recognized interest expense amounting to ₱1.17 million under "Other income (charges)" in its consolidated statements of comprehensive income. As at March 31, 2021, outstanding loans and interest payable amounted to ₱95.24 million and ₱14.97 million, respectively.

b. On April 29, 2019 the BOD approved the availment of loan from the Parent Company's founders with an aggregate amount of ₱150.00 million subject to 5.50% interest rate per annum. . The Group recognized interest expense amounting to ₱0.67 million under "Other income (charges)" in its consolidated statements of comprehensive income.

   As at March 31, 2022, outstanding loans and interest payable pertaining to this transaction amounted to ₱ 49.30 million and ₱5.92 million, respectively.

c. Payable to directors and officers also pertain to directors' fees still outstanding as of March 31, 2022 and December 31, 2021 amounting to nil and ₱1.32 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 as at March 31, 2022 and December 31, 2021 amounted to ₱4.64 million and ₱5.86 million, respectively.

b. Advances from affiliate pertain to payments made by CTX to the Parent Company for operational purposes subject to future liquidation. Outstanding payable as at March 31, 2022 and December 31, 2021 amounted to ₱0.13 million.

Compensation of key management personnel pertaining to short-term employee benefits amounted to ₱3.19 million for the three-month periods ended March 31, 2022 and 2021.

21. Income Taxes

Provision for (benefit from) income tax for the three-month periods ended March 31, 2022 and 2021 consists of:

	March 31	
	2022 (Unaudited)	2021 (Unaudited)
Final	**₱3,021**	₱3,101
	₱3,021	₱3,101

22. Business Combinations and Acquisition of Noncontrolling Interests

Business Combinations

Yondu, Inc. ("Yondu")
On September 16, 2015, the Parent Company acquired 22,950 shares of common stock in Yondu, a content developer and provider of mobile value-added services and information technology services for a total consideration of ₱900.00 million. The 5,000 shares out of the 22,950 shares were from unissued shares of Yondu while 17,950 shares were purchased from GTI. Purchase price of unissued shares and shares previously held by GTI amounted to ₱230.00 million and ₱670.00 million, respectively. The purchase resulted in a 51% ownership by the Parent Company in Yondu.

Included in the Shareholders' Agreement are a call and put option granting the Parent Company the right to require GTI to sell and granting GTI the right to require the Parent Company to purchase all, but not part only, of the 49% shareholding of GTI in Yondu at ₱39,215.69 per company share, respectively. The options have an exercise date starting September 16, 2016 and will expire after two years therefrom. The put option and call option shall be exercised by a share swap of Xurpas shares for shares held by GTI or a combination of share swap and cash, at the mutual agreement of both parties.

A financial liability amounting to ₱848.50 million was initially recognized in the consolidated statements of financial position for the redemption obligation related to the written put option over the shares held by GTI. In September 2018, the call and put options remained unexercised and were terminated in line with their expiration resulting to a gain amounting to ₱16.21 million recognized under "Other charges (income)" (see Note 17).

On September 11, 2019, the BOD of the Parent Company approved the sale of the 51% ownership shares of Yondu Inc to GTI at a purchase price of ₱501.25 million (see Note 23).

Acquisition of Noncontrolling Interests

Xeleb Technologies Inc.
On September 11, 2019, Deeds of Absolute Sale were executed for the acquisition by the Parent Company of the remaining 33.00% interest in Xeleb Technologies for ₱4.00 million. This brought Parent Company's interest in Xeleb Technologies to 100%. The acquisition resulted in the decrease in equity reserve amounting to ₱36.09 million.

Increase in Noncontrolling Interests

Storm Technologies, Inc.
In 2019, Storm issued an aggregate of 3,985 shares to individual stockholders for a total consideration of ₱7.08 million.

Allcare Technologies, Inc.
In 2020, Allcare issued an aggregate of 134,800 shares to its stockholders for a total consideration of ₱11.31 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 March 31, 2022 and December 31, 2021 follow:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Authorized shares	**5,000,000,000**	5,000,000,000
Par value per share	**₱0.10**	₱0.10
Issued shares	**2,116,744,034**	1,934,925,852
Treasury shares	**62,128,975**	62,128,975
Value of shares issued	**₱211,674,403**	₱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.

On January 20, 2022, the Parent Company's BOD approved the issuance of common shares to Mr. Nico Jose S. Nolledo, a founder and currently the Chairman of the board, in exchange of ₱100.00 million capital infusion. Total number of shares issued is at 181,818,182 for 0.55 per share. The transaction was executed on March 21, 2022.

Initial Public Offering (IPO)
On November 12, 2014, PSE approved the 344.00 million common shares at an offer price of ₱3.97 per share (₱ 1,365.68 million) for the IPO of the Parent Company.

On November 13, 2014, the SEC granted the Parent Company permit to sell or offer its securities which consists of 1,720.00 million common shares.

The Parent Company was publicly listed on December 2, 2014.

As at December 31, 2014, ₱172.00 million of the ₱500.00 million authorized capital stock has been subscribed and issued, ₱122.55 million of which was issued through stock dividend declaration and the rest was paid in cash. The excess of subscription price over paid-up capital was recognized as APIC. The Parent Company incurred transaction costs incidental to the IPO amounting to ₱111.56 million and ₱7.35 million which were charged to "Additional paid-in capital" in the consolidated statements of financial position and "General and administrative expense" in the consolidated statements of comprehensive income, respectively.

Overnight Top-Up Placement
On April 9, 2016, the Parent Company issued and subscribed 77.70 million shares with par value of ₱0.10 for a total consideration of ₱1,243.20 million or ₱16.00 per share. The excess of subscription price over paid-up capital was recognized in APIC. The Parent Company incurred transaction costs incidental to the share issuance amounting to ₱44.82 million which were charged to "Additional paid-in capital" in the consolidated statements of financial position.

Installment Payment in Shares
On November 11, 2016, the Parent Company issued 69,939,486 common shares to the Sellers of AOC as payment of the upfront consideration in relation to the acquisition of 100% stakeholding in AOC (see Note 22). The excess of subscription price over paid-up capital amounting to ₱932.79 million was recognized as APIC.

On March 2, 2018, the Parent Company issued 67,285,706 common shares by way of block sale to implement the amendments in the share purchase agreement (see Note 23). The shares were issued at ₱3.80 per share.

<u>Retained Earnings</u>

Appropriations
On November 9, 2016, the BOD of the Parent Company approved the appropriation of unrestricted retained earnings for the buyback of its common shares up to the extent of the total allotment amounting to ₱170.00 million subject to the prevailing market price at the time of the share buyback.

On March 27, 2017, the BOD of the Parent Company approved the termination of the Buy-back Program adopted last November 9, 2016 appropriating an aggregate of ₱170.00 million. A total of ₱88.82 million has been used as of March 31, 2017. Accordingly, the balance of ₱81.18 million previously allocated for the Buy-back Program shall be released from such appropriations.

Dividends declaration
On May 10, 2016, the Parent Company's BOD approved the declaration of cash dividends of approximately ₱0.048 per share, or the aggregate amount of ₱86.27 million out of the Parent Company's unrestricted retained earnings for distribution to its stockholders of record as at May 31, 2016 and payable to stockholders on June 23, 2016.

Equity Reserve
In 2016, the Parent Company purchased additional shares from noncontrolling interests of Xeleb, Xeleb Tech and Storm. The transactions were accounted as an equity transaction since there was no change in control. The movements within equity are accounted for as follows:

	Consideration paid	Carrying value of noncontrolling interests	Difference recognized within Equity
Xeleb Technologies Inc.	₱45,000,000	₱3,506,647	(₱41,493,353)
Storm Technologies Inc.	10,002,330	2,382,396	(7,619,934)
Xeleb Inc.	1,650,000	7,038,398	5,388,398
	₱56,652,330	₱12,927,441	(₱43,724,889)

In 2017, a reserve amounting to ₱358.50 million was recognized for the payment resulting from amendments in the Share Purchase Agreement with Allix and the acquisition of the Parent Company's own shares (see Note 22).

Treasury Stock
On November 9, 2016, the BOD of the Parent Company approved the buyback of its common shares up to the extent of the total allotment amounting to ₱170.00 million subject to the prevailing market price at the time of the buyback. The Parent Company commenced the program on November 14, 2016 and will end upon full usage of the approved allotment, or as otherwise may be directed by the BOD, subject to an appropriate disclosure to the SEC and PSE. As at December 31, 2016, treasury stocks acquired totaled to 10,687,400 shares and 8,532,900 shares, respectively, which amounted to ₱71.51 million.

In January and February 2017, the Parent Company acquired 2,154,500 shares for ₱17.30 million.

On March 27, 2017, the BOD of the Parent Company approved the termination of the buyback program adopted in 2016. Treasury stocks acquired under this program totaled to 10,687,400 shares amounting to ₱88.82 million.

On July 18, 2017, the Parent Company reacquired 53,298,242 common shares from Allix for a total amount US$532,983 or ₱26.65 million (see Note 22).

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 March 31, 2022 and December 31, 2021, 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 March 31, 2019, the Plan has been filed with and is pending approval of the SEC and PSE.

Capital Management
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The Group's sources of capital follow:

	March 31 2022 (Unaudited)	December 31, 2021 (Audited)
Capital stock	**₱211,674,403**	₱193,492,585
Additional paid-in capital	**3,659,721,747**	3,577,903,565
Deficit	**(3,244,939,377)**	(3,241,042,649)
	₱626,456,773	₱530,353,501

The Group is not subject to externally-imposed capital requirements. The Group regards its equity as its primary source of capital. No changes were made in the capital management policies as at March 31, 2022 and December 31, 2021.

24. Loss Per Share

Basic loss per share for the three-month periods ended March 31, 2022 and 2021 were computed as follows:

	March 31	
	2022 (Unaudited)	2021 (Unaudited)
Net loss attributable to the equity holders of the Parent Company	**(₱3,896,728)**	(₱18,000,590)
Weighted average number of outstanding shares	**1,892,998,897**	1,872,796,877
Basic loss per share	**₱–**	(₱0.01)
Diluted loss per share	**₱–**	(₱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 ₱0.60 million approximate their carrying value.

Fair Value Hierarchy
The Group uses the following three-level hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Cash, accounts and other receivables, refundable deposits under other current assets, cash bond under other noncurrent assets, accounts and other payables (excluding "Taxes payable", "Deferred output VAT", and statutory payables included as "Others"), loans payable, liability on written put option, payable to former shareholders of a subsidiary, dividends payable and finance lease liability under other current liabilities were classified under Level 3. The fair value of these financial instruments is determined by discounting future cash flows using the applicable rates of similar types of instruments plus certain spread.

Quoted financial assets at FVOCI amounting to ₱0.44 million as at March 31, 2022 and December 31, 2021 were classified under Level 2 (see Note 8).

Unquoted financial assets at FVOCI amounting to nil as at March 31, 2022 and December 31, 2021 were classified under Level 3 (see Note 8).

As at March 31, 2022 and December 31, 2021, 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 2022 and 2021.

The Group's risk management policies are summarized below:

Credit Risk
Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation.

The Group's credit risk is primarily attributable to cash (excluding "cash on hand") and receivables. To manage credit risk, the Group monitors its exposure to credit risk on a continuous basis.
The Group's maximum exposure to credit risk is equal to the carrying values of its financial assets as at March 31, 2022 and December 31, 2021.

The credit quality of the financial assets was determined as follows:

Cash in banks, financial assets at FVPL, financial assets at FVOCI and other assets - based on the nature of the counterparty and the Group's rating procedure. These are held by counterparty banks with minimal risk of bankruptcy and are therefore classified as high grade.

Accounts and other receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to three defaults in payment; and low grade pertains to receivables with more than three defaults in payment.

Unquoted AFS financial assets are unrated.

Liquidity Risk
Liquidity risk is the risk that the Group will be unable to meet its obligations as they fall due. The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirement, finance capital expenditures and service maturing debts. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds and available short-term and long term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD.

The maturity profile of the Group's financial assets and financial liabilities at March 31, 2022 and December 31, 2021 are based on contractual undiscounted payments.

As at March 31, 2022 and December 31, 2021, the Group's financial assets and financial liabilities have a maturity of less than one year.

26. **Segment Reporting**

The industry segments where the Group operates follow:

- Mobile consumer services - includes airtime management, content development and management and marketing and advertising solutions
- Enterprise services - includes platform development and customization, system integration, mobile platform consultancy services, management of off-the-shelf application and social media related services. This also includes IT staff augmentation and various enterprise solutions-based services to telecommunication companies and other companies for network and applications development
- Other services – includes consultancy services in the field of human resource management, trading in general, sourcing for and supplying of goods to import and export goods

The following tables regarding business segment revenue and profit information for the three-month periods ended March 31, 2022 and 2021:
2022 (Unaudited)

	Mobile consumer services	**Enterprise service**	**Other services**	**Intersegment Adjustments**	**Consolidated**
INCOME					
Service income	**₱8,586,784**	**₱30,873,465**	**₱9,979,669**	**(₱1,741,071)**	**₱47,698,847**
COST AND EXPENSES	**(13,927,115)**	**(32,076,903)**	**(11,939,982)**	**1,741,071**	**(56,202,929)**
Equity in net losses of associates	–	–	–	**5,436,479**	**5,436,479**
Other expenses	**(810,662)**	**(1,191,898)**	**(4,632)**	–	**(2,007,192)**
	(6,150,993)	**(2,395,336)**	**(1,964,945)**	**5,436,479**	**(5,074,795)**
Provision for (benefit from) income tax	**(1,081)**	**(1,940)**	–	–	**(3,021)**
Net income (loss)	**(₱6,152,074)**	**(₱2,397,276)**	**(₱1,964,945)**	**₱5,436,479**	**(₱5,077,816)**
Net loss attributable to:					
Equity holders of Xurpas Inc.					**(₱3,896,728)**
Noncontrolling interests					**(1,181,088)**
					(₱5,077,816)

2021 (Unaudited)

	Mobile consumer services	Enterprise service	Other services	Intersegment Adjustments	Consolidated
INCOME					
Service income	₱4,819,893	₱13,249,478	₱6,493,572	₱–	₱24,562,943
Sale of goods	–	–	15,075,852	–	15,075,852
	4,819,893	13,249,478	21,569,424	–	39,638,795
COST AND EXPENSES	(13,264,595)	(19,348,919)	(19,305,970)	(3,075,446)	(54,994,930)
Equity in net losses of associates	–	–	–	755,682	755,682
Other expenses	(928,028)	(886,578)	(388,665)	–	(2,203,271)
	(9,372,730)	(6,986,019)	1,874,789	(2,319,764)	(16,803,724)
Provision for (benefit from) income tax	(1,441)	(1,459)	(172)	–	(3,101)
Net income (loss)	(₱9,374,200)	(₱6,987,478)	₱1,874,617	(₱2,319,764)	(₱16,806,825)
Net loss attributable to:					
Equity holders of Xurpas Inc.					(₱18,000,590)
Noncontrolling interests					1,193,765
					(₱16,806,825)

27. Notes to Consolidated Statement of Cash Flows

Disclosed below is the rollforward of liabilities under financing activities:

	January 1, 2022	**Cash flows**	**Non-cash changes**	**Foreign exchange movement**	**March 31, 2022**
Loans payable	**₱38,793,071**	**(₱137,278)**	**₱–**	**₱–**	**₱38,655,793**
Lease liability	**1,192,005**	**(260,447)**	**9,201**	**–**	**940,759**
Advances from stockholders	**143,563,235**	**–**	**–**	**–**	**143,563,235**
Total liabilities from financing activities	**₱39,985,076**	**(₱397,725)**	**₱9,201**	**₱–**	**₱183,159,787**

	January 1, 2021	Cash flows	Non-cash changes	Foreign exchange movement	December 31, 2021
Loans payable	₱41,710,283	(₱2,917,213)	₱–	₱–	₱38,793,070
Lease liability	–	(868,156)	2,060,161	–	1,192,005
Advances from stockholders	138,086,776	–	5,476,459	–	143,563,235
Total liabilities from financing activities	₱179,797,059	(₱3,785,369)	(₱7,536,620)	₱–	₱183,548,310

28. Approval of Financial Statements

The unaudited interim condensed consolidated financial statements of the Group as at March 31, 2022 and December 31, 2021 and for the three-month periods ended March 31, 2022 and 2021 were approved and authorized for issue by the BOD on May 16, 2022.

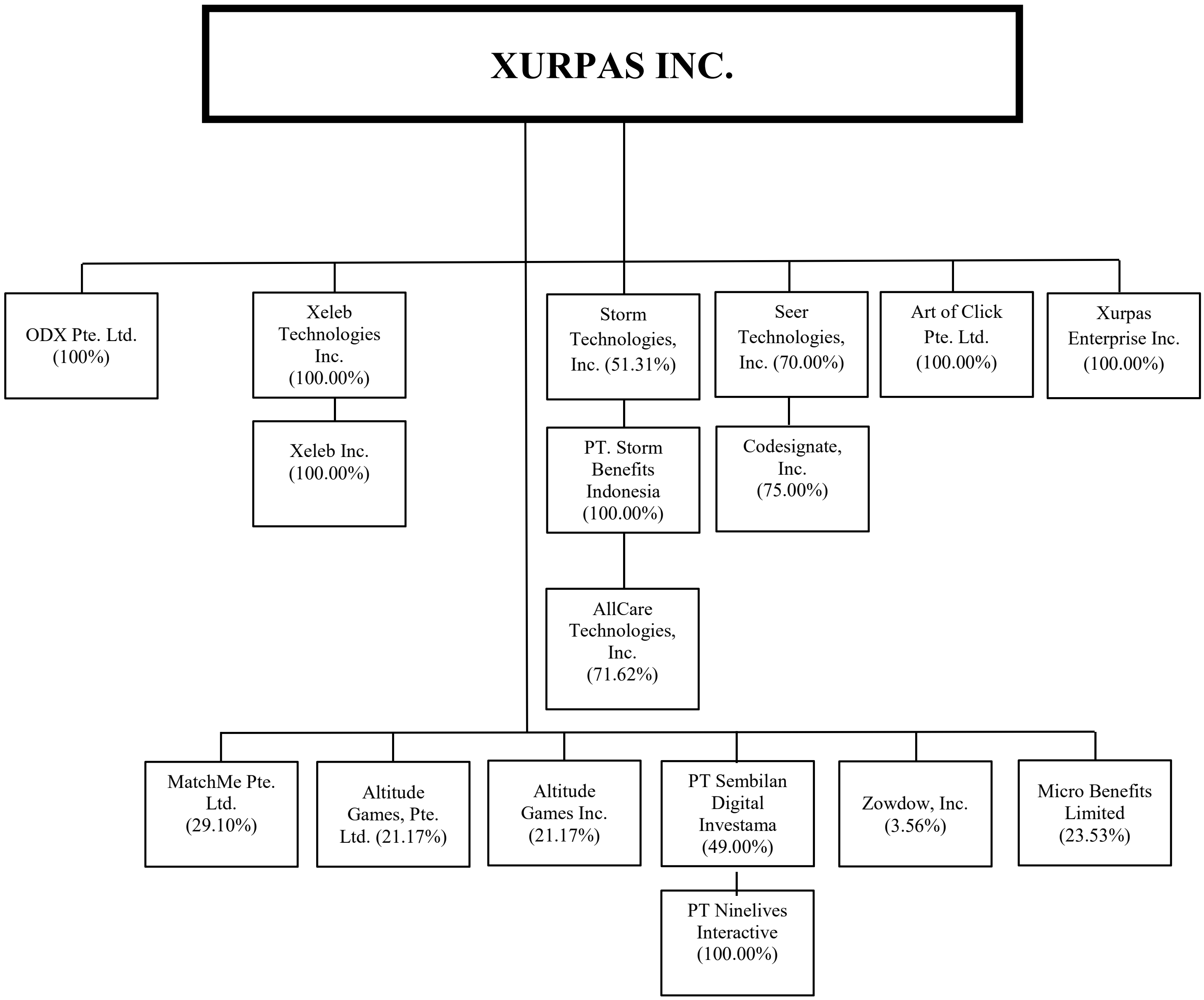
AGING OF RECEIVABLES

The aging analysis of accounts receivable as of March 31, 2022 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	**₱19,436,685**	**₱4,671,350**	**₱5,658,658**	**₱449,699**	**₱20,077,360**	**₱50,293,752**
Receivable from related parties	**16,185,997**	–	–	–	–	**16,185,997**
Advances to employees	**2,054,227**	–	–	–	–	**2,054,227**
Others	**12,100,854**	–	–	–	–	**12,100,854**
	₱49,777,763	**₱4,671,350**	**₱5,658,658**	**₱449,699**	**₱20,077,360**	**₱80,634,830**

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	(₱2,874,632,268)
Less adjustments:	
Impairment loss	2,524,541,305
Unappropriated Retained Earnings, as adjusted, beginning	(350,090,963)
Net Income based on the face of financial statement	(18,340,795)
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	(18,340,795)
Less: Other adjustments	
Dividend declarations during the period	–
Reversal of appropriation for share buy-back transactions	–
Reversal of appropriation for dividend declaration	–
Appropriations during the year	–
	–
Unappropriated retained earnings, end available for dividend distribution	₱–

XURPAS INC. AND SUBSIDIARIES
FINANCIAL RATIOS

Financial Ratios	March 31, 2022	December 31, 2021
A. Current ratios		
Current ratios	42%	26%
Quick ratios	38%	22%
B. Debt-to-equity ratios	324%	582%
C. Asset-to-equity ratios	364%	575%
D. Interest rate coverage ratios	(165%)	(218%)
E. Profitability ratios		
Net income margin	(8%)	(4%)
Gross margin	18%	18%
Operating margin	(5%)	(4%)
Return on total assets	(1%)	(1%)
Return on equity	(3%)	(8%)

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

As the battle with COVID 19 enters its third year, challenges were encountered at the start of the year due to the high level of cases brought by the Omicron variant which resulted in stricter quarantine restrictions from the end of 2021. Taking into account, however, the high percentage of vaccinated in the country and considering the mild cases brought by the variant, cases eventually dropped by mid-February 2022. This paved the way for the country to reopen its borders, ease restrictions and slowly step into the new normal path to economic recovery.

Aligned with the country's steps to recover and grow economically in 2022, Xurpas continues to expand and build its enterprise business segment which will primarily contribute to its growth. This is to address the multiple opportunities created by 1) global technology trends and 2) the acceleration of the digital transformation plans of large and small and medium scale enterprises during the pandemic. A lot of businesses are going digital or online to improve business continuity amidst restricted mobility, due to the pandemic. Even as quarantine measures have eased, Xurpas is still convinced that enterprises will go digital or online because this has now become ingrained in consumer behavior.

In support of this thrust, on January 20, 2022, Nico Jose S. Nolledo, Founder and Chairman, infused equity amounting to ₱100.00 million. The proceeds will be for the expansion of Xurpas' enterprise business, specifically the IT staff augmentation business, employee benefits enhancement, equipment replacement, research and development, and general corporate purposes.

With this, Xurpas continues to strengthen its enterprise services business, focusing on the following: IT staff augmentation, growing its services under business solutions and seizing the opportunities brought by Web 3.0.

1. <u>IT Staff Augmentation:</u> Since the demand remains strong for IT staff augmentation, evidenced by the continuing increase in revenue for 2021, the Company will build and augment its current business by vigorously seeking new clients while at the same time maintaining and growing its business relationships with its existing long-term clients. The Company believes that the increased requirements of both private companies and public entities for digital transformation, especially in a post COVID environment, creates multiple opportunities for its enterprise business. The staff augmentation business of Xurpas increased by 194%, from ₱7.93 million in 1Q2021 to ₱23.30 million in 1Q2022.
2. <u>Digital Business Solutions:</u> Xurpas also plans to expand its digital business solutions service and product offering, catering to the large untapped SME market. Xurpas will help these companies enable their digital transformations by providing tools and solutions to address their business needs in financial, production/manufacturing, people, marketing, sales, and customer management. These products will provide similar functionalities and benefits as global brands used by multinationals and large local companies, but will be offered at a significantly lower-cost, to accommodate the budgets of local SME's. These SME's comprise a large percentage of the market. Xurpas shall implement this with a curated technology platform and an ecosystem of partners.
3. <u>Web 3.0:</u> This the third generation of web services and the next stage in the evolution of the internet. Web 3.0 will largely be built on three new layers of emerging technologies – edge computing infrastructure (superfast 5G data speeds), decentralized data infrastructure (data formats and software that are open, coupled with the advancements in blockchain technology) and Artificial Intelligence or AI driven services (expanding capabilities of AI and machine learning or ML). Xurpas shall leverage its existing global network going into Web 3.0 and shall tap the massive opportunity it offers for staff augmentation and custom development work.

It is also noteworthy to mention that for the first quarter of 2022, aside from the ongoing upward trend of its IT staff augmentation, the growth of AllCare (subscriptions offering HMO and other pre-need employee benefits to small teams and freelancers) continues and is expected to improve in the next quarters given the country's increased demand for healthcare services. AllCare's revenues increased by 60%, from ₱6.24 million in 1Q2021 to ₱9.98 million in 1Q2022.

Financial Summary

Key Financial Data In PhP Millions	For the three-month period ended March 31					
	2022		2021		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Mobile consumer services	6.85	14%	4.82	13%	2.03	42%
Enterprise services	30.87	65%	13.25	33%	17.62	133%
Other services	9.98	21%	21.57	54%	(11.59)	-54%
Total Revenues	**47.70**	**100%**	**39.64**	**100%**	**8.06**	**20%**
Cost of Services	39.21	82%	29.81	75%	9.40	32%
Cost of Goods Sold	-	0%	10.17	26%	(10.17)	-100%
Gross Profit (Loss)	**8.49**	**18%**	**(0.34)**	**-1%**	**8.83**	**-2619%**
General and Administrative Expenses	17.00	36%	15.02	38%	1.98	13%
Equity in Net Losses (Earnings) of Associates	(5.44)	-11%	(0.76)	-2%	(4.68)	620%
Finance Cost and Other charges - net	2.01	4%	2.20	6%	(0.19)	-9%
Loss Before Income Tax	**(5.08)**	**-11%**	**(16.80)**	**-42%**	**11.72**	**-70%**
Provision for (Benefit from) Income Tax	-	0%	-	0%	-	-
Net Loss	**(5.08)**	**-11%**	**(16.80)**	**-42%**	**11.72**	**-70%**
Other Comprehensive Income (Loss)	(10.73)	-22%	19.01	48%	(29.74)	-156%
Total Comprehensive Loss	**(15.81)**	**-33%**	**2.21**	**6%**	**(18.02)**	**-816%**
	March 31, 2022 Amount		March 31, 2021 Amount		Amount Change	% Increase
Total Assets	694.60		605.94		88.66	15%
Total Liabilities	618.31		613.85		4.46	1%
Total Equity	76.29		(7.91)		84.19	-1065%

The Group's total revenue in the first quarter of 2022 was ₱47.70 million, a 20% increase from the same period of 2021, resulting in a net loss of ₱5.08 million (a 70% improvement in comparison to ₱16.80 million net loss in March 2021). Majority of the increase in revenue was driven by the enterprise services which generated ₱30.87 million or 65% of total revenue followed by the other services and mobile consumer services which generated ₱9.98 million and ₱6.85 million respectively.

The blended cost of services as of March 31, 2022, slightly went up from ₱29.81 million to ₱39.21 million as compared to the three-month period ended March 31, 2021 due to the corresponding increase in revenues primarily under IT staff augmentation. Cost of goods sold (COGS) attributable to other services generated by Storm Technologies Inc. was ₱10.17 million for Q1 of 2021 compared to nil for the first quarter of 2022.

Gross profit margins on total revenues went up from negative ₱0.34 million (1Q2021) to ₱8.26 million, for the period ended March 31, 2022 and is driven by the increase in revenues for the period.

General and administrative expenses (GAEX) increased by 13%, from ₱15.02 million for the first quarter of 2021 to ₱17.00 million for the same period in 2022. Overall, the increase in cost of services and GAEX results from the increase in revenue. The Company also shares in the recorded net earnings of the associate companies it has invested in, which amounted to ₱5.44 million for the three-month period ended March 31, 2022 (a 620% increase from first quarter of 2021).

Consolidated total assets increased by 15% from ₱605.94 million for the period ended December 31, 2021, to ₱694.60 million in the first 3 months of 2022. This is primarily brought by the increase in cash due to the subscription agreement entered between Xurpas Inc. and Nico Jose S. Nolledo, one of its founders and chairman, for the issuance of new Xurpas Shares for consideration of ₱100 million. This will primarily be used for the expansion of its core enterprise business, specifically the IT staff augmentation business, and other necessary enhancements that can contribute to the Company's growth and expansion. Consolidated total liabilities also slightly increased by 1% from ₱613.85 million as of December 31, 2021, to ₱618.31 million on March 31, 2022.

Lastly, resulting from the capital infusion, consolidated total equity went up to ₱76.29 million on March 31, 2022, from December 31, 2021, reversing the negative ₱7.91 million

Segment Financial Performance

For the three-month period ended March 31, 2022 In PhP Millions	Mobile Consumer Services	Enterprise Services	Other Services	Intersegment Adjustments	Consolidated
Revenue from services	8.59	30.87	9.98	(1.74)	47.70
Revenue from sale of goods	-	-	-	-	-
Total Service Revenues	**8.59**	**30.87**	**9.98**	**(1.74)**	**47.70**
Operating expenses	13.93	32.08	11.94	(1.74)	56.21
Equity in net earnings of associates	-	-	-	(5.44)	(5.44)
Other charges (income) - net	0.81	1.19	0.01	-	2.01
Total Expenses	**14.74**	**33.27**	**11.95**	**(7.18)**	**52.78**
Operating Income (Loss)	**(6.15)**	**(2.40)**	**(1.97)**	**5.44**	**(5.08)**
Benefit from income tax	(0.00)	(0.00)	-	-	(0.00)
Net Income (Loss)	**(6.15)**	**(2.40)**	**(1.97)**	**5.44**	**(5.08)**

Xurpas Group operates under mobile consumer services, enterprise services and other services segments. Prior to eliminations, for the three-month period ended March 31, 2022, the enterprise services generated 65% of total revenues or ₱30.87 million. Other services and mobile consumer services then generated ₱9.98 million and ₱6.85 million respectively.

Profitability

For the three-month period ended March 31, 2022, compared with the three-month period ended March 31, 2021.

Revenues

The consolidated revenues of the Group for the three-month period ended March 31, 2022, amounted to ₱47.70 million, an increase of 20% from ₱39.64 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
Enterprise services	Revenues derived from the provision of mobile platform solutions to corporate and government clients, information technology (IT) staff augmentation and consultancy services, various enterprise solutions-based services to Telcos and other companies for network, platform and applications development	• Seer • Xurpas Enterprise • Xurpas Parent Company
Other services	Revenues derived from services related to the proprietary platform called “Flex Benefits System” and “Ace” (formerly “Kudos”) which allows employees to convert their employee benefits to other benefits which includes sale of goods; subscriptions offering HMO and	• Storm Technologies • Allcare

	other pre-need employee benefits to small teams and freelancers.	

In PhP Millions	For the three-month period ended March 31					
	2022		2021		Amount	% Increase
	Amount	Percentage	Amount	Percentage	Change	(Decrease)
Revenues						
Enterprise services	30.87	65%	13.25	33%	17.62	133%
Other services	9.98	21%	21.57	54%	(11.59)	-54%
Mobile consumer services	6.85	14%	4.82	12%	2.03	42%
Total Revenues	**47.70**	**100%**	**39.64**	**100%**	**8.06**	**20%**

For the first quarter of 2022, enterprise services generated the most revenue at ₱30.87 million or 65% of total revenues. The 133% increase is primarily steered by the management's directive to maximize and expand the growth in its IT staff augmentation. On the other hand, revenues generated from other services went down from ₱21.57 million as of March 2021 to ₱9.98 million in March 2022 which accounted for 21% of total revenues. The decrease is caused by the lower sales generated by Storm Technologies, Inc for the 1st quarter of 2022 due to its slowdown in operations. Lastly, revenues under mobile consumer services comprise 14% of the revenues or at ₱6.85 million which also increased from the prior period.

Expenses

In PhP Millions	For the three-month period ended March 31					
	2022		2021		Amount	% Increase
	Amount	Percentage	Amount	Percentage	Change	(Decrease)
Expenses						
Cost of Services	39.21	70%	29.81	54%	9.40	32%
Cost of Goods Sold	-	0%	10.17	19%	(10.17)	-100%
General and Administrative Expenses	17.00	30%	15.02	27%	1.98	13%
Total Expenses	**56.21**	**100%**	**55.00**	**100%**	**1.21**	**2%**

The Group's consolidated expenses during the three-month period ended March 31, 2022, amounted to ₱56.21 million, a 2% increase from the same period of the previous year at ₱55.00 million. For the first three months of 2022, cost of services accounted for the bulk of expenses, totaling ₱39.21 million or 70% of the Group's consolidated expenses. For the same period in 2021, cost of services amounted to ₱29.81 million, which comprised 54% of overall expenses. Increase in overall expenses was a result of the company's increase in revenue and increase in manpower compared with the prior period.

Cost of Services

In PhP Millions	For the three-month period ended March 31					
	2022		2021		Amount	% Increase
	Amount	%	Amount	%	Change	(Decrease)
Cost of Services						
Salaries, wages and employee benefits	31.85	81%	18.99	64%	12.86	68%
Outsourced services	5.63	14%	2.49	8%	3.14	126%
Depreciation and amortization	0.27	1%	5.08	17%	(4.81)	-95%
Others	1.46	4%	3.25	11%	(1.79)	-55%
Total Expenses	**39.21**	**100%**	**29.81**	**100%**	**9.40**	**32%**

The cost of services for the first quarter of 2022 amounted to ₱39.21 million, an increase from the same period of the previous year of ₱29.81 million. 81% of cost of services came from salaries and wages at ₱31.85 million and is a 68% increase from the prior year of the same period. This is pushed by the increase in manpower relating to IT staff augmentation.

General and Administrative Expenses (GAEX)

In PhP Millions	For the three-month period ended March 31					
	2022		2021		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Salaries, wages and employee benefits	7.47	44%	5.77	38%	1.70	30%
Professional fees	2.46	14%	3.72	25%	(1.26)	-34%
Outsourced services	1.21	7%	0.42	3%	0.79	190%
Others	5.86	35%	5.11	34%	0.75	15%
Total Expenses	**17.00**	**100%**	**15.02**	**100%**	**1.98**	**13%**

General and administrative expenses relating to the Group's operations, for the first three months of 2022 amounted to ₱17.00 million, higher by 13% compared to previous year's same period level of ₱15.02 million. Salaries and wages accounted for 44% in the first quarter of 2022 and increased by 30% vis-à-vis same period in 2021 due to increase in manpower for the year. On the other hand, professional fees, outsourced services and other expenses accounted for 14%, 7% and 35% respectively which all increased in the period except for the professional fees which decreased by 34% due to lesser services availed from its consultants compared with the same period of prior year.

Equity in Net Earnings of Associates

The equity of the Group in the net earnings of its associate companies for the three-month period ended March 31, 2022, amounted to ₱5.44 million, 620% higher than the ₱0.76 million net earnings for the comparable period. The associates that generated earnings for the period are Altitude SG and 9Lives while Microbenefits, on the other hand, incurred a loss.

Other Charges (Income) – net

For the first three months of 2022, the Group recognized other charges, net amounting to ₱2.01 million. This account mainly consists of interest expense and bank charges totaling to ₱1.90 million ₱0.11 million respectively. Decrease in this account is due to the lower finance costs incurred in the period.

Loss before Income Tax

The Group's net loss before taxes for the three-month period ended March 31, 2022, was ₱5.08 million. The net loss before taxes for the Group improved by 70% or ₱11.72 million from the same period ended March 31, 2021, which posted a figure of ₱16.80 million.

Provision for (Benefit from) Income Tax

The Group recognized ₱3,021 provision for income tax for the three- month period ended March 31, 2022 vis-à-vis ₱3,101 provision for income benefit as of March 31, 2021.

Net Loss

The Group posted a consolidated net loss of ₱5.08 million for the three-month period ended March 31, 2022, an improvement of 70% from the previous year's same period of ₱16.08 million.

Other Comprehensive Income

In March 2022, the Group posted a ₱10.73 million other comprehensive loss. This figure was a 156% decrease from March 2021 of ₱19.01 million due to the decrease in revaluation of crypto currency.

Total Comprehensive Income (Loss)

As of March 31, 2022, the Group's total comprehensive loss amounted to ₱15.81 million, 816% lower compared to total comprehensive income of ₱2.21 million as of March 31, 2021.

Financial Position

As of March 31, 2022, compared to December 31, 2021.

Assets

Cash and Cash Equivalents

The Group's consolidated cash and cash equivalents amounted to ₱119.88 million for the three-month period ended March 31, 2022, a net increase of 233% or ₱83.93 million from consolidated cash of ₱35.95 million as of December 31, 2021 which is primarily due to the capital infusion that occurred in the first quarter of 2022.

Accounts and Other Receivables

The Group's consolidated accounts and other receivables amounted to ₱57.22 million and ₱66.54 million as of March 31, 2022, and December 31, 2021, respectively. The decrease of ₱9.32 million was mostly attributed to the decrease 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 assets totaling ₱29.76 million on December 31, 2021, increased by ₱15.72 million as of March 31, 2022, to ₱45.48 million.

Other Current Assets

As of March 31, 2022, the Group's consolidated other current assets totaled ₱21.76 million, an increase of ₱0.68 million or 3% from its previous level on December 31, 2021, of ₱21.09 million. Prepaid expenses, creditable withholding taxes and Input VAT comprised the majority of other current assets.

Financial assets at FVOCI

This account pertains to quoted and unquoted equity investments in Club Punta Fuego and Zowdow Inc. As of March 31, 2022, 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, 2021, which both amounted to ₱0.60 million.

Investment and Advances to Associates

As of March 31, 2022, the Group's consolidated investment in associates increased from ₱336.22 million during December 31, 2021, to ₱336.77 million. The breakdown of the carrying amounts of these investments are as follows: Micro Benefits Limited (₱268.84 million), Altitude Games Pte Ltd. (₱22.36 million), and SDI (₱23.48 million). Further, advances to SDI as of March 31, 2022 amounted to ₱22.08 million.

Property and Equipment

The Group's consolidated property and equipment was ₱4.91 million on March 31, 2022, vis-à-vis ₱4.66 million as of December 31, 2021. The Group acquired property and equipment amounting to 0.54 million and 0.41 million during the three-month period ended March 31, 2022, and March 31, 2021, respectively. Depreciation expense amounted to 0.29 million and 0.53 million for the three-month periods ended March 31, 2022, and 2021, respectively.

Right-of-use (ROU) Asset

Right-of-use asset as of March 31, 2022 and December 31, 2021 amounted to ₱0.92 million and ₱1.17 million, respectively. Depreciation expense pertaining to ROU asset amounted to ₱0.25 million for the first quarter of 2022.

Intangible Assets

As of March 31, 2022, intangible assets amounted to ₱87.61 million which decreased from December 31, 2021, balance of ₱88.51 million. The components are goodwill, customer relationship, developed software, and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group. As of March 31, 2022, 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 March 31, 2022, net book value of developed software was ₱7.12 million. Amortization of developed software for the three-month period ended March 31, 2022, amounted to ₱0.27 million.
- Cryptocurrencies pertain to units of Bitcoin held by the Group as of March 31, 2022, valued at ₱32.28 million.

Other Noncurrent Assets

Other noncurrent assets amounted to ₱19.44 million as of March 31, 2022. This figure is 9% lower than the ₱21.43 million figure posted as of December 31, 2021.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables was at ₱383.68 million as of March 31, 2022. It decreased by 0.5% or ₱1.98 million from the December 31, 2021, figure of ₱381.70 million mainly due to the decline of trade payables and accrued expenses.

The payables consisted of other payables, trade payables, payables to related parties, nontrade payables, accrued expenses, deferred output VAT and taxes payables.

Advances from Stockholders

This account pertains to the loan agreements entered by the Parent Company in 2017 and 2019 amounting to ₱143.56 million as of March 31, 2022 and December 31, 2021.

Loans Payable

The Group recorded ₱30.44 million in current loans on March 31, 2022, and ₱29.73 million as of December 31, 2021. This is mainly attributable to the loans of Storm and Seer which are interest-bearing and short-term.

Contract Liability

Contract liabilities are obligations to transfer goods and services to customers from whom the Group has received consideration. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due. Contract liabilities are recognized as revenue when the Group performs under the contract.

The Group's consolidated contract liability as of March 31, 2022, amounted to ₱28.64 million, an increase of 11% from the December 31, 2021, figure of ₱25.76 million.

Lease Liability

As of March 31, 2022, lease liability amounted to ₱0.94 million and is pertaining to the office space of Xurpas in Antel.

Pension Liability

The accrued pension of the Group was at ₱22.83 million as of March 31, 2022, which was unchanged from its levels on December 31, 2021.

Equity

Total Equity

The Group recorded total equity of ₱76.29 million as of March 31, 2022, a 1,065% increase from December 31, 2021 with a figure of negative ₱7.91 million. The increase is piloted by the capital infusion that occurred in the first quarter of 2022.

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 Parent Company and Seer Technologies Inc. which are short term in nature. The Group is not in breach or default on any loan or other form of indebtedness.

Cashflows

	For the three-month period ended March 31	
	2022	2021
In PhP Millions	**Amount**	**Amount**
Net cash used in Operating Activities	(12.18)	(4.56)
Net cash provided by (used in) Investing Activities	1.45	(2.22)
Net cash provided by Financing Activities	99.86	8.55
Effect of foreign currency exchange changes in cash	(5.20)	2.40
Net decrease in cash	83.93	4.17
Cash at beginning of period	35.95	67.74
Cash at end of period	**119.88**	**71.91**

Cash Flows from Operating Activities

For the first three months of 2022, operating loss before changes in working capital of ₱7.80 million was coupled with the corresponding decrease in receivables, trade payables, contract liabilities and increase in other current assets, and contract assets resulted in ₱12.98 million net cash used for operations. Together with interest received, interest expense and income taxes paid, this resulted in a net cash used in operating activities of ₱12.18 million.

Cash Flows from Investing Activities

The Group's consolidated cash flows provided by investing activities for the first three months of 2022 was ₱1.45 million compared to ₱2.22 million used in the same period of 2021. This comprises payments upon acquisition of property and equipment and proceeds generated from disposal of other non-current assets.

Cash Flows from Financing Activities

The cash flow provided in financing activities for the first quarter of 2022 was ₱99.86 million which increased from net cash provided of ₱8.55 million in the same period in 2021 The cash flow provided in financing activities were mainly from the proceeds of the equity infusion that have transpired in the beginning of the first quarter of 2022 amounting to ₱100.00 million and is slightly decreased by payment of loans amounting to ₱0.14 million.

Capital Expenditure

The Group's capital expenditures for the three-month period ended March 31, 2022, and the year ended December 31, 2021, amounted to ₱0.54 million and ₱5.19 million, respectively.

Key Financial Data In PhP Millions	March 31, 2022 Additions	December 31, 2021 Additions
Right-of-use asset	-	2.01
Developed Software	-	0.39
IT Equipment	0.54	2.44
Leasehold Improvements	-	0.32
Office Equipment	-	0.03
Furnitures and Fixtures	-	-
	0.54	**5.19**

Key Performance Indicators

The key performance indicators disclosed below present the financial performance of the Group as a whole. These are different from those in the 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 three-month period ended March 31		For the year ended December 31, 2021
	2022	2021	
Liquidity Ratios			
Current Ratio	**42%**	30%	26%
Quick Ratio	**38%**	23%	22%
Asset-to-Equity Ratio	**364%**	602%	575%
Profitability Ratios			
Net Loss Margin	**-8%**	-45%	-4%
Gross Margin	**18%**	-1%	18%
Operating Margin	**-5%**	-23%	-4%
Return on Total Assets	**-1%**	-3%	-1%
Return on Equity	**-3%**	-18%	-8%
Debt Ratios			
Debt-to-Equity Ratio	**3.24x**	5.95x	5.82x
Interest Coverage Ratio	**-1.65x**	-6.45x	-2.18x

Liquidity Ratios

Current Ratio and Quick Ratio for the three-month period ended March 31, 2022, were 42% and 38%, respectively, an increase from their respective 30% and 23% figures during the same period of 2021. The decrease in both ratios was primarily from the higher current liabilities and a decrease of current assets of the Group for that period.

Asset-to-Equity Ratio

There is a decrease in the asset-to-equity ratio from 602% on March 31, 2021, to 364% on March 31, 2022 due to a higher increase in equity in 2022.

Profitability Ratios

All profitability ratios such as net loss margin, gross margin, operating margin, return on total assets and return on equity improved to (8%), 18%, (5%), (1%) and (3%) respectively from their prior year rations. This is due to the lower net loss generated this first quarter of 2022 compared with the same period of last year.

Debt Ratio

Debt to Equity on March 31, 2022, decreased to 3.24x from 5.95x as of March 31, 2021. The increase in the gearing ratio was attributed to increased loan payable to local banks and non-banks. Interest coverage ratio as of March 31, 2022, was at -1.65x compared to -6.45x on March 31, 2021.

The manner by which the Company calculates the foregoing indicators is as follows:

Current Ratios	
1. Current ratio	Current assets / Current liabilities
2. Quick ratio	Current assets – Other current assets / Current liabilities
Asset-to-equity Ratio	Total assets / Total equity attributable to Parent Company
Profitability Ratios	
1. Net income ratio	Net income attributable to Parent Company / Service income + Sale of goods
2. Gross margin	(Service income + Sale of goods) – (Cost of services + Cost of goods sold) / Service income + Sale of goods
3. Operating margin	Earnings before interest, tax, depreciation and amortization / Service income + Sale of goods
4. Return on total assets	Net income attributable to Parent Company / Average total assets
5. Return on total equity	Net income attributable to Parent Company / Average total equity attributable to the Parent Company
Debt Ratios	
1. Debt-to-equity ratio	Total Liabilities / Total equity attributable to Parent Company
Interest coverage ratio	Earnings before interest and tax / Interest expense

Other Disclosures:

i. Liquidity. To cover its short-term funding requirements, the Group intends to use internally generated funds, 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 material 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 2022 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 not subject to the seasonality of revenue realization. With the current revenue trends in Storm, the seasonality is not apparent.

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 MAY 1 6 2022.

Issuer: **XURPAS INC.**

By:

NICO JOSE S. NOLLEDO
Chairman of the Board

ALEXANDER D. CORPUZ
President

FERNANDO JUDE F. GARCIA
Treasurer

ANNEX "G"
PREVIOUS ACTS OF THE BOARD OF DIRECTORS AND MANAGEMENT OF XURPAS INC.

DATE OF MEETING	MATTERS APPROVED
February 16, 2021	The board of directors of Xurpas Inc. approved the Corporation's transfer of principal office to Unit 804 Antel 2000 Corporate Center, 121 Valero St., Salcedo Village, Makati City, 1227 effective March 31, 2021.
April 26, 2021	The Board of Directors of Xurpas Inc. approved to postpone the 2021 Annual Stockholders' Meeting to August 11, 2021, Wednesday.
June 15, 2021	Board Approval on 2020 Audited Financial Statements and 2020 Audited Consolidated Financial Statements
June 16, 2021	Board Approval on the Unaudited Financial Statements for the period ended March 31, 2021
August 11, 2021	The Corporation conducted its Organizational Meeting, and appointed its officers for the ensuing year. The Board also appointed the Committee members.
December 20, 2021	The Corporation received a termination notice from Wavemaker Group in relation to the purchase of Wavemaker Group Inc. and issuance of Xurpas Shares in favor of Wavemaker founders. The Board of Directors accepted and approved the foregoing termination.
January 20, 2022	On January 20, 2022, Xurpas Inc. approved the issuance of common shares to Mr. Nico Jose S. Nolledo in exchange of Php100 Million capital. The Subscription Price per Share shall be computed based on 30 Day Weighted Average Price wherein the twenty- five (25) days prior to Signing Date and five (5) days from Signing date shall form part of the calculation; The 30-Day weighted average price shall be subject to a 5% Premium and a floor price of Php0.55 per share ("the Subscription Price"). The Parties considered trading price, protection of minority shareholders, book value, among others, in the determination of the Subscription Price per share. The fresh capital infusion will be used for the expansion of Xurpas' enterprise business, specifically the IT staff augmentation business; employee benefits enhancement; equipment replacement; research and development; and general corporate purposes. The Parties have signed the Subscription Agreement on January 20, 2022. The Subscription Shares will be issued out of the available authorized capital stock. As such, the Subscription Shares will be issued to Mr. Nolledo within ten (10) calendar days from Closing Date.

March 21, 2022	On March 21, 2022, upon receipt of full payment of the Subscription Price, the Corporation recorded the issuance of 181,818,182 common shares (the "Subscription Shares") on its corporate books; however, the Subscription Shares have not been listed with the Philippine Stock Exchange as of date.
April 13, 2022	On April 13, 2022, the Company's Board of Directors approved the postponement of its 2022 Annual Stockholders' Meeting ("ASM"). The Company's By-Laws provides that Xurpas shall hold its ASM every 2nd Monday of May. The Board approved to hold the 2022 ASM on August 9, 2022 at 9:00 am, via teleconference. The meeting shall be held at its principal office for presiding officer only and virtually for other attendees.
May 16, 2022	The Board approved the Corporation's 2021 Audited Financial Statements and its Annual Report
June 20, 2022	The Board ratified the following proposed amendments to the Corporation's by-laws: 1. Notice of meeting to be distributed through electronic means, or such other manner as the Securities and Exchange may allow; 2. Participation of stockholders in a meeting through remote communication, or *in absentia*; and 3. Exercise by the stockholders of its right to vote by remote communication or *in absentia*. The Board also approved the Amendment to: 1. Section II Article 1 of the Corporation's by-laws to reflect the foregoing: **Section 1.** Annual/Regular Meetings – The annual/regular meetings of stockholders shall be held every <u>2nd Wednesday of August</u> of each year, if a legal holiday then on the day following. 2. Section II Article 5 of the Corporation's by-laws to reflect the foregoing: **Section 6.** Conduct of Meeting – Meetings of the stockholders shall be presided over by the <u>Chairman of the Board</u>, or in his absence, or a chairman to be chosen by the stockholders. The Secretary shall act as secretary of every meeting but if not present, the chairman of the meeting shall appoint a secretary of the meeting.