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

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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.
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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

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.

Financial Instruments - initial recognition and subsequent measurement

Date of recognition

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

a. Financial assets

Initial recognition of financial instrument

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

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

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

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

Subsequent measurement

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

Financial assets at amortized cost

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

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

The Group's financial assets at amortized cost includes "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.

Impairment of Nonfinancial Assets

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

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

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

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

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.

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

a. *Evaluating impairment of goodwill and investments in associates*
Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. The cash flows are derived from the budget for the next five years which include factors considering COVID-19 pandemic but exclude restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the growth rates, earnings before interest, taxes 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).

Impairment testing of goodwill
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.

Revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time, in different product types of its service income. The Group's disaggregation of revenue from contracts with customers are presented below:

	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:

					Outstanding Balance			
			Amount/Volume		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:

				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.

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)

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	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**

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 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

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Building a better working world

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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

Annex A: Reconciliation of Retained Earnings Available for Dividend Declaration

Annex B: Map Showing the Relationships Between and Among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries, Associates, Wherever Located or Registered

Annex C: Supplementary Schedules Required by Annex 68-J

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B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Long-Term Debt
E	Indebtedness to Related Parties
F	Guarantees of Securities of Other Issuers
G	Capital Stock

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	₱–

SCHEDULE D

XURPAS INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT

		Long-term Debt	
Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term" in related balance sheet	Amount shown under caption "long-term debt" in related balance sheet
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.		

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.				

SCHEDULE G

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

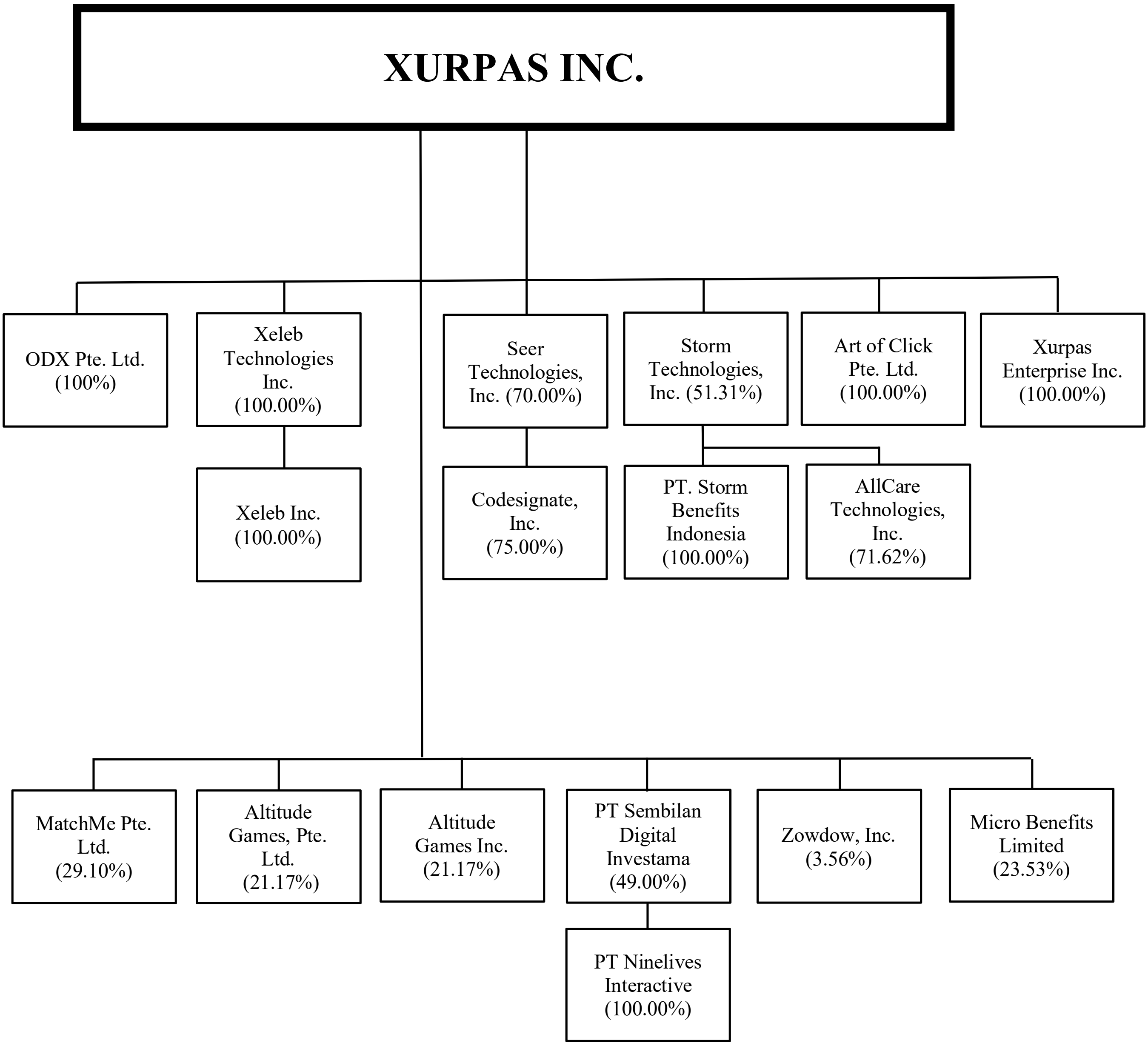
**Net of treasury shares.*

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)