COVER SHEET

SEC Registration Number

A	2	0	0	1	1	7	7	0	8	

Company Name

XURPAS INC. AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
info@xurpas.com	**(02) 8889-6467**	**N/A**

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
29	**2nd Wednesday of August**	**September 30**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Alexander D. Corpuz	**mar@xurpas.com**	**(02) 8889-6467**	**N/A**

Contact Person's Address

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

***Note**: **1**.* In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 2023**

2. Commission identification number **A200117708**

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

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

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

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

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

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

   Not Applicable
9. Former name, former address and former fiscal year, if changed since last report

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

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

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

    Yes [✓] No [ ]

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

12. Indicate by check mark whether the registrant:

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

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

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Unaudited Interim Condensed Consolidated Statements of Financial Position
As at September 30, 2023 (with Comparative Audited Consolidated Statements of Financial Position as at December 31, 2022)

Unaudited Interim Condensed Consolidated Statements of Income and Comprehensive Income
For the Nine-month Periods Ended September 30, 2023 and 2022

Unaudited Interim Condensed Consolidated Statements of Changes in Equity
For the Nine-month Periods Ended September 30, 2023 and 2022

Unaudited Interim Condensed Consolidated Statements of Cash Flows
For the Nine-month Periods Ended September 30, 2023 and 2022

Notes to Unaudited Interim Condensed Consolidated Financial Statements

Attachments:

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

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

The MD&A is a discussion and analysis of the Company’s financial position as at September 30, 2023 and December 31, 2022 and performance for the nine-month periods ended September 30, 2023 and 2022. The primary objective of this MD&A is to help the readers understand the dynamics of the Company’s business and the key factors underlying the Company’s financial results.

The MD&A as of and for the nine-month periods ended September 30, 2023 and 2022 should be read in conjunction with the unaudited interim condensed consolidated financial statements and the accompanying notes.

ITEM 1: FINANCIAL STATEMENTS

XURPAS INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS		
Current Assets		
Cash (Notes 5 and 24)	**₱111,503,834**	₱63,309,410
Accounts and other receivables (Notes 6 and 24)	**77,318,927**	96,670,334
Contract assets (Note 7)	**25,346,430**	49,299,568
Other current assets (Note 9)	**31,668,491**	15,074,330
Total Current Assets	**245,837,682**	224,353,642
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (Notes 8 and 24)	**1,200,000**	1,200,000
Investments in and advances to associates (Note 10)	**262,713,061**	294,969,865
Property and equipment (Note 11)	**4,323,862**	5,609,743
Intangible assets (Note 12)	**74,707,196**	62,837,163
Right-of-use asset (Note 19)	**1,462,568**	167,848
Other noncurrent assets (Note 9)	**13,856,625**	13,521,084
Total Noncurrent Assets	**358,263,312**	378,305,703
	₱604,100,994	₱602,659,345
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 13 and 24)	**₱393,654,062**	₱386,675,655
Advances from stockholders (Note 20)	**153,135,857**	152,353,662
Loans payable (Notes 14 and 24)	**37,236,196**	33,820,629
Contract liabilities (Note 7)	**54,708,222**	34,454,309
Current portion of lease liabilities (Note 19)	**1,016,348**	173,322
Total Current Liabilities	**639,750,685**	607,477,577
Noncurrent Liabilities		
Loans payable - net of current portion (Notes 14 and 24)	**842,650**	4,563,787
Lease liabilities – net of current portion (Note 19)	**488,762**	–
Deferred tax liabilities – net	**–**	3,323
Pension liabilities	**21,313,225**	21,313,225
Total Noncurrent Liabilities	**22,644,637**	25,880,335
Total Liabilities	**662,395,322**	633,357,912
Capital Deficiency		
Equity attributable to equity holders of Xurpas Inc.		
Capital stock (Note 22)	**211,674,403**	211,674,403
Additional paid-in capital (Note 22)	**3,659,721,747**	3,659,721,747
Deficit (Note 22)	**(3,315,837,244)**	(3,293,137,923)
Net unrealized loss on financial assets at FVOCI (Note 8)	**(43,494,956)**	(43,494,956)
Cumulative translation adjustment	**18,626,469**	18,466,776
Remeasurement gain on defined benefit plan	**8,251,009**	8,251,009
Equity reserve (Notes 22)	**(363,424,608)**	(363,424,608)
Revaluation Surplus	**14,818,728**	7,816,043
Treasury stock (Note 22)	**(99,700,819)**	(99,700,819)
	90,634,729	106,171,672
Noncontrolling interests	**(148,929,057)**	(136,870,239)
Total Capital Deficiency	**(58,294,328)**	(30,698,567)
	₱604,100,994	₱602,659,345

See accompanying Notes to Interim Condensed Consolidated Financial Statements

XURPAS INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the nine-month period ended		For the three-month period ended	
	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)	**September 30, 2023 (Unaudited)**	September 30, 2022 (Unaudited)
SERVICE INCOME (Note 15)	**₱148,198,025**	₱174,487,116	**₱46,323,522**	₱50,535,142
COST OF SERVICES (Note 16)	**(108,127,365)**	(119,023,676)	**(36,747,090)**	(38,960,879)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 17)	**(103,169,853)**	(61,425,426)	**(29,542,871)**	(22,994,743)
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES (Note 10)	**(11,635,581)**	5,887,087	**(3,656,837)**	3,843,725
FINANCE COSTS – NET (Note 18)	**(1,983,497)**	(5,690,031)	**(674,615)**	(1,878,993)
OTHER INCOME (CHARGES) – NET (Note 18)	**43,149,735**	(446,280)	**(1,187,001)**	(86,614)
LOSS BEFORE INCOME TAX	**(33,568,536)**	(6,211,210)	**(25,484,892)**	(9,542,362)
PROVISION FOR INCOME TAX (Note 21)	**1,214,940**	5,806,663	**(536,121)**	1,964,540
NET LOSS	**(34,783,476)**	(12,017,873)	**(24,948,771)**	(11,506,902)
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that may be reclassified to profit or loss in subsequent periods:				
Cumulative translation adjustment	**159,693**	(40,973,184)	**(8,095,723)**	(20,322,679)
Item that may not be reclassified to profit or loss in subsequent periods:				
Revaluation surplus (Note 12)	**7,028,022**	(18,096,103)	**(1,858,294)**	2,040,405
	7,187,715	(59,069,287)	**(9,954,017)**	(18,282,274)
TOTAL COMPREHENSIVE LOSS	**(₱27,595,761)**	(₱71,087,160)	**(₱34,902,788)**	(₱29,789,176)

(Forward)

	For the nine-month period ended		For the three-month period ended	
	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)	**September 30, 2023 (Unaudited)**	September 30, 2022 (Unaudited)
Net loss attributable to:				
Equity holders of Xurpas Inc.	**(₱22,724,658))**	(₱5,050,777)	**(₱22,878,053)**	(₱6,188,832)
Noncontrolling interests	**(12,058,818)**	(6,967,096)	**(2,070,718)**	(5,318,070)
	(₱34,783,476)	(₱12,017,873)	**(₱24,948,771)**	(₱11,506,902)
Total comprehensive loss attributable to:				
Equity holders of Xurpas Inc.	**(₱15,536,943)**	(₱64,236,791)	**(₱32,832,070)**	(₱24,485,570)
Noncontrolling interests	**(12,058,818)**	(6,850,369)	**(2,070,718)**	(5,303,606)
	(₱27,595,761)	(₱71,087,160)	**(₱38,251,362)**	(₱29,789,176)
Loss Per Share (Note 23)				
Basic	**(₱0.01)**	₱–	**(₱0.01)**	₱–
Diluted	**(₱0.01)**	₱–	**(₱0.01)**	₱–

See accompanying Notes to Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY

	September30	
	2023 (Unaudited)	2022 (Unaudited)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF XURPAS INC.		
CAPITAL STOCK - ₱0.10 par value (Note 22)		
Authorized – 5,000,000,000 shares		
Issued and outstanding		
Balance at beginning of period	**₱211,674,403**	₱193,492,585
Issuance of common shares	**–**	18,181,818
Balance at end of period	**211,674,403**	211,674,403
ADDITIONAL PAID-IN CAPITAL (Note 22)		
Balance at beginning of period	**3,659,721,747**	3,577,903,565
Issuance of common shares	**–**	81,818,182
Balance at end of period	**3,659,721,747**	3,659,721,747
RETAINED EARNINGS (DEFICIT) (Note 22)		
Appropriated		
Balance at beginning and end of period	**115,464,275**	115,464,275
Unappropriated		
Balance at beginning of period	**(3,408,602,198)**	(3,356,506,924)
Transfer of revaluation surplus	**25,337**	–
Net loss	**(22,724,658)**	(5,050,777)
Balance at end of period	**(3,431,301,519)**	(3,361,557,701)
	(3,315,837,244)	(3,246,093,426)
NET UNREALIZED LOSS ON FINANCIAL ASSETS AT FVOCI (Note 8)		
Balance at beginning and end of period	**(43,494,956)**	(44,094,956)
CUMULATIVE TRANSLATION ADJUSTMENT		
Balance at beginning of period	**18,466,776**	50,821,647
Movement during the period	**159,693**	(41,089,911)
Balance at end of period	**18,626,469**	9,731,736
REMEASUREMENT GAIN ON DEFINED BENEFIT PLAN		
Balance at beginning and end of period	**8,251,009**	2,908,954
EQUITY RESERVE (Notes 22)		
Balance at beginning and end of period	**(363,424,608)**	(363,424,608)
REVALUATION SURPLUS		
Balance at beginning of period	**7,816,043**	28,559,774
Transfer of revaluation surplus	**(25,337)**	–
Movement during the period	**7,028,022**	(18,096,103)
Balance at end of period	**14,818,728**	10,463,671
TREASURY STOCK (Note 22)		
Balance at beginning and end of period	**(99,700,819)**	(99,700,819)
	90,634,729	141,186,702
NONCONTROLLING INTERESTS		
Balance at beginning of period	**(136,870,239)**	(113,329,574)
Cumulative translation adjustment	**–**	116,727
Net loss	**(12,058,818)**	(6,967,096)
Balance at end of period	**(148,929,057)**	(120,179,943)
	(₱58,294,328)	₱21,006,759

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	September 30	
	2023 (Unaudited)	2022 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱33,568,536)**	(₱6,211,210)
Adjustments for:		
Provision for impairment loss (Note 17)	**17,822,201**	2,357,724
Equity in net losses (earnings) of associates (Note 10)	**11,635,581**	(5,887,087)
Interest expense (Note 18)	**2,744,151**	5,963,589
Depreciation and amortization (Notes 16 and 17)	**2,611,262**	6,914,634
Unrealized loss on revaluation of cryptocurrencies	**17,464**	–
Gain on disposal of property and equipment	**(1,243)**	(16,500)
Unrealized foreign currency exchange loss (gain)	**(254,894)**	278,952
Realized foreign currency exchange gain	**(5,055,115)**	–
Interest income (Notes 5 and 18)	**(7,921,143)**	(273,558)
Operating income (loss) before changes in working capital	**(11,970,272)**	3,126,544
Changes in working capital		
Decrease (increase) in:		
Accounts and other receivables and contract assets – net	**12,973,601**	(54,417,883)
Other assets	**(16,929,702)**	6,928,134
Increase (decrease) in:		
Accounts and other payables	**4,788,271**	2,865,440
Contract liabilities	**20,253,913**	(1,723,328)
Net cash provided by (used in) operations	**9,115,811**	(43,221,093)
Income taxes paid	**(1,218,263)**	(5,806,663)
Interest received	**7,921,143**	273,558
Interest paid	**(210,517)**	(257,885)
Net cash provided by (used in) operating activities	**15,608,174**	(49,012,083)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial asset at FVPL (Note 8)	**33,597,600**	–
Dividends received from associate (Note 10)	**4,093,702**	–
Proceeds from sale of cryptocurrencies	**2,628,714**	–
Proceeds from sale of property and equipment	**1,499,378**	16,500
Acquisition of intangible assets (Note 12)	**(7,789,434)**	(815,550)
Additions to property and equipment (Note 11)	**(1,752,188)**	(3,839,189)
Net cash provided by (used in) investing activities	**32,277,772**	(4,638,239)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of loans payable (Note 14)	**(305,570)**	(416,752)
Proceeds from issuance of shares (Note 22)	**–**	100,000,000
Payment of lease liabilities (Note 19)	**(1,076,513)**	(781,340)
Net cash provided by (used in) financing activities	**(1,382,083)**	98,801,908
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH	**1,690,561**	(1,854,260)
NET INCREASE IN CASH	**48,194,424**	43,297,326
CASH AT BEGINNING OF PERIOD	**63,309,410**	35,951,198
CASH AT END OF PERIOD (Note 5)	**₱111,503,834**	₱79,248,524

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

The accompanying interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on November 14, 2023.

2. Summary of Significant Accounting Policies

Basis of Preparation

The interim condensed consolidated financial statements of the Group as at September 30, 2023 and for the nine-month periods ended September 30, 2023 and 2022, have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*.

Accordingly, the interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements as at and for the year ended December 31, 2022.

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

Statement of Compliance

The accompanying interim condensed consolidated financial statements of the Group as at September 30, 2023 and December 31, 2022 and for the nine-month periods ended September 30, 2023 and 2022 have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Xurpas Inc. and its subsidiaries as at September 30, 2023 and December 31, 2022.

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

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

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

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

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

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

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

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

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

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

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

As at September 30, 2023 and December 31, 2022, the consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

	Percentage Ownership		
	September 30, 2023	December 31, 2022	**Principal Activities**
Xeleb Technologies Inc. (formerly Fluxion, Inc.) (Xeleb Tech)	**100.00%**	100.00%	Mobile consumer services
Xeleb Inc. (Xeleb)	**100.00**	100.00	Mobile consumer services
Seer Technologies, Inc. (Seer)	**70.00**	70.00	Enterprise services
Codesignate Inc. (Codesignate)*	**52.50**	52.50	Enterprise services
Storm Technologies, Inc. (formerly Storm Flex Systems, Inc.) (Storm)	**51.31**	51.31	Human resource management
Pt. Storm Benefits Indonesia (Storm Indonesia)**	**51.31**	51.31	Human resource management
AllCare Technologies, Inc.***	**35.35**	35.35	Human resource management

(Forward)

	Percentage Ownership		
	September 30, 2023	December 31, 2022	**Principal Activities**
Xurpas Enterprise Inc. (Xurpas Enterprise)	**100.00**	100.00	Enterprise services
Art of Click Pte. Ltd. (AOC)	**100.00**	100.00	Mobile consumer services
ODX Pte. Ltd. (ODX)	**100.00**	100.00	Enterprise services
Xurpas Software Inc. (Xurpas Software)	**100.00**	−	Enterprise services
Xurpas Pty. Ltd. (Xurpas Australia)	**100.00**	−	Enterprise services

**Codesignate is a 75%-owned subsidiary of Seer. The Group's effective ownership over Codesignate is 52.50%. The Group has determined that it has control over the entity and consolidates the entity on this basis.*
***Storm Indonesia is 100%-owned subsidiary of Storm Technologies Inc.*
****Storm has 68.90% ownership over AllCare. The Group's effective ownership over AllCare is 35.35%. The Group has determined that it has control over the entity (see "Judgements" in Note 3)*

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

Xeleb Technologies, Inc.
Xeleb Technologies, Inc. was organized to primarily engage in the business of mobile content development. On September 11, 2019, the board of directors of the Parent Company approved the dissolution of Xeleb Technologies.

As at September 30, 2023, Xeleb Technologies has yet to apply for the approval of government regulatory agencies for its dissolution.

Xeleb Inc.
On July 14, 2015, the Parent Company incorporated Xeleb Inc., a mobile games company domiciled in the Philippines. On September 11, 2019, the board of directors of the Parent Company approved the dissolution of Xeleb.

As at September 30, 2023, Xeleb has yet to apply for the approval of government regulatory agencies for its dissolution.

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

In 2022, Storm suspended the operation of its online Flex Benefits platform.

Xurpas Enterprise Inc.
On March 23, 2016, the Parent Company incorporated Xurpas Enterprise. Xurpas Enterprise is primarily engaged 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, the Parent Company signed a Share Purchase Agreement for the acquisition of 100% stake in Art of Click for an aggregate consideration of ₱1.94 billion in cash and in Parent Company's shares. AOC is engaged in the business of mobile media agency that offers a marketing platform for advertisers.

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

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

ODX's platform, which will be an open data marketplace using blockchain technology, is under development. ODX has not started commercial operations as of September 30, 2023.

Xurpas Software Inc.
In April 2023, the Parent Company incorporated Xurpas Software which shall primarily engage in designing, developing , testing, building, marketing, distributing, maintaining, supporting, customizing, selling and/or re-selling applications, games, software, cybersecurity software tools, digital solutions, whether internet, mobile or other handheld applications, portals, hardware and other related products and services, except internet provider services, both for proprietary and custom development purposes.

Xurpas Pty. Ltd.
In July 25, 2023, the Parent Company incorporated Xurpas Pty. Ltd., a wholly-owned subsidiary based in Australia, which aims to offer the Group's products and services in the said country.

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year except for the new PFRS, amended PFRS and improvements to PFRS which were adopted beginning January 1, 2023. Adoption of these new standards and amendments did not have any significant impact on the consolidated financial position or performance unless otherwise indicated.

- Amendments to PFRS 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).

  These amendments had no material impact on the consolidated financial statements of the Group.

- 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.

  These amendments had no impact on the consolidated financial statements as there were no changes in the accounting estimates used by the Group during the period.

- 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*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025

- PFRS 17, *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 and Investor and its Associate or Joint Venture*

Current and Noncurrent Classification

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

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

Cash

Cash includes cash on hand and in banks. Cash in bank earns interest based on the prevailing bank deposit rates.

Fair value measurement

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

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

The principal or the most advantageous market must be accessible by the 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 24).

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

Financial Instruments - initial recognition and subsequent measurement

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

a. Financial assets
Initial recognition of financial instrument
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL.

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

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

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

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

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

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

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

Financial assets at FVOCI (debt instruments)
The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment of Financial Assets and Contract Assets

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

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

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

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

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

Determining the stage for impairment

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

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

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

b. Financial liabilities

Initial recognition and measurement

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

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

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

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

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

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

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

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

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

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.
-
This category generally applies to short-term debts.

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

components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument the amount separately determined as the fair value of the liability component on the date of issue.

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

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

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

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

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

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

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

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

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

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

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

Inventories

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

Property and Equipment

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

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

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

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

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

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

The estimated useful lives of intangible assets follow:

	Years
Cryptocurrencies	Indefinite
Developed software	5 – 8

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

If 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 the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

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

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

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

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

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

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

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

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

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

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

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

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

Noncontrolling interests

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

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

Written put option over NCI

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

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

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

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

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

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

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

Combinations of Entities under Common Control

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

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

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

Impairment of Nonfinancial Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 nine-month periods ended September 30, 2023 and 2022, the Group has no variable consideration but the timing of revenue recognition resulted in contract assets and liabilities.

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

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before

payment is due, a contract asset is recognized for the earned consideration that is conditional (e.g., warranty fees).

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

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

Other income
Other income is recognized as they accrue.

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

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

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

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

Leases

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

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

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

	Years
Office space	1.5 to 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.

<u>Income tax</u>

Current tax

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

Deferred tax

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

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

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

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

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

differences will not reverse in the foreseeable future taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Foreign Currency Transactions

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

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

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

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

Earnings Per Share (EPS)

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

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and serves different markets. Financial information on business segments is presented in Note 25 of the consolidated financial statements.

Provisions

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

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

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

Contingencies

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

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

Events after the Reporting Period

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

3. Significant Accounting Judgments and Estimates and Assumptions

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

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

Judgments

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

a. *Assumption of going concern*

The management has made an assessment of the Group's ability to continue as a going concern and is satisfied that it can continue in business for the foreseeable future. The Group incurred net loss of ₱34.78 million for the nine-month period ended September 30, 2023. As of September 30, 2023 the Group's current liabilities exceeded its current assets by ₱393.91 million. Management has considered this in their assessment and has concluded that the ability to continue as a going concern is mainly dependent on future actions such as continuous venture into new revenue potentials, cost cutting measures, and 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.

b. *Determination of control over investment in subsidiaries*

The Group determined that it has control over its subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following were also considered:

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

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

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

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

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

a. *Evaluating impairment of goodwill, 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 the current economic environment 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, EBITDA margin used for extrapolation purposes. These estimates are most relevant to goodwill recognized by the Group. The carrying values of goodwill amounted to ₱48.22 million as of September 30, 2023 and December 31, 2022, respectively (see Note 12).

Investments in associates are tested for impairment when circumstances indicate that the carrying value may be impaired. The carrying values of investments in associates amounted to ₱240.63 million and ₱272.89 million as of September 30, 2023 and December 31, 2022, respectively.

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

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

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

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

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

As of September 30, 2023 and December 31, 2022, allowance for impairment losses on accounts and other receivables amounted to ₱31.93 million and ₱32.94 million, respectively (see Note 6).

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

4. Seasonality of Interim Operations

The Group is not subject to the seasonality of revenue realization.

5. Cash

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash on hand	**₱126,711**	₱879,608
Cash in banks	**111,377,123**	62,429,802
	₱111,503,834	₱63,309,410

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

Interest income earned from cash in banks amounted to ₱0.76 million and ₱0.27 million for the nine-month periods ended September 30, 2023 and 2022, respectively.

6. Accounts and Other Receivables

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade receivables	**₱83,172,143**	₱93,575,021
Receivable from related parties (Note 20)	**9,218,309**	21,424,517
Advances to employees	**2,938,350**	2,411,075
Others	**13,920,652**	12,200,603
	109,249,454	129,611,216
Less: Allowance for impairment loss	**31,930,527**	32,940,882
	₱77,318,927	₱96,670,334

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

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

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

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

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
At beginning of year	**₱32,940,882**	₱23,210,902
Provisions	**1,788,458**	11,909,533
Write-off	**(139,350)**	(3,249,825)
Translation adjustments	**(2,659,463)**	1,070,272
	₱31,930,527	₱32,940,882

As of September 30, 2023 and December 31, 2022, the allowance for impairment losses pertains to:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade receivables	**₱14,253,521**	₱15,263,876
Receivable from related parties (Note 20)	**6,137,019**	6,137,019
Others	**11,539,987**	11,539,987
	₱31,930,527	₱32,940,882

7. Contract Balances

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Contract assets	**₱25,346,430**	₱49,299,568
Contract liabilities	**54,708,222**	34,454,309

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

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

8. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Financial assets at FVOCI		
Quoted shares		
Club Punta Fuego	**₱1,200,000**	₱1,200,000
Unquoted equity shares	**–**	–
Financial assets at FVPL		
Unquoted debt instruments	**–**	–
	₱1,200,000	₱1,200,000

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

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of period	**(₱43,494,956)**	(₱44,094,956)
Unrealized gain on financial assets at FVOCI	**−**	600,000
Balance at end of period	**(₱43,494,956)**	(₱43,494,956)

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

The quoted shares are categorized under Level 2 of the fair value hierarchy. The unquoted equity investments are categorized under Level 3 (Note 24).

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

Unquoted equity investments
In April 2015, the Group acquired 666,666 million shares of Series A Preferred Stock of Zowdow Inc. ("Zowdow") at a purchase price of $1.50 per share for a total investment of US$999,999 or ₱44.24 million. As at September 30, 2023 and December 31, 2022, the Group holds a 3.56% ownership of Zowdow on a fully-diluted basis. As at September 30, 2023 and December 31, 2022, the Group has unrealized loss on this investment amounting to ₱44.24 million.

Fair value of unquoted equity investments was determined using prices from recent sales at arm's length transaction. No unrealized gain or loss was recognized during the year for these investments (Note 24).

Unquoted debt investments
The Group has convertible promissory notes and bonds receivable as of September 30, 2023 and December 31, 2022:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Unquoted debt investments		
MatchMe Pte. Ltd.	**₱52,495,000**	₱52,495,000
Altitude Games Pte. Ltd.	**−**	28,856,000
Einsights Pte. Ltd.	**23,475,000**	23,475,000
Pico Candy Pte. Ltd.	**3,602,123**	3,602,123
	79,572,123	108,428,123
Less: remeasurement loss	**(79,572,123)**	(108,428,123)
	₱−	₱−

In April 8, 2023, Altitude Games sold its assets and business to a company registered in Australia. Part of the proceeds from the sale was used to settle the convertible debt and corresponding interest amounting to US$600,000 and US$110,375, respectively. Accordingly, "Gain from recovery of financial asset at FVPL" and "Interest income" were recorded under "Other income – net" amounting to ₱28.86 million and ₱6.18 million, respectively (Note 18). Foreign currency gain arising from the transaction amounted to ₱5.08 million (Note 18).

9. **Other Assets**

<u>Other current assets</u>
This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Prepaid expenses	**₱14,556,501**	₱1,187,897
Input VAT – net	**10,761,122**	10,056,921
Creditable withholding tax	**8,466,375**	5,997,879
Deferred input VAT	**643,753**	198,244
Refundable deposits	**618,086**	1,010,735
	35,045,837	18,451,676
Less: allowance for impairment losses	**3,377,346**	3,377,346
	₱31,668,491	₱15,074,330

Prepaid expenses mainly pertain to advances to suppliers, advance rent and prepaid professional fees.

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

Creditable withholding taxes pertain to prepaid taxes recognized at the amount withheld at source upon payment and overpayment of income tax in previous years. This can be carried forward and claimed as tax credit against income tax due.

Deferred input VAT represents input VAT related to unpaid balances for the services availed by the Group. These will be recognized as input VAT and applied against output VAT upon payment. Any remaining balance is recoverable in future periods.

Refundable deposits pertain to security deposit made for performance bond and rent which will be received within one year.

<u>Other noncurrent assets</u>
This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Creditable withholding tax	**₱20,905,385**	₱20,678,208
Deferred input VAT	**1,629,960**	1,466,865
Security deposit	**10,418**	–
Others	**696,942**	696,942
	23,242,705	22,842,015
Less: allowance for impairment losses	**9,386,080**	9,320,931
	₱13,856,625	₱13,521,084

10. **Investments in and Advances to Associates**

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Cost		
Balance at beginning and end of period	**₱577,561,081**	₱577,561,081
Equity in net loss		
Balance at beginning of period	**(178,729,585)**	(174,445,882)
Share in net loss during the period	**(11,635,581)**	(4,283,703)
Balance at end of period	**(190,365,166)**	(178,729,585)
Cumulative translation adjustment		
Balance at beginning of period	**6,169,267**	18,165,445
Movement during the period	**(493,779)**	(11,996,178)
Balance at end of period	**5,675,488**	6,169,267
Dividend received during the period	**(4,093,702)**	–
Accumulated impairment		
Balance at beginning of period	**(132,115,484)**	(107,147,488)
Movement during the period	**(16,033,742)**	(24,967,996)
	(148,149,226)	(132,115,484)
	240,628,475	272,885,279
Advances to Associate	**22,084,586**	22,084,586
	₱262,713,061	₱294,969,865

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**	
	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)	**September 30, 2023 (Unaudited)**	December 31, 2022 (Audited)
Micro Benefits Limited	**23.53**	23.53	**₱219,990,005**	₱232,352,371
Altitude Games Pte. Ltd	**21.17**	21.17	**–**	20,430,326
PT Sembilan Digital Investama	**49.00**	49.00	**20,638,470**	20,102,582
MatchMe Ltd.	**29.10**	29.10	**–**	–
Altitude Games Inc.	**21.17**	21.17	**–**	–
			₱240,628,475	₱272,885,279
Advances to associate				
PT Sembilan Digital Investama			**22,084,586**	22,084,586
			₱262,713,061	₱294,969,865

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

Altitude Games Pte. Ltd.
As at September 30, 2023 and December 31, 2022 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.

In April 8, 2023, Altitude Games approved the sale of its assets and business to a company registered in Australia. The proceeds were used primarily to settle its liabilities to the Parent Company and other creditors wherein the

Parent Company received US$827,875 or ₱46.36 million (see Notes 8 and 20). Following the settlement of the liabilities, the remaining proceeds were distributed to the shareholders in the form of dividends. The Parent Company received dividends amounting to ₱4.09 million (Note 20).

As a result of the disposal of Altitude Games' assets and business, the Parent Company provided full impairment loss on its investment in Altitude Games amounting to ₱16.03 million (Note 17).

Altitude Games' registered office address is at 16 Raffles Quay, #33-03, Hong Leong Building, Singapore.

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

As of September 30, 2023 and December 31, 2022, 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.

In 2019, MatchMe became dormant which prompted full impairment of the Group's investment in MatchMe amounting to ₱38.66 million.

MatchMe's registered office address is at 100 Cecil Street #10-01/002 the Globe, Singapore.

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

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

As at September 30, 2023 and December 31, 2022, there are no capital commitments relating to the Group's interests in its associates.

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

11. Property and Equipment

The Group acquired property and equipment amounting to ₱1.75 million and ₱3.84 million during the nine-month periods ended September 30, 2023 and 2022, respectively. Depreciation expense amounted to ₱1.54 million and ₱1.22 million for the nine-month periods ended September 30, 2023 and 2022, respectively.

12. **Intangible Assets**

This account consists of:

<u>September 30, 2023</u>

	Goodwill	**Developed Software**	**Crypto-Currencies**	**Total**
Cost				
At beginning of period	**₱2,004,469,603**	**₱104,377,217**	**₱3,215,685**	**₱2,112,062,505**
Additions	**–**	**146,250**	**7,643,184**	**7,789,434**
Disposals	**–**	**–**	**(2,646,178)**	**(2,646,178)**
At end of period	**2,004,469,603**	**104,523,467**	**8,212,691**	**2,117,205,761**
Accumulated amortization				
At beginning of period	**–**	**93,065,021**	**–**	**93,065,021**
Amortization (Note 16)	**–**	**301,245**	**–**	**301,245**
At end of period	**–**	**93,366,266**	**–**	**93,366,266**
Accumulated impairment				
At beginning and end of period	**1,956,247,619**	**10,242,927**	**–**	**1,966,490,546**
Accumulated revaluation surplus				
At beginning of year	**–**	**–**	**10,330,225**	**10,330,225**
Revaluation increase	**–**	**–**	**7,028,022**	**7,028,022**
At end of year	**–**	**–**	**17,358,247**	**17,358,247**
Net Book Value	**₱48,221,984**	**₱914,274**	**₱25,570,938**	**₱74,707,196**

<u>December 31, 2022</u>

	Goodwill	Developed Software	Crypto-currencies	Total
Cost				
At beginning of year	₱2,004,469,603	₱103,280,467	₱2,043,006	₱2,109,793,076
Additions	–	1,096,750	1,172,679	2,269,429
At end of year	2,004,469,603	104,377,217	3,215,685	2,119,062,505
Accumulated amortization				
At beginning of year	–	86,916,684	–	86,916,684
Amortization (Note 16)	–	6,148,337	–	6,148,337
At end of year	–	93,065,021	–	93,065,021
Accumulated Impairment				
At beginning of year	1,956,247,619	9,226,335	–	1,965,473,954
Impairment	–	1,016,592	–	1,016,592
At end of year	1,956,247,619	10,242,927	–	1,966,490,546
Accumulated revaluation surplus				
At beginning of year	–	–	31,111,248	31,111,248
Revaluation loss	–	–	(20,781,023)	(20,781,023)
At end of year	–	–	10,330,225	10,330,225
Net Book Value	₱48,221,984	₱1,069,269	₱13,545,910	₱62,837,163

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

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

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

Cryptocurrencies
Cryptocurrencies pertain to units of Bitcoin, Ether and USDC held by the Group as at September 30, 2023.

The fair value of cryptocurrencies was determined using quoted market prices in active markets categorized under Level 1 of fair value hierarchy. As at September 30, 2023 and December 31, 2022, the fair value of Bitcoin is valued at US$26,962.70 per unit and US$16,537.40 per unit, respectively, the fair value of Ether is US$1,667.83 and US$1,196.77, respectively, while the fair value of USDC is US$1.00 per unit.

The amortization expense of intangible assets recognized in "Depreciation and amortization" under "Cost of services" in the consolidated statements of comprehensive income amounted to ₱0.30 million and ₱4.94 million for the nine-month periods ended September 30, 2023 and 2022, respectively (see Note 16).

13. Accounts and Other Payables

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Payable to third parties	**₱88,327,722**	₱88,328,722
Nontrade payable	**63,005,329**	62,801,727
Trade payables	**28,111,527**	16,478,805
Payable to related parties (Note 20)	**28,637,071**	27,296,175
Taxes payable	**11,966,204**	13,963,002
Deferred output VAT	**10,958,614**	8,098,669
Accrued expenses	**7,120,502**	13,627,526
Others	**155,527,093**	156,082,029
	₱393,654,062	₱386,676,655

Payable to third parties are advances made by minority shareholders and affiliates of Seer and Storm for working capital purposes and deposits for future stock subscription. These are noninterest-bearing and are settled within one year.

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.

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

Taxes payable include output VAT after application of available input VAT and expanded withholding tax on payment of suppliers and employees' compensation which are settled within one year.

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

Accrued expenses mainly consist of accruals for seminars and trainings, taxes and licenses, professional fees, interest expense and others. These are noninterest-bearing and are normally settled within one year.

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

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

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of year	**₱153,988,952**	₱133,225,859
Translation adjustments	**(6,006,495)**	20,763,093
	₱147,982,457	₱153,988,952

14. Loans Payable

This account pertains to short-term, unsecured and interest bearing 30- to 1,050- day term loans entered into by the Group with different local banks and non-banks.

The rollforward analysis of this account follow:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of period	**₱38,384,416**	₱38,793,070
Payment of loans	**(305,570)**	(408,654)
Balance at end of year	**38,078,846**	38,384,416
Noncurrent loans payable	**842,650**	4,563,787
	₱37,236,196	₱33,820,629

Interest expense recognized in the consolidated statements of comprehensive income during the nine-month periods ended September 30, 2023 and 2022 amounted to ₱1.33 million and ₱0.24 million, respectively (see Note 18).

15. Service Income

Service income, amounting to ₱148.20 million and ₱174.49 million for the nine-month periods ended September 30, 2023 and 2022, respectively, pertain to revenues earned from mobile consumer products and services, enterprise services 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 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 for the nine-month periods ended September 30, 2023 and 2022 are presented below:

	For the nine-month period ended		For the three-month period ended	
	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)	**September 30, 2023 (Unaudited)**	September 30, 2022 (Unaudited)
Service income				
Mobile consumer services	**₱5,515,039**	₱14,763,917	**₱1,552,623**	₱1,416,850
Enterprise services	**105,047,957**	127,716,320	**32,086,437**	39,827,217
Other services	**37,635,029**	32,006,879	**12,684,462**	9,291,075
	₱148,198,025	₱174,487,116	**₱46,323,522**	₱50,535,142

16. Cost of Services

Cost of services for the nine-month periods ended September 30, 2023 and 2022 consists of:

	For the nine-month period ended		For the three-month period ended	
	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)	**September 30, 2023 (Unaudited)**	September 30, 2022 (Unaudited)
Salaries, wages and employee benefits	**₱54,253,635**	₱76,294,120	**₱17,020,560**	₱26,669,279
Outside services	**40,473,391**	20,118,131	**19,614,973**	7,421,892
Outsourced services	**7,004,109**	13,766,736	**(2,788,750)**	1,945,943
Depreciation and amortization (Notes 11 and 12)	**301,245**	4,935,523	**155,546**	1,444,684
Web hosting	**2,869,836**	2,141,959	**951,373**	667,877

(Forward)

	For the nine-month period ended		For the three-month period ended	
	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)	**September 30, 2023 (Unaudited)**	September 30, 2022 (Unaudited)
Consultancy fees	**2,317,533**	594,074	**1,647,639**	239,574
Commission	**600,900**	193,673	**42,750**	49,150
Utilities	**306,716**	91,727	**102,999**	51,391
Others	−	887,733	−	471,089
	₱108,127,365	₱119,023,676	**₱36,747,090**	₱38,960,879

In 2023, the Group underwent a reorganization of workforce causing the transfer of salaries and wages of some employees from "Cost of services" to "General and Administrative Expenses" amounting to ₱16.45 million.

17. General and Administrative Expenses

General and administrative expenses for the nine-month periods ended September 30, 2023 and 2022 consists of:

	For the nine-month period ended		For the three-month period ended	
	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)	**September 30, 2023 (Unaudited)**	September 30, 2022 (Unaudited)
Salaries, wages and employee benefits	**₱61,866,473**	₱27,501,644	**₱20,943,392**	₱10,020,102
Provision for impairment loss (Note 6 and 10)	**17,822,201**	2,357,724	−	2,357,724
Professional fees	**5,031,503**	8,328,772	**3,059,543**	3,486,777
Marketing and promotions	**3,143,957**	4,803,418	**(27,492)**	2,357,663
Dues and subscription	**3,124,874**	1,163,296	**1,033,600**	464,823
Depreciation and amortization (Notes 11 and 12)	**2,310,016**	1,979,111	**754,779**	814,162
Taxes and licenses	**2,112,814**	2,640,104	**732,419**	370,424
Advertising	**1,658,527**	689,509	**1,136,444**	118,202
Transportation and travel	**1,439,913**	1,073,030	**750,005**	572,800
Outsourced services	**1,132,851**	5,695,341	**164,508**	361,477
Entertainment, amusement and recreation	**538,907**	477,703	**261,798**	216,751
Utilities	**477,495**	829,941	**123,544**	256,176
Rent (Note 19)	**369,601**	158,000	**69,660**	47,000
Seminars and trainings	**356,694**	296,018	**275,848**	65,462
Supplies	**224,358**	76,531	**132,338**	40,064
Repairs and maintenance	**39,150**	126,550	**10,500**	(177,500)
Insurance	**5,014**	72,657	**(95,000)**	2,035
Miscellaneous	**1,515,505**	3,156,077	**216,985**	1,620,601
	₱103,169,853	₱61,425,426	**₱29,542,871**	₱22,994,743

In 2023, the Group underwent a reorganization of workforce causing the transfer of salaries and wages of some employees from "Cost of services" to "General and Administrative Expenses" amounting to ₱16.45 million.

18. Finance Costs and Other Income (Charges)

Finance costs consists of:

	For the nine-month period ended		For the three-month period ended	
	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)	**September 30, 2023 (Unaudited)**	September 30, 2022 (Unaudited)
Interest expense on loans payable (Notes 20 and 26)	**₱2,671,518**	₱5,942,816	**₱883,395**	₱2,112,241
Accretion of interest from lease liabilities (Note 19)	**72,633**	20,773	**28,147**	4,641
Interest income from cash in banks	**(760,654)**	(273,558)	**(236,927)**	(237,889)
	₱1,983,497	₱5,690,031	**₱674,615**	₱1,878,993

Other income (charges) consists of:

	For the nine-month period ended		For the three-month period ended	
	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)	**September 30, 2023 (Unaudited)**	September 30, 2022 (Unaudited)
Other income (charges) arising from recovery and collection of convertible notes receivable from an associate				
Gain from recovery of financial asset at FVPL	**₱28,856,000**	₱–	**₱–**	₱–
Interest income	**7,160,489**	–	**–**	–
Foreign exchange gain	**5,083,200**	–	–	–
Gain from recovery of advances from an associate	**2,629,000**	–	–	–
	43,728,689	–	–	–
Gain on disposal of property and equipment	**1,243**	16,500	**–**	16,500
Foreign exchange gains (losses)	**(807,999)**	(278,952)	**(1,062,893)**	–
Unrealized loss on revaluation of cryptocurrencies	**(17,464)**	–	**–**	–
Bank charges	**(397,032)**	(323,704)	**(124,108)**	(111,034)
Other income	**642,298**	139,876	**–**	7,920
	₱43,149,735	(₱446,280)	**(₱1,187,001)**	(₱86,614)

19. Operating Lease Commitments

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

Set out below are the movements and carrying amounts of right-of-use asset recognized as of September 30, 2023 and December 31, 2022:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Cost		
Balance at beginning of period	**₱2,014,185**	₱2,014,185
Addition	**2,064,803**	–
Expiration of lease contract and derecognition of right-of-use asset	**(2,014,185)**	–
Balance at end of period	**2,064,803**	2,014,185
Accumulated Depreciation		
Balance at beginning of period	**1,846,337**	839,244
Depreciation	**770,083**	1,007,093
Expiration of lease contract and derecognition of right-of-use asset	**(2,014,185)**	–
	602,235	1,846,337
	₱1,462,568	₱167,848

The rollforward analysis of lease liability as of September 30, 2023 and December 31, 2022 follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of period	**₱173,322**	₱1,192,005
Addition	**2,335,668**	–
Accretion of interest	**72,633**	23,104
Payments	**(1,076,513)**	(1,041,787)
Balance at end of period	**₱1,505,110**	₱173,322
Current lease liabilities	**₱1,016,348**	₱173,322
Noncurrent lease liabilities	**₱488,762**	₱–

Total rent expense charged under "Cost of services" and "General and administrative expenses" in the consolidated statements of comprehensive income amounted to ₱0.37 million and ₱0.16 million for the nine-month periods ended September 30, 2023 and 2022, respectively (see Notes 16 and 17).

20. Related Party Transactions

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

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

Details of transactions with related parties and their outstanding payables to a related party as at September 30, 2023 and December 31, 2022 follow:

			Amount/ Volume		**Outstanding Balance**			
					September 30, 2023		December 31, 2022	
	Terms	**Conditions**	**September 30, 2023**	September 30, 2022	**Receivable**	**Payable**	Receivable	Payable
Associate								
Interest income (a)	Noninterest-bearing	Unsecured, no impairment	**₱979,930**	₱–	**₱–**	**₱–**	₱–	₱–
Dividends (b)	Noninterest-bearing	Unsecured, no impairment	**4,093,702**	–	**–**	**–**	–	–
Advances (a, c)	Noninterest-bearing	Unsecured, no impairment	**501,973**	270,993	**7,209,161**	**–**	11,965,188	–
Stockholders								
Interest (a-c)	Noninterest-bearing	Unsecured	**1,341,001**	3,697,328	**–**	**28,412,227**		27,071,226
Payable to directors and officers (a-c)	Interest-bearing	Unsecured	**–**	–	**–**	**153,135,857**	–	152,353,662
Advances (d-e)	One year; noninterest-bearing	Unsecured, no impairment	**–**	–	**–**	**117,678**	77,000	117,678
Affiliate								
Trade Receivables (a-b)	Noninterest-bearing	Unsecured	**8,313,994**	1,854,466	**2,009,148**	**–**	9,382,329	
Advances (c)	Noninterest-bearing	Unsecured	**–**	–	**–**	**107,166**	–	107,271
					₱9,218,309	**₱181,772,928**	₱21,424,517	₱179,649,837

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, 2022, receivable from Altitude Games amounted to ₱5.26 million and recognized allowance for impairment loss amounted ₱2.63 million.

   In April 8, 2023, Altitude Games sold its assets and business to a company registered in Australia. Part of the proceeds from the sale was used to settle the loan and the Parent Company was able to collect the principal and interest amounting to of US$100,000 and US$17,500 million, respectively. Accordingly, the Parent Company recorded "Interest income" and "Gain from recovery of advances from an associate" under "Other income – net" amounting to ₱0.98 million and ₱2.63 million, respectively.

b. In relation to the sale of assets and business of Altitude Games, the Parent Company received dividends amounting to ₱4.09 million for its share in the remaining proceeds (see Note 10).

c. The Parent Company made payments on behalf of SDI for its outsourced services. As at September 30, 2023 and December 31, 2022, outstanding balance amounted to ₱7.13 million and ₱6.71 million. The Parent Company recognized allowance for impairment loss amounting to ₱3.12 million as of September 30, 2023 and December 31, 2022.

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. For the nine-month periods ended September 30, 2023 and 2022, the Group recognized interest expense amounting to ₱1.34 million and ₱3.68 million, respectively, under "Other income (charges)" in its consolidated statements of comprehensive income. As at September 30, 2023 and December 31, 2022, outstanding loans and interest payable amounted to ₱103.83 million and ₱20.45 million, respectively, and ₱103.05 million and ₱19.11 million, respectively.

b. On April 29, 2019 the BOD approved the availment of loan from the Parent Company's founders with an aggregate amount of ₱150.00 million subject to 5.50% interest rate per annum for 3 years from date of agreement and may be renewed upon mutual agreement. The loan is due and demandable. For the nine-month periods ended September 30, 2023 and 2022, the Group recognized interest expense amounting to nil and ₱2.02 million under "Other income (charges)" in its consolidated statements of comprehensive income.

   As at September 30, 2023 and December 31, 2022, outstanding loans and interest payable pertaining to this transaction amounted to ₱49.30 million and ₱7.96 million, respectively.

c. On June 30, 2023, the BOD of the Parent Company approved the conversion of advances (principal and interest payable) from two (2) of its founders to equity. The BOD also approved to waive all loan interests starting January 1, 2023. The aggregate amount of the advances for conversion is ₱136.52 million which is the outstanding value as of December 31, 2022.

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 September 30, 2023 and December 31, 2022 amounted to ₱0.12 million.

e. In 2022, the Group made advances to stockholders amounting to ₱0.08 million. These are noninterest-bearing and are subject to future liquidation.

Affiliate:

a. The Group entered into an agreement with CTX wherein the Group agreed to perform financial, legal, human resources, sales and marketing support, administrative support and technical services for a fee. Total service income from these services for the nine-month periods ended September 30, 2023 and 2022 amounted to ₱ 0.91 million and ₱0.95 million, respectively. As at September 30, 2023 and December 31, 2022, outstanding receivable amounted to ₱0.62 million and ₱2.75 million, respectively.

b. The Group entered into service agreement with CTX to provide staff augmentation and software development services. The Group's revenue from these services for the nine-month period ended September 30, 2023 and 2022 amounted to ₱7.41 million and ₱4.28 million, respectively. Outstanding receivable as of September 30, 2023 and December 31, 2022 amounted to ₱1.38 million and ₱6.64 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 September 30, 2023 and December 31, 2022 amounted to ₱0.11 million.

Compensation of key management personnel pertaining to short-term employee benefits amounted to ₱19.28 million and ₱11.57 million for the nine-month periods ended September 30, 2023 and 2022, respectively.

21. Income Taxes

Provision for (benefit from) income tax for the nine-month periods ended September 30, 2023 and 2022 consists of:

	September 30	
	2023 (Unaudited)	2022 (Unaudited)
Current	**₱1,067,913**	₱5,753,208
Deferred	**(4,266)**	−
Final	**151,293**	53,455
	₱1,214,940	₱5,806,663

22. Capital Deficiency

The details of the number of shares as at September 30, 2023 and December 31, 2022 follow:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Authorized shares	**5,000,000,000**	5,000,000,000
Par value per share	**₱0.10**	₱0.10
Issued shares	**2,116,744,034**	2,116,744,034
Treasury shares	**62,128,975**	62,128,975
Value of shares issued	**₱211,674,403**	₱211,674,403
Value of treasury shares	**(₱99,700,819)**	(₱99,700,819)

Capital Stock and Additional Paid-in Capital (APIC)

The balance of additional paid-in capital (APIC) as of September 30, 2023 and December 31, 2022 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.

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.

On June 30, 2023, the BOD of the Parent Company approved the conversion of advances (principal and interest payable) from two (2) of its founders to equity. The BOD also approved to waive all loan interests starting

January 1, 2023. The aggregate amount of the advances for conversion is ₱136.52 million which is the outstanding value as of December 31, 2022. The conversion price was set at ₱0.30 per share awaiting approval from SEC as of September 30, 2023.

Retained Earnings

Appropriations

Appropriated retained earnings which relate to buyback program of common shares in 2016 amounted to ₱115.46 million as of September 30, 2023 and December 31, 2022.

Dividends declaration

The Parent Company has no dividend declarations made in the nine-month periods ended September 30, 2023 and 2022.

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 September 30, 2023 and December 31, 2022, 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 September 30, 2023, 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 ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

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

The Group's sources of capital follow:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Capital stock	**₱211,674,403**	₱211,674,403
Additional paid-in capital	**3,659,721,747**	3,659,721,747
Deficit	**(3,315,837,244)**	(3,293,137,923)
	₱555,558,906	₱578,258,227

The Group is not subject to externally-imposed capital requirements. The Group regards its equity as its primary source of capital. No changes were made in the capital management policies as at September 30, 2023 and December 31, 2022.

23. Loss Per Share

The Group's loss per share for the nine-month periods ended September 30, 2023 and 2022 were computed as follows:

	For the nine-month period ended		For the three-month period ended	
	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)	**September 30, 2023 (Unaudited)**	September 30, 2022 (Unaudited)
Net loss attributable to the equity holders of the Parent Company	**(₱22,724,658)**	(₱5,050,777)	**(₱22,878,053)**	(₱6,188,832)
Weighted average number of outstanding shares	**2,054,615,059**	2,001,335,006	**2,054,615,059**	2,001,335,006
Basic loss per share	**(₱0.01)**	₱–	**(₱0.01)**	₱–
Diluted loss per share	**(₱0.01)**	₱–	**(₱0.01)**	₱–

Loss per share is calculated using the consolidated net loss attributable to the equity holders of the Parent Company divided by weighted average number of shares. As of September 30, 2023, there's no potentially dilutive common shares.

24. Financial Instruments

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

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

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

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

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

The fair value of financial assets at FVOCI amounting to ₱1.20 million approximate their carrying value.

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

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

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

Quoted financial assets at FVOCI amounting to ₱1.20 million as at September 30, 2023 and December 31, 2022 were classified under Level 2 (see Note 8).

Unquoted financial assets at FVOCI amounting to nil as at September 30, 2022 and December 31, 2022 were classified under Level 3 (see Note 8).

As at September 30, 2023 and December 31, 2022, there have been no reclassifications from Level 1 to Level 2 or 3 categories.

Financial Risk Management and Objectives and Policies

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

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

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

There were no changes in the Group’s risk management objectives and policies during the nine-month periods ended September 30, 2023 and 2022.

The Group’s risk management policies are summarized below:

Credit Risk

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

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

The Group’s maximum exposure to credit risk is equal to the carrying values of its financial assets as at September 30, 2023 and December 31, 2022.

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

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

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

Unquoted AFS financial assets are unrated.

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

The maturity profile of the Group's financial assets and financial liabilities at September 30, 2023 and December 31, 2022 are based on contractual undiscounted payments.

As at September 30, 2023 and December 31, 2022, except for its loans payable, the Group's financial assets and financial liabilities have a maturity of less than one year.

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.

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 September 30, 2023 and December 31, 2022.

	September 30, 2023		December 31, 2022	
	Original currency	**Peso equivalent**	Original currency	Peso equivalent
Cash in bank				
US Dollar (USD)	**$1,047,018**	**₱59,639,173**	$40,671	₱2,267,609
Trade receivables				
US Dollar (USD)	**188,440**	**10,733,758**	191,894	10,699,072
Foreign currency denominated assets		**70,372,931**		12,966,681
Trade Payables				
US Dollar (USD)	**1,999**	**113,887**	29,199	1,628,014
Net foreign currency denominated financial instruments		**₱70,259,044**		₱11,338,667

In translating the foreign currency-denominated monetary assets into Peso amounts, the exchange rates used were as follows:

	September 30, 2023	December 31, 2022
USD to ₱	**₱56.96**	₱55.76

25. Segment Reporting

The industry segments where the Group operates follow:

- Mobile consumer services - includes airtime management, content development and management and marketing and advertising solutions
- Enterprise services - includes platform development and customization, system integration, mobile platform consultancy services, management of off-the-shelf application and social media related services. This also includes IT staff augmentation and various enterprise solutions-based services to telecommunication companies and other companies for network and applications development

- Other services – includes consultancy 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 nine-month periods ended September 30, 2023 and 2022:

September 30, 2023 (Unaudited)

	Mobile consumer services	**Enterprise Service**	**Other services**	**Intersegment Adjustments**	**Consolidated**
INCOME					
Service income	**₱5,515,039**	**₱128,682,126**	**₱37,635,029**	**(₱23,634,169)**	**₱148,198,025**
COST AND EXPENSES	**(40,704,137)**	**(155,310,688)**	**(56,627,125)**	**41,344,732**	**(211,297,218)**
Equity in net losses of associates	–	–	–	**(11,635,581)**	**(11,635,581)**
Other expenses	**47,652,403**	**(1,126,778)**	**(532,946)**	**(4,826,441)**	**41,166,238**
	12,463,305	**(27,755,340)**	**(19,525,042)**	**1,248,541**	**(33,568,536)**
Provision for (benefit from) income tax	**(283,471)**	**(931,469)**	–	–	**(1,214,940)**
Net income (loss)	**₱12,179,834**	**(₱28,686,809)**	**(₱19,525,042)**	**₱1,248,541**	**(₱34,783,476)**
Net loss attributable to:					
Equity holders of Xurpas Inc.					**(₱22,724,658)**
Noncontrolling interests					**(12,058,818)**
					(₱34,783,476)

September 30, 2022 (Unaudited)

	Mobile consumer services	Enterprise service	Other services	Intersegment Adjustments	Consolidated
INCOME					
Service income	₱16,504,988	₱159,640,910	₱32,006,879	(₱33,665,661)	₱174,487,116
COST AND EXPENSES	(17,114,697)	(153,392,479)	(43,916,740)	33,974,814	(180,449,102)
Equity in net earnings of associates	–	–	–	5,887,087	5,887,087
Finance costs and other income – net	(340,898)	(5,192,171)	(290,706)	(312,536)	(6,136,311)
	(950,607)	1,056,260	(12,200,567)	5,883,704	(6,211,210)
Provision for income tax	(383,293)	(5,423,370)	–	–	(5,806,663)
Net income (loss)	(₱1,333,900)	(₱4,367,110)	(₱12,200,567)	₱5,883,704	(₱12,017,873)
Net income (loss) attributable to:					
Equity holders of Xurpas Inc.					(₱5,050,777)
Noncontrolling interests					(6,967,096)
					(₱12,017,873)

26. Notes to Consolidated Statement of Cash Flows

Disclosed below is the rollforward of liabilities under financing activities:

	January 1, 2023	**Cash flows**	**Non-cash changes**	**Foreign exchange movement**	**September 30, 2023**
Loans payable	**₱38,384,416**	**(₱305,570)**	**₱–**	**₱–**	**₱38,078,846**
Lease liabilities	**173,322**	**(1,076,513)**	**2,408,301**	–	**1,505,110**
Advances from stockholders	**152,353,662**	–	–	**782,195**	**153,135,857**
Total liabilities from financing activities	**₱190,911,400**	**(₱1,382,083)**	**₱2,408,301**	**₱782,195**	**₱192,719,813**

	January 1, 2022	Cash flows	Non-cash changes	Foreign exchange movement	December 31, 2022
Loans payable	₱38,793,070	(₱408,654)	₱–	₱–	₱38,384,416
Lease liabilities	1,192,005	(1,041,787)	23,104	–	173,322
Advances from stockholders	143,563,235	–	8,790,427	–	152,353,662
Total liabilities from financing activities	₱183,548,310	(₱1,450,441)	₱8,813,531	₱–	₱190,911,400

27. Events after the Reporting Date

In line with the conversion of advances from stockholders to equity, the Parent Company received on October 10, 2023 the Certificate of Approval of Valuation from the SEC for the conversion price of ₱0.30 per share. Accordingly, 455,068,753 common shares were issued to Messrs. Nico Jose Nolledo and Fernando Jude Garcia on November 13, 2023.

28. Approval of Financial Statements

The unaudited interim condensed consolidated financial statements of the Group as at September 30, 2023 and December 31, 2022 and for the nine-month periods ended September 30, 2023 and 2022 were approved and authorized for issue by the BOD on November 14, 2023.

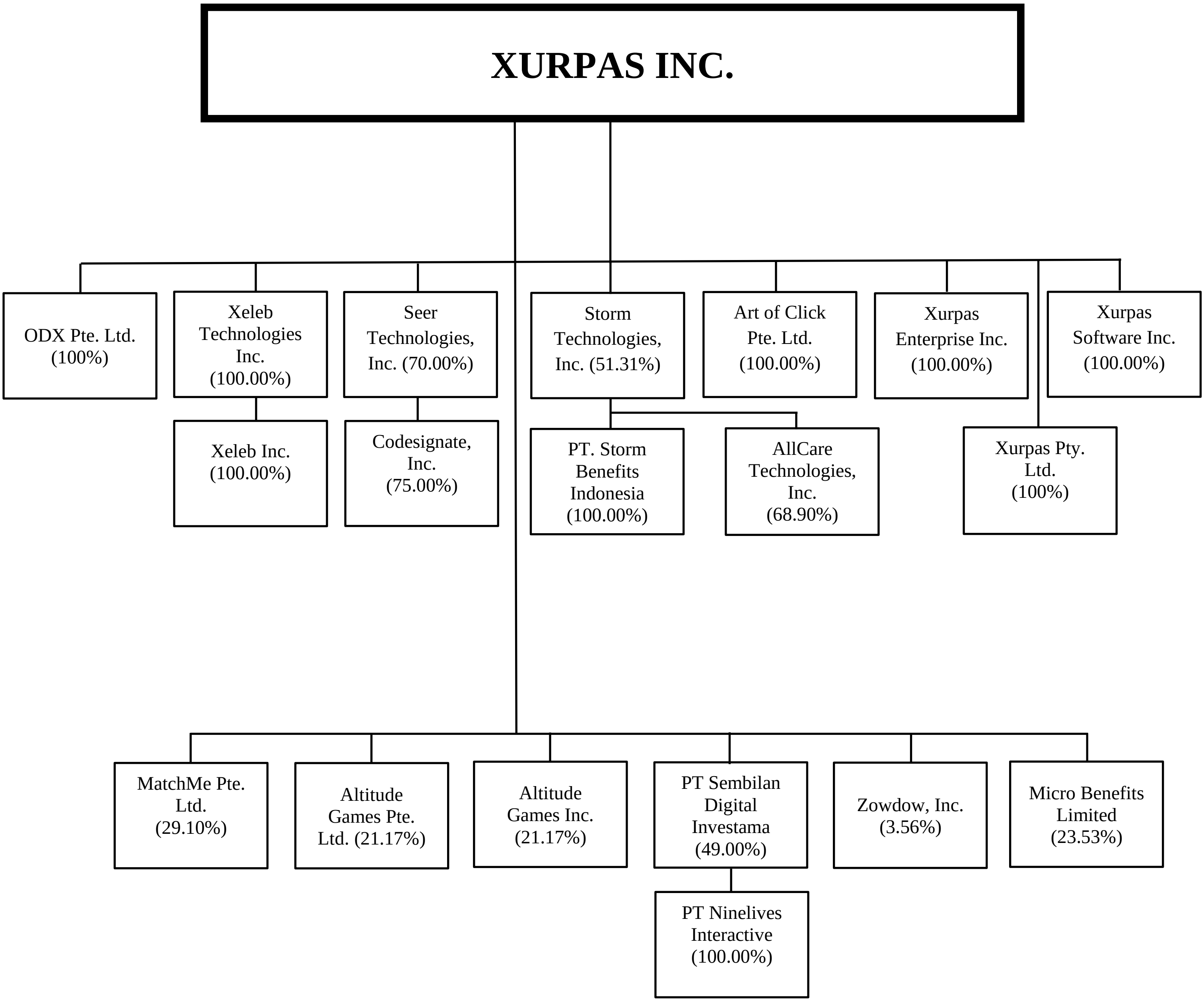
AGING OF RECEIVABLES

The aging analysis of accounts receivable as of September 30, 2023 presented per class follows:

		Days past due				
	Current	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**>90 days**	**Total**
Trade receivable	**₱22,046,617**	**₱4,712,195**	**₱2,835,575**	**₱2,642,939**	**₱50,934,817**	**₱83,172,143**
Receivable from related parties	**9,218,309**	**–**	**–**	**–**	**–**	**9,218,309**
Advances to employees	**2,938,350**	**–**	**–**	**–**	**–**	**2,938,350**
Others	**13,920,652**	**–**	**–**	**–**	**–**	**13,920,652**
	₱48,123,928	**₱4,712,195**	**₱2,835,575**	**₱2,642,939**	**₱50,934,817**	**₱109,249,454**

XURPAS INC. AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES



Note: Xeleb Technologies Inc. and Xeleb Inc. are in the process of liquidation

XURPAS INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

Unappropriated Retained Earnings of the Parent Company, beginning	(₱3,159,869,573)
Less adjustments:	
Impairment loss	2,617,451,802
Unrealized foreign exchange gain -net (except those attributable to Cash	(3,836,793)
Unappropriated Retained Earnings, as adjusted, beginning	(542,417,771)
Net Loss based on the face of financial statement	(11,449,127)
Less: Non-actual/unrealized income net of tax	
Amount of provision for deferred tax during the year	–
Unrealized foreign exchange loss - net (except those attributable to Cash and Cash Equivalents)	782,195
Fair value adjustment (M2M gains)	–
Impairment loss	–
Net Income Actual/Realized	(10,666,932)
Less: Other adjustments	
Dividend declarations during the period	–
Reversal of appropriation for share buy-back transactions	–
Reversal of appropriation for dividend declaration	–
Appropriations during the year	–
	–
Unappropriated retained earnings, end available for dividend distribution	₱–

XURPAS INC. AND SUBSIDIARIES

FINANCIAL RATIOS

Financial Ratios	September 30, 2023	December 31, 2022
A. Current ratios		
Current ratios	38%	37%
Quick ratios	33%	34%
B. Debt-to-equity ratios	731%	597%
C. Asset-to-equity ratios	667%	568%
D. Interest rate coverage ratios	(1,245%)	(642%)
E. Profitability ratios		
Net income (loss) margin	(15%)	(23%)
Gross margin	27%	25%
Operating margin	(19%)	(23%)
Return on assets	(4%)	(9%)
Return on equity	(23%)	(49%)

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

Ending the first nine months of 2023, Xurpas still continues to be a beacon of innovation, pushing forward its vision of shaping the future of businesses, with its underlying commitment to transformative technology. The Company, venturing into Web 3.0 services in the second half of 2022, which involves cutting edge technologies like blockchain, established the business unit, X3. Building on this momentum, Xurpas introduced significant additions to the group in 2023:

1) Xurpas Software Inc. which contributes to the enhancement of the company's presence in the digital business transformation software solutions sector by focusing on creating user-friendly software products and services using advanced ERP technologies;
2) Xurpas Pty Ltd which aims to seek new market opportunities in Australia, where it plans to offer enterprise products and services; and
3) Xurpas AI Lab (XAIL), specializing in software products and services that utilize artificial intelligence (AI) and data science.

XAIL was formally launched on October 19, 2023 with its event, Set XAIL Towards Your AI-enabled Philippine Business. A business unit under Xurpas Enterprise, XAIL extends its expertise to businesses looking to leverage AI-powered solutions to meet real-world challenges. The lab's focus on practical, results-driven AI applications places it at the forefront of a movement poised to revolutionize customer experiences and streamline operations across a multitude of industries.

This continuing journey on innovation is built on a foundation of experience and expertise in Xurpas' traditional technology businesses: staff augmentation through our "FlexIT" business unit and our custom software development arm, "Software Builders". These business units had varying results as of third quarter of 2023; but have optimism on reversing trends in some of the business segments.

For the first three quarters of 2023, total revenues decreased by 15% to ₱148.20 million, from ₱174.49 million the same period of 2022 primarily due to the decline in the enterprise and mobile consumer services businesses. There has been a drop of revenues under IT staff augmentation for the period. On the other hand, there has been an increase in revenues for custom development and business solutions, adding to the revenues generated from the successful entry to the Web 3.0 business. Meanwhile, AllCare, under other services, also generated an increase in revenues.

The Group's consolidated expenses during the nine-month period ended September 30, 2023, amounted to ₱211.30 million, a 17% increase from the same period of the previous year at ₱180.45 million. This is primarily due to the provision for impairment loss recognized from the sale of Altitude assets/business which was finalized on April 8, 2023. This was offset, however, by combined recovery of written off notes and interest income and FOREX gain from the said transaction. Increase in salaries and wages due to additional manpower and management, as part of its strategy for growth and expansion, also contributed to the increase in operating expense for the period.

Xurpas also shared a portion of the losses incurred by its associates amounting to ₱11.64 million loss as of Q3 2023 compared with the ₱5.89 million income of the same period of last year. Other income, charges and finance costs - net improved by 771% mainly due to the gain and interest income recognized from the Altitude sale in Q2 2023. By the end of the third quarter of 2023, the Company generated a ₱33.57 million pre-tax loss and ₱34.78 million net loss. The Company was able to yield substantial gains from the improvement of the foreign exchange rates and increase in crypto prices as of the end of the third quarter of 2023. This caused the company to earn ₱7.18 million other comprehensive income for the first three quarters as opposed to the ₱59.07 million other comprehensive loss in the same period of last year, a 112% improvement. This resulted into a ₱27.60 million total comprehensive loss by the end of September 2023; which increased the consolidated total capital deficiency to ₱58.29 million in September 30, 2023, from ₱30.70 million in December 31, 2022.

On October 10, 2023, the Company received the Certificate of Approval of Valuation from the Securities and Exchange Commission, in relation to the conversion of the ₱136.52 million advances to stockholders equity. The conversion price was agreed by the parties on July 28, 2023; for which a fairness opinion was issued by Isla, Lipana, & Co. (PWC). Pertinent to the transaction, the Company issued 455,068,753 common shares to Messrs. Nico Jose Nolledo and Fernando Jude Garcia on November 13, 2023.

This will improve and strengthen Xurpas' balance sheet and is a testament of the founders' confidence in the Corporation's ability to further expand its business as it places Xurpas at the forefront of a technological shift.

Xurpas will continue to streamline its operations and prioritize the expansion of its core and future businesses which will continue its objective to provide vast innovative solutions to its customers while expanding its global footprint.

Financial Summary

Key Financial Data In PhP Millions	For the nine-month periods ended September 30					
	2023		2022		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Revenues						
Mobile consumer services	5.52	4%	14.76	8%	(9.25)	(63%)
Enterprise services	105.05	71%	127.72	73%	(22.67)	(18%)
Other services	37.63	25%	32.01	18%	5.62	18%
Total Revenues	**148.20**	**100%**	**174.49**	**100%**	**(26.29)**	**(15%)**
Cost of Services	108.13	73%	119.02	68%	(10.90)	(9%)
Gross Profit	**40.07**	**27%**	**55.46**	**32%**	**(15.40)**	**(28%)**
General and Administrative Expenses	103.17	70%	61.43	35%	41.74	68%
Equity in Net Losses (Earnings) of Associates	11.64	8%	(5.89)	-3%	17.52	(298%)
Other Income, Charges and Finance Costs - net	(41.17)	-28%	6.14	4%	(47.30)	(771%)
Loss Before Income Tax	**(33.57)**	**-23%**	**(6.21)**	**-4%**	**(27.36)**	**440%**
Provision for Income Tax	1.21	1%	5.81	3%	(4.60)	(79%)
Net Loss	**(34.78)**	**-23%**	**(12.02)**	**-7%**	**(22.76)**	**189%**
Other Comprehensive Income (Loss)	7.18	5%	(59.07)	-34%	66.25	(112%)
Total Comprehensive Loss	**(27.60)**	**-19%**	**(71.09)**	**-41%**	**43.49**	**(61%)**

	Sept. 30, 2023 Amount	Dec. 31, 2022 Amount	Amount Change	% Increase
Total Assets	604.10	602.66	1.44	0%
Total Liabilities	662.40	633.36	29.04	5%
Total Equity	(58.29)	(30.70)	(27.60)	90%

The Group's total revenue as of third quarter of 2023 was ₱148.20 million, a 15% decrease from the same period of 2022 mainly caused by the decrease in revenues of ₱22.67 million under enterprise services and ₱9.25 million under mobile consumer services. Majority of the revenues is from enterprise services which generated ₱105.05 million or 71% of total revenue followed by other services and mobile consumer services which generated ₱37.63 million and ₱5.52 million, respectively.

The blended cost of services went down from ₱119.02 million in September 30, 2022 to ₱108.13 million in September 30, 2023. There were reclassifications made between the cost of services (COS) and general and administrative (GAEX) salaries and wages accounts due to a company reorganization initiated in 2022, setting up of business units and cost centers internally, which changed their classifications beginning 2023.

General and administrative expenses (GAEX) increased by 68%, from ₱61.43 million as of Q3 2022 to ₱103.17 million for the same period in 2023. The increase was primarily brought about by the reclassification from COS to GAEX salaries and wages, as previously mentioned; and additional management, technical, sales, and marketing manpower and sales/marketing initiatives, which are imperative to continuously achieve growth in order to implement expansion as part of the Company's plan. Likewise, the Group recognized impairment loss for its investment in Altitude Games Pte. Ltd. ("Altitude Games") amounting to ₱16.03 as consequence of the sale of assets and business of Altitude Games executed in April 2023.

The Company also shares in the recorded net losses of the associate companies it has invested in, which amounted to ₱11.64 million for the nine-month period ended September 30, 2023 (a 298% decline from equity in net earnings of associates as of third quarter of 2022).

Under "Other Income, Charges, and Finance Costs-net", Finance Costs–net recognized as of third quarter of 2023 is ₱41.17 million, 771% lower than the ₱6.14 million net finance costs recorded in the same period of 2022 which is mainly due to the waiver of interest expense from advances from stockholders (in relation to the conversion of advances to equity). Conversely, the Company was able to record ₱43.15 million of "Other income – net", a notable increase of 9,324% vis-à-vis the ₱0.45 million "Other charges – net" incurred in the same period of 2022 arising from the recovery and collection of the previously impaired convertible notes receivable from Altitude Games.

By the end of the third quarter of 2023, the Company generated a ₱33.57 million pre-tax loss, ₱34.78 million net loss and ₱27.60 million total comprehensive loss after effecting the ₱7.18 other comprehensive income as a result of the changes in foreign exchange rates and crypto prices by the end of the third quarter of 2023.

Consolidated total assets slightly increased from ₱602.66 million for the period ended December 31, 2022, to ₱604.10 million as of September 30, 2023. Consolidated total liabilities also slightly increased by 5% from ₱633.36 million as of December 31, 2022, to ₱662.40 million as of September 30, 2023.

Lastly, consolidated total capital deficiency went up by ₱27.60 million on September 30, 2023, from December 31, 2022, increasing the deficiency to ₱58.29 million or a 90% increase. A pro-forma balance sheet reflecting the ₱136 million debt-to-equity conversion will reflect an equity at positive ₱78 million.

Segment Financial Performance

For the nine-month period ended September 30, 2023 (in Php Millions)	**Mobile Consumer Services**	**Enterprise Services**	**Other Services**	**Intersegment Adjustments**	**Consolidated**
Total Service Revenues	**5.52**	**128.68**	**37.64**	**(23.63)**	**148.20**
Operating expenses	40.70	155.31	56.63	(41.34)	211.29
Equity in net losses of associates	-	-	-	11.64	11.64
Finance costs and other charges (income) - net	(47.65)	1.13	0.53	4.83	(41.17)
Total Expenses (Other Income) - net	**(6.95)**	**156.44**	**57.16**	**(24.88)**	**181.77**
Operating Income (Loss)	**12.46**	**(27.76)**	**(19.53)**	**1.25**	**(33.57)**
Provision for income tax	(0.28)	(0.93)	-	-	(1.21)
Net Income (Loss)	**12.18**	**(28.69)**	**(19.53)**	**1.25**	**(34.78)**

Xurpas Group operates under mobile consumer services, enterprise services and other services segments. Prior to eliminations, for the nine-month period ended September 30, 2023, the enterprise services generated the majority of the total revenues amounting to ₱128.68 million. This is followed by other services which amounted to ₱37.64 million revenues of Storm's subsidiary, AllCare, and mobile consumer services with a contribution amounting to ₱5.52 million.

The mobile consumer services segment (under which Xurpas parent company operates) benefitted from the sale of Altitude's assets and business, earning ₱27.69 million net gain from the said transaction. This is recorded in the Xurpas parent company's books.

Profitability

For the nine-month period ended September 30, 2023, compared with the nine-month period ended September 30, 2022.

Revenues

The consolidated revenues of the Group for the nine-month period ended September 30, 2023, amounted to ₱148.20 million, a decrease of 15% from ₱174.49 million the same period of the previous year.

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

Segment	Description	Subsidiaries
Enterprise services	Revenues derived from the provision of mobile platform solutions to corporate and government clients, information technology (IT) staff augmentation and consultancy services, various enterprise solutions-based services to Telcos and other companies for network, platform and applications development	• Xurpas Enterprise • Xurpas Parent Company • Seer • Xurpas Software
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing	• Xurpas Parent Company • Xurpas Software
Other services	Revenues derived from services related to a membership-based marketplace which offers a variety of worker benefits –insurance, health checks and wellness.	• AllCare

In PhP Millions	For the nine-month periods ended September 30					
	2023		2022		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Revenues						
Enterprise services	105.05	71%	127.71	73%	(22.67)	(18%)
Mobile consumer services	5.52	4%	14.76	8%	(9.25)	(63%)
Other services	37.64	25%	32.01	18%	5.63	18%
Total Revenues	**148.20**	**100%**	**174.49**	**100%**	**(26.29)**	**(15%)**

As of third quarter of 2023, enterprise services generated the most revenue at ₱105.05 million or 71% of total revenues. This is 18% (or ₱22.67 million) lower compared to 3Q2022 revenue of ₱127.71 million. On the other hand, revenues generated from other services, which accounts for 25% of company revenues, went up by 18% (or ₱5.63 million), from ₱32.01 million in the first three quarters of 2022 to ₱37.64 million in September 2023. This is due to the ongoing expansion of AllCare. Lastly, as the Company shifted its focus on the expansion of its enterprise services, it has been expected that the revenues under mobile consumer will decline. The latter comprises 4% of the revenues or ₱5.52 million which decreased from the prior period by 63% (or ₱9.25 million).

The enterprise services segment is comprised of the following business units:

In PhP Millions	For the nine-month periods ended September 30					
	2023		2022		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Enterprise Services						
IT staff augmentation	41.78	40%	94.41	74%	(52.62)	(56%)
Custom software development	39.10	37%	30.50	24%	8.60	28%
Web 3.0 services	16.65	16%	0.40	0%	16.26	4,102%
Business solutions	4.07	4%	1.46	1%	2.61	179%
Others	3.43	3%	0.95	1%	2.48	261%
Total Enterprise Services	**105.05**	**100%**	**127.71**	**100%**	**(22.66)**	**(18%)**

As previously discussed, there was a 56% (or ₱53.02 million) decline in IT staff augmentation revenues, but was partly offset by the increase in custom software development and business solutions by 28% (or ₱8.60 million) and 179% (or ₱2.61 million) respectively. The Company also successfully started providing Web 3.0 services as part of its initiatives starting second half of 2022. For the first three quarters of 2023, Web 3.0 services contributed ₱16.65 million in revenues.

Expenses

In PhP Millions	For the nine-month periods ended September 30					
	2023		2022		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	108.13	51%	119.02	66%	(10.90)	(9%)
General and Administrative Expenses	103.17	49%	61.43	34%	41.74	68%
Total Expenses	**211.30**	**100%**	**180.45**	**100%**	**30.85**	**17%**

The Group's consolidated expenses during the nine-month period ended September 30, 2023, amounted to ₱211.30 million, a 17% (or ₱30.85 million) increase from the same period of the previous year at ₱180.45 million. As of third quarter of 2023, COS accounted for the bulk of expenses, totaling ₱108.13 million or 51% of the Group's consolidated expenses. For the same period in 2022, COS amounted to ₱119.02 million, which comprised 66% of overall expenses.

Cost of Services

In PhP Millions	For the nine-month periods ended September 30					
	2023		2022		Amount Change	% Increase (Decrease)
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	54.25	50%	76.29	65%	(22.04)	(29%)
Outside services	40.47	37%	20.12	17%	20.35	101%
Outsourced services	7.01	6%	13.77	12%	(6.75)	(49%)
Web hosting	2.87	3%	2.14	2%	0.73	34%
Others	3.53	3%	6.71	6%	(3.18)	(47%)
Total Expenses	**108.13**	**100%**	**119.02**	**100%**	**(10.90)**	**(9%)**

The cost of services (COS) as of 3Q2023 amounted to ₱108.13 million, a decrease from the same period of the previous year of ₱119.02 million. 50% of cost of services came from salaries and wages at ₱54.25 million and had a 29% decrease from the prior year of the same period. As mentioned, this is a result of the reclassification from COS to GAEX salaries and wages due to internal reorganization. In contrast, outside services increased by 101% from ₱20.12 million as of 3Q2022 to ₱40.47 million as of 3Q2023, due to the increase in benefits and claims resulting from the consistent growth in revenue of AllCare during the period.

General and Administrative Expenses (GAEX)

In PhP Millions	For the nine-month periods ended September 30					
	2023		2022		Amount	% Increase
	Amount	Percentage	Amount	Percentage	Change	(Decrease)
General and Administrative Expenses						
Salaries, wages and employee benefits	61.87	60%	27.50	45%	34.36	125%
Provision for impairment loss	17.82	17%	2.36	4%	15.46	656%
Professional fees	5.03	5%	8.33	14%	(3.30)	(40%)
Marketing and promotions	3.14	3%	4.80	8%	(1.66)	(35%)
Others	15.32	15%	18.43	30%	(3.12)	(17%)
Total Expenses	**103.17**	**100%**	**61.43**	**100%**	**41.74**	**68%**

General and administrative expenses (GAEX) relating to the Group's operations, for the first three quarters of 2023 amounted to ₱103.17 million, higher by 68% compared to previous year's same period level of ₱61.43 million. Salaries and wages accounted for 60% in the first three quarters of 2023 and increased by 125% vis-à-vis same period in 2022 caused by the reclassification from COS to GAEX salaries and wages and additional management manpower. Provision for impairment loss, on the other hand, mainly pertains to impairment of investment in Altitude Games Pte. Ltd. and bad debts expense recognized for the period amounting to ₱16.03 million and ₱1.79 million, respectively. Professional fees, marketing and promotions and other expenses all decreased by 40%, 35% and 17%, respectively.

Examining further the salaries and wages under COS and GAEX, should the periods between the first three quarters in 2022 and 2023 be aligned or made comparable, due to the reclassification brought by the reorganization under entities Xurpas, Xurpas Enterprise, Xurpas Software and Seer, it will result to a 13% increase in total salaries and wages. A decrease of 9% under COS and increase of 54% in GAEX salaries and wages due to additional management manpower and sales and marketing initiatives which are imperative to implement the Company's growth and expansion plans.

Salaries and Wages

Xurpas, Xurpas Enterprise, Xurpas Software & Seer

	As of 3Q 2022 Reclassed	As of 3Q 2023	Inc/(Dec)	%
COS	59.84	54.25	(5.59)	-9%
GAEX	33.36	51.27	17.91	54%
	93.20	105.52	12.32	13%

Equity in Net Losses of Associates

The equity of the Group in the net losses of its associate companies for the nine-month period ended September 30, 2023, amounted to ₱11.64 million, 298% lower than the ₱5.89 million net earnings for the comparable period. The associates that generated losses for the period are Altitude SG and MicroBenefits while 9Lives, on the other hand, recorded earnings.

Finance Costs (Income) – net

The Company recognized ₱1.98 million of net finance costs as of 3Q2023, a 65% decline from the ₱5.69 million net finance costs in 2022. During the period, Messrs. Nolledo and Garcia agreed to the waiver of interest expense on the advances of the founders, starting January 1, 2023 resulting to the ₱3.27 million or 55% decrease in interest expense.

Other Costs (Income) -net

For the nine-month period ended September 30, 2023, the Group posted other income - net of ₱43.15 million, a 9,769% improvement from the ₱0.45 million net other charges posted in the same period in 2022. This resulted mainly from the recovery and collection of convertible notes receivable from Altitude. The Group was able to recognize ₱43.73 million of combined recovery income, interest income and FOREX gain from the said transaction.

Loss before Income Tax

The Group's loss before taxes for the nine-month period ended September 30, 2023, was ₱33.57 million, a 440% increase from the loss before income tax posted in the first three quarters of 2022 amounting to ₱6.21 million.

Provision for Income Tax

The Group recognized ₱1.21 million provision for income tax for the nine- month period ended September 30, 2023 vis-à-vis ₱5.81 million provision in September 30, 2022. The decrease primarily resulted from lower income before income tax of Xurpas Enterprise.

Net Loss

The Group posted a consolidated net loss of ₱34.78 million for the nine-month period ended September 30, 2023, deterioration of 189% from the previous year's same period of ₱12.02 million.

Other Comprehensive Income

In September 2023, the Group posted a ₱7.19 million other comprehensive income. This figure was a 112% improvement from September 2022 of ₱59.07 million other comprehensive loss due to a gain on cumulative translation adjustment and revaluation surplus as a result of Peso appreciation vs USD and SGD and increase in cryptocurrency prices as of end of the 3rd quarter of 2023.

	Foreign exchange rates		**Cryptocurrency price**	
	USD to ₱	**SGD to ₱**	**BTC**	**ETH**
December 31, 2022	USD1.00 to ₱55.76	SGD1.00 to ₱41.58	USD16,537	USD1,197
September 30, 2023	USD1.00 to ₱55.36	SGD1.00 to ₱40.83	USD30,473	USD1,933

Total Comprehensive Loss

For the nine-month period ended September 30, 2023, the Group's total comprehensive loss improved by 61% brought by the other comprehensive income generated for the period. This amounts to ₱27.60 million as of end of the third quarter compared to total comprehensive loss of ₱71.09 million for the nine-month period ended September 30, 2022.

Financial Position

As of September 30, 2023, compared to December 31, 2022.

Assets

Cash

The Group's consolidated cash amounted to ₱111.50 million for the nine-month period ended September 30, 2023, a net increase of 76% or ₱48.19 million from consolidated cash of ₱63.31 million as of December 31, 2022 which is attributed to the collection of convertible notes receivable from Altitude amounting to ₱46.36 million

Accounts and Other Receivables

The Group's consolidated accounts and other receivables amounted to ₱77.32 million and ₱96.67 million as of September 30, 2023, and December 31, 2022, respectively. Change in this account was caused by the decrease in trade receivables with compensating decrease in receivable from related parties caused by the recovery and collection of note receivable from Altitude. Out of the consolidated accounts and other receivables, 89% or ₱68.92 million pertains to trade receivables – net.

Contract Assets

The Group's consolidated contract assets totaling ₱49.30 million as of December 31, 2022, decreased by ₱23.95 million as of September 30, 2023, to ₱25.35 million which was majorly caused by the decline in the account balance pertaining to Globe Telecom.

Other Current Assets

As of September 30, 2023, the Group's consolidated other current assets totaled ₱31.67 million, an increase of ₱16.59 million or 110% from its previous level on December 31, 2022 of ₱15.07 million. The increase in this account was caused by higher prepaid expenses of AllCare as a result of the continuing growth in AllCare's business. These prepayments are used to fund clients' health benefit plans and will eventually be charged to expense upon their utilization.

Financial assets at FVOCI

This account pertains to quoted and unquoted equity investments in Club Punta Fuego and Zowdow Inc. As of September 30, 2023, carrying value and net unrealized loss on financial assets at FVOCI recognized in the consolidated statement of financial position remained unchanged from its previous level on December 31, 2022, which both amounted to ₱1.20 million.

Investment and Advances to Associates

As of September 30, 2023, the Group's consolidated investment in associates decreased from ₱294.97 million during December 31, 2022, to ₱262.71 million. Movements in this account were caused by (1) Equity in net loss of associates amounting to ₱11.64 million, (2) Gain from cumulative translation adjustment amounting to ₱0.49 million, (3) Dividends received from Altitude Games amounting to ₱4.09 million which corresponds to the Parent Company's share in the sale of Altitude Game's assets and business, and (4) Impairment of investment in Altitude Games amounting to ₱16.03 million.

The breakdown of the carrying amounts of these investments are as follows: Micro Benefits Limited (₱219.99 million) and SDI (₱20.64 million). Advances to SDI remain unchanged from its December 31, 2022 balance of ₱22.08 million.

Property and Equipment

The Group's consolidated property and equipment was ₱4.32 million on September 30, 2023, vis-à-vis ₱5.61 million as of December 31, 2022. The Group acquired property and equipment amounting to ₱1.75 million during the nine-month period ended September 30, 2023. Depreciation expense amounted to ₱1.54 million for the nine-month period ended September 30, 2023.

Right-of-use (ROU) Asset

Right-of-use asset as of September 30, 2023 and December 31, 2022 amounted to ₱1.46 million and ₱0.17 million, respectively. In the first half of the year, the Parent Company renewed the lease contract for its office space in Antel for another two years, thereby, recognizing additional ROU asset amounting to ₱2.06 million. Depreciation expense recognized amounted to ₱0.77 million for the first half of 2023.

Intangible Assets

As of September 30, 2023, intangible assets amounted to ₱74.71 million which increased from December 31, 2022, balance of ₱62.84 million. The components are goodwill, developed software, and cryptocurrencies.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group. As of September 30, 2023, goodwill was at ₱48.22 million.
- Developed software pertains to corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As of September 30, 2023, net book value of developed software was ₱0.91 million. Additions and amortization of developed software for the nine-month period ended September 30, 2023, amounted to ₱0.15 million and ₱0.30 million, respectively.
- Cryptocurrencies pertain to units of Bitcoin, Ethereum and USDC held by the Group as of September 30, 2023, valued at ₱25.57 million. Additions during the period amounted to ₱7.64 million while cryptocurrencies with carrying value of ₱2.65 million were disposed of. Net revaluation surplus recognized amounted to ₱7.03 million.

Other Noncurrent Assets

Other noncurrent assets amounted to ₱13.86 million as of September 30, 2023. This figure is 2% higher than the ₱13.52 million figure posted as of December 31, 2022.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables was at ₱393.65 million as of September 30, 2023. It increased by ₱6.98 million from the December 31, 2022 figure of ₱386.68 million mainly due to the increase in trade payables, deferred output VAT and payable to related parties.

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

Advances from Stockholders

This account pertains to the loan agreements entered by the Parent Company in 2017 and 2019 amounting to ₱153.14 million and ₱152.35 million as of September 30, 2023 and December 31, 2022, respectively. The increase was brought about by foreign exchange revaluation of one of the loan agreements with a founder which is denominated in US Dollar.

On June 30, 2023, the memorandum of agreement between founders, Mr. Nico Jose Nolledo and Mr. Fernando Jude Garcia, and Xurpas in relation to the conversion of the ₱136.52 million advances from stockholders to equity was signed. This aims to improve and strengthen Xurpas' balance sheet, and reflects the founders' confidence in the Corporation's ability to further expand its business.

On October 10, 2023, SEC provided the Company the Certificate of Approval of Valuation as to the above conversion and the Company shall subsequently issue 455,068,753 common shares from the unissued portion to the Assignors and reflect the ₱136.52 million advances from stockholders to additional equity.

Loans Payable

The Group recorded ₱37.24 million in current loans on September 30, 2023, and ₱33.82 million as of December 31, 2022. This is mainly attributable to the loans of Storm and Seer which are interest-bearing and short-term. The increase was primarily due to the reclassification from noncurrent liability of Storm loans payable that will fall due in the first half of 2024.

Contract Liabilities

The Group's consolidated contract liabilities as of September 30, 2023, amounted to ₱54.71 million, an increase of 59% from the December 31, 2022, figure of ₱34.45 million. The increase in this account was the result of the growing HMO business of AllCare.

Current Portion of Lease Liability

The Group recognized a lease liability for its office space in Antel amounting to ₱1.51 million. In January 2023, the Parent Company renewed the lease contract for its office space in Antel for another two years, thereby, recognizing additional lease liability amounting to ₱2.34 million. Accretion of interest and payments made amounted to ₱0.07 million and ₱1.08 million, respectively.

Current portion of the lease liability as of September 30, 2023 amounted to ₱1.02 million.

Loan Payable – net of current portion

This account pertains to the noninterest bearing loan agreement entered by Storm amounting to ₱17.32 million. The loan is payable in monthly installments over one (1) to five (5) years. As of September 30, 2023, outstanding balance of the loan amounted to ₱11.57 million of which ₱0.84 million was classified as noncurrent.

Lease Liabilities – net of current portion

This account pertains to the Parent Company's leased office space in Antel. Noncurrent portion of the lease liability as of September 30, 2023 amounted to ₱0.49 million.

Pension Liability

The accrued pension of the Group was at ₱21.31 million as of September 30, 2023, which was unchanged from its levels on December 31, 2022.

Capital Deficiency

Total Capital Deficiency

The Group recorded total capital deficiency of ₱58.29 million as of September 30, 2023, a 90% increase from December 31, 2022 with a figure of ₱30.70 million. The increase is due to the total comprehensive loss recognized for the period.

A pro-forma balance sheet reflecting the ₱136.52 million debt-to-equity conversion will reflect an equity at a positive ₱78.23 million.

Equity, ending as of 3Q2023	(58.29)
Conversion of Stockholders' advances	136.52
Equity, ending (adjusted)	**78.23**

Liquidity and Capital Resources

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

Cashflows

In PhP Millions	For the nine-month periods ended September 30 2023 Amount	 2022 Amount
Net cash provided by (used in) Operating Activities	15.60	(49.01)
Net cash provided by (used in) Investing Activities	32.28	(4.64)
Net cash provided by (used in) Financing Activities	(1.38)	98.80
Effect of foreign currency exchange changes in cash	1.69	(1.85)
Net increase in cash	48.19	43.30
Cash at beginning of period	63.31	35.95
Cash at end of period	**111.50**	**79.25**

Cash Flows from Operating Activities

For the first nine months of 2023, operating income before changes in working capital of ₱11.97 million was coupled with the corresponding increase changes in operating assets and liabilities resulted in ₱9.12 million net cash provided by operations. Together with interest received, interest expense and income taxes paid, this resulted in a net cash provided by operating activities of ₱15.60 million, compared to net usage of ₱49.01 million, the previous period.

Cash Flows from Investing Activities

The Group's consolidated cash flows provided by investing activities for the first nine months of 2023 was ₱32.28 million compared to ₱4.64 million used in the same period of 2022. The primary sources of cash flows from investing activities were collections from Altitude Games for the recovery of convertible notes receivable and dividends, and proceeds from sale of properties and cryptocurrencies.

Cash Flows from Financing Activities

The cash flow used in financing activities as of third quarter of 2023 was ₱1.38 million which decreased from net cash provided of ₱98.80 million in the same period in 2022 The cash flow provided in financing activities as of 3Q2022 were mainly from the proceeds of the equity infusion. For the first three quarters of 2023, this is only composed of payments to loans payable amounting to ₱0.31 million and payment of the principal portion of lease liabilities amounting to ₱1.08 million.

Capital Expenditure

The Group's capital expenditures for the nine-month period ended September 30, 2023, and the year ended December 31, 2022, amounted to ₱3.97 million and ₱5.34 million, respectively.

Key Financial Data In PhP Millions	September 30, 2023 Additions	December 31, 2022 Additions
Right-of-use Assets	2.07	-
Developed software	0.15	1.10
IT Equipment	1.75	4.07
Leasehold Improvements	-	-
Office Equipment	-	0.17
	3.97	**5.34**

Key Performance Indicators

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

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

In Percentage	As of and for the nine-month periods ended September 30		As of and for the year ended December 31, 2022
	2023	2022	
Liquidity Ratios			
Current Ratio	**38%**	40%	37%
Quick Ratio	**33%**	37%	34%
Asset-to-Equity Ratio	**667%**	468%	568%
Profitability Ratios			
Net Loss Margin	**(15%)**	(3%)	(23%)
Gross Margin	**27%**	32%	25%
Operating Margin	**(19%)**	4%	(23%)
Return on Total Assets	**(4%)**	(1%)	(9%)
Return on Equity	**(23%)**	(4%)	(49%)
Debt Ratios			
Debt-to-Equity Ratio	**7.31x**	4.53x	5.97x
Interest Coverage Ratio	**-11.23x**	-0.04x	(6.42x)

Liquidity Ratios

Current ratio as of September 30, 2023 and December 31, 2022 was 38% and 37%, respectively and was primarily due to the increase in cash. Meanwhile, quick ratio was at 33% and 34% as of September 30, 2023 and December 31, 2022, respectively.

Asset-to-Equity Ratio

There was an increase in the asset-to-equity ratio from 568% as of December 31, 2022, to 667% on September 30, 2023 due to the increase in deficit attributable to equity holders of the Parent Company.

Profitability Ratios

Net loss margin, operating margin, return on total assets and return on equity are at -15%, -19%, -4% and -23% respectively. Gross margin is at 27% which is a slight decrease from the same period of last year's gross margin. The overall decrease in the profitability ratios was caused by the combined effect of decline in revenues and increase in operating expenses.

Debt Ratio

Debt-to-equity on September 30, 2023, increased to 7.31x from 5.97x as of December 31, 2022. The decrease in the gearing ratio was attributed to the increase in liabilities and deficit attributable to equity holders of the Parent Company compared with the same period of last year. Interest coverage ratio as of September 30, 2023, was at -11.23x compared to -0.04x on September 30, 2022.

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

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

Other Disclosures:

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

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

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

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

v. Material Events/ Uncertainties. The sale of the assets of Altitude Games Pte. Ltd (SG Entity) has been approved where Xurpas Inc. has a 21.17% stake. Upon effectivity of sale, Xurpas has received the proceeds from the sale and discharge of corresponding liabilities. The incorporation of Xurpas Software Inc and Xurpas Pty Ltd (Xurpas Australia) took place on April and July 2023 respectively. The Certificate of Approval of Valuation from SEC has already been received by the Company on October 2023 which will consequently allow the recognition of the debt-to-equity conversion of the advances to stockholders to additional equity amounting to ₱136.52 million which aims to improve the balance sheet of the Company. Aside from these, there are no new trends, events, or uncertainties that are expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations.

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

vii. Seasonality. The Group is not subject to seasonality.

PART II--OTHER INFORMATION

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

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned, on NOV 1 4 2023.

Issuer: **XURPAS INC.**

By:

JONATHAN GERARD A. GURANGO
Chairman of the Board
and Chief Executive Officer

ALEXANDER D. CORPUZ
Chief Finance Officer