

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **INTELLECT DESIGN ARENA PHILIPPINES, INC.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended March 31, 2023 and 2022 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

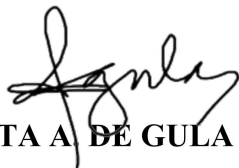
The Board of Directors review and approves the financial statements including the schedule attached therein and submit the same to the stockholders.

**Jaime P. Esperida, C.P.A.**, the independent auditor appointed by the stockholders has audited the financial statements of the company in accordance with Philippines Standards on Auditing and in this report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.



**NAGARAJ P.R. NILAKANTAM**

**Chairman and President**



**CARLOTA A. DE GULA - IREMEDIO**

**Treasurer**

*Signed this 9th day of May 2023.*

**INTELLECT DESIGN ARENA PHILIPPINES INC.**

10th Floor Philam Life Tower, 8767 Paseo de Roxas, Makati, Philippines 1226

**AUDITED FINANCIAL STATEMENTS  
with  
Auditor's Report**

March 31, 2023

(Philippine Pesos)

**JAIME P. ESPERIDA**  
**Certified Public Accountant**

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**JAIME P. ESPERIDA**  
Certified Public Accountant

Res. 854-78-82 Ofc. 721-30-92  
CP # 09195076908

## INDEPENDENT AUDITORS' REPORT

The Shareholders and Board of Directors  
**INTELLECT DESIGN ARENA PHILIPPINES INC.**  
10th Floor Philam Life Tower, 8767 Paseo de Roxas,  
Makati, Philippines 1226

### Report on the Audit of the Financial Statements

#### *Opinion*

I have audited the financial statements of **INTELLECT DESIGN ARENA PHILIPPINES INC.** which comprise the statements of financial position as at March 31, 2023 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the fiscal year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **INTELLECT DESIGN ARENA PHILIPPINES INC.** as at March 31, 2023 its financial performance and its cash flows for the year then ended in accordance with *Philippine Financial Reporting Standards (PFRS) for Small Medium-sized Entities (SMEs)*.

#### *Basis of Opinion*

I conducted my audit in accordance with Philippine Standards on Auditing (PSA). My responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to my audit of the financial statements in the Philippines, the *Code of Ethics for Professional Accountants in the Philippines (Philippine Code of Ethics)*, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### *Emphasis of the Matter*

Without qualifying our opinion, the note to financial statement which indicates that the Company incurred a capital deficiency of P42,503,493 and P68,795,897 as of March 31, 2023 & 2022 respectively. These conditions, along with other matters to the financial statements, indicate the existence of an uncertainty, which may cast doubt on the Company's ability to continue as a going concern. To address the deficiencies, the Company's stockholders have committed to provide continuous financial support for the Company's working capital requirement.



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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting processes.

### *Auditors' Responsibilities for the Audit of the Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of

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







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

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

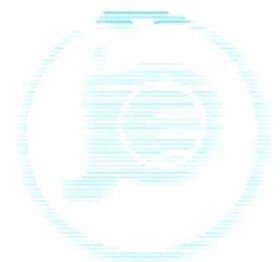
**Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010**

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in my audit of the basic financial statements. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as whole.



**JAIME P. ESPERIDA**  
CPA Cert. No. 59580  
Valid until March 1, 2026  
BOA Reg. No. 1977  
Valid until March 31, 2026  
SEC Accreditation No. 59580-SEC  
Issue date January 17, 2022  
Group C, Valid until January 16, 2025  
BIR AN: 08-005268-001-2023  
Issue date February 22, 2023  
Valid until February 21, 2026  
TIN NO. 128-703-868  
PTR No. PC8070989  
January 10, 2023, Pasay City

May 9, 2023  
Pasay City Philippines





**JAIME P. ESPERIDA**  
Certified Public Accountant

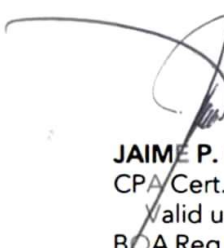
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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT TO ACCOMPANY  
FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE  
COMMISSION**

The Shareholders and Board of Directors  
**INTELLECT DESIGN ARENA PHILIPPINES INC.**  
10th Floor Philam Life Tower, 8767 Paseo de Roxas,  
Makati, Philippines 1226

I have audited the financial statements of **INTELLECT DESIGN ARENA PHILIPPINES INC.** for the year ended March 31, 2023, on which I have rendered the attached report dated May 9, 2023.

In compliance with Securities Regulation Code Rule 68 and based on the certification received from issuer's corporate secretary and the results of our work done as of December 31, 2022. I am stating that the said Company has only (    ) **stockholders** owning at least one hundred (100) or more shares.



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**JAIME P. ESPERIDA**  
*Certified Public Accountant*

Res. 854-78-82 Ofc. 721-30-92  
CP # 09195076908

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT TO ACCOMPANY  
PHILIPPINE INCOME TAX RETURN**

The Shareholders and Board of Directors

**INTELLECT DESIGN ARENA PHILIPPINES INC.**

10th Floor Philam Life Tower, 8767 Paseo de Roxas,  
Makati, Philippines 1226

I have examined the financial statements of **INTELLECT DESIGN ARENA PHILIPPINES INC.** as of March 31, 2023  
on which I have rendered my report dated May 9, 2023.

In compliance with Revenue Regulations V-20,

1. The taxes paid or payable by the above company during the year are shown in the Schedule of Taxes and Licenses attached to the Income Tax Return.
2. I don't have any direct financial interest with the Company.

**JAIME P. ESPERIDA**

CPA Cert. No. 59580

Valid until March 1, 2026

BOA Reg. No. 1977

Valid until March 31, 2026

SEC Accreditation No. 59580-SEC

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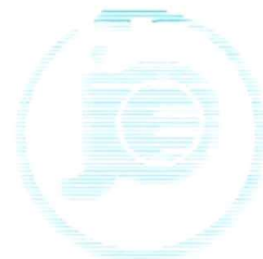
TIN NO. 128-703-868

PTR No. PC8070989

January 10, 2023, Pasay City

May 9, 2023

Pasay City Philippines



**INTELLECT DESIGN ARENA PHILIPPINES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**As of March 31, 2023 and 2022**  
*(Amounts in Philippine Peso)*

	Notes	2023	2022
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	4	5,148,802 P	11,298,765
Trade and other receivables	5	206,030,548	177,595,518
Prepayments and other current ass	6	17,191,920	34,442,684
Total Current Assets		228,371,270	223,336,967
<b>NONCURRENT ASSETS</b>			
Property and equipment	7	1,319,364	2,130,275
Deferred tax asset		18,593,081	3,897,564
Other non-current asset	8	790,439	752,360
Total Noncurrent Assets		20,702,884	6,780,200
<b>TOTAL ASSETS</b>		<b>249,074,154 P</b>	<b>230,117,167</b>
<b>LIABILITIES AND CAPITAL DEFICIENCY</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	265,748,857 P	227,498,194
Loans Payable - Current	17	1,750,387	3,524,367
Income tax payable	15	133,895	-
Total Current Liabilities		267,633,139	231,022,561
<b>NONCURRENT LIABILITIES</b>			
Loans Payable - NonCurrent	17	23,944,509	67,890,169
Total Noncurrent Liabilities		23,944,509	67,890,169
<b>TOTAL LIABILITIES</b>		<b>291,577,648</b>	<b>298,912,730</b>
<b>EQUITY</b>			
Capital stock	16	21,847,619	21,847,619
Deficit		(64,351,113)	(90,643,182)
Total Capital Deficiency		(42,503,494)	(68,795,563)
<b>TOTAL LIABILITIES AND CAPITAL DEFICIENCY</b>		<b>249,074,154 P</b>	<b>230,117,167</b>

*See notes to financial statements.*



**INTELLECT DESIGN ARENA PHILIPPINES, INC.**  
**STATEMENTS OF INCOME**  
**For the Years Ended March 31, 2023 and 2022**  
*(Amounts in Philippine Peso)*

	Notes	2023	2022
<b>REVENUES</b>	10	P 205,230,631	P 156,492,904
<b>COSTS AND OTHER OPERATING EXPENSES</b>			
Cost of Services	11	158,894,520	118,339,713
Administrative Expenses	11	17,712,136	22,524,278
Other (Income) Expenses	13	(368,873)	(4,192,143)
		176,237,783	136,671,848
<b>OPERATING PROFIT</b>		28,992,848	19,821,056
<b>FINANCE INCOME (COSTS)/OTHER</b>	14	(2,657,534)	(3,826,174)
<b>PROFIT BEFORE TAX</b>		26,335,314	15,994,882
<b>TAX EXPENSE</b>	15	43,245	690
<b>NET PROFIT</b>		<b>P 26,292,069</b>	<b>P 15,994,192</b>

*See notes to financial statements.*

**INTELLECT DESIGN ARENA PHILIPPINES, INC.**  
**STATEMENTS OF CHANGES IN EQUITY**  
**For the Years Ended March 31, 2022 and 2021**  
*(Amounts in Philippine Peso)*

	<i>Notes</i>	<b>2023</b>	<b>2022</b>
<b>CAPITAL STOCK</b>	<i>16</i>		
Balance at the beginning of the year	P	21,847,619	P
Issuance during the year		-	-
Balance at the end of the year		21,847,619	21,847,619
<b>DEFICIT</b>			
Balance at the beginning of the year		(90,643,182)	(106,637,374)
Net Profit (Loss) for the year		26,292,069	15,994,192
Balance at the end of the year		(64,351,113)	(90,643,182)
<b>TOTAL CAPITAL DEFICIENCY</b>	<b>P</b>	<b>(42,503,494)</b>	<b>P</b>
		<b>(68,795,563)</b>	

*See notes to financial statements.*

**INTELLECT DESIGN ARENA PHILIPPINES, INC.**  
**(A Wholly Own Subsidiary of Intellect Design Arena PTE Ltd)**  
**STATEMENT OF CASH FLOW**  
**For the Years Ended March 31, 2023 and 2022**  
**(Amounts in Philippine Peso)**

	<b>2023</b>	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit (loss) before tax	P 26,335,314	P 15,994,882
Adjustments for:		
Depreciation (Note 7)	810,911	817,902
Finance Costs (Note 14)	7,237,597	9,449,114
Finance income (Note 13)	( 4,580,062 )	( 5,622,939 )
Operating profit (loss) before working capital changes	29,803,759	20,638,958
Increase in trade and other receivables (Note 5)	( 28,435,030 )	( 53,377,630 )
Increase in prepayments and other current assets (Note 6)	6,261,800	( 3,360,837 )
Decrease in other non-current asset (Note 8)	- 38,079	-
Increase in trade and other payables (Note 9)	38,250,664	28,312,024
Cash generated from operations	45,843,115	( 7,787,485 )
Finance income (Note 13)	4,580,062	5,622,939
Cash paid for taxes	( 3,615,904 )	( 2,504,758 )
Net Cash Used in Operating Activities	46,807,272	( 4,669,304 )
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Acquisitions of property and equipment (Note 7)	-	( 35,714 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in loans payable	( 45,719,639 )	( 12,683,012 )
Finance Costs (Note 14)	( 7,237,597 )	( 9,449,114 )
Net Cash From Financing Activities	( 52,957,235 )	( 22,132,126 )
<b>NET INCREASE (DECREASE) IN CASH</b>	( 6,149,964 )	( 26,837,144 )
<b>CASH AT BEGINNING OF YEAR</b>	11,298,765	38,135,909
<b>CASH AT END OF YEAR (Note 4)</b>	P 5,148,801	P 11,298,765

See Notes to Financial Statements.

**INTELLECT DESIGN ARENA PHILIPPINES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2023 and 2022**  
**(Amounts in Philippine Peso)**

**1. GENERAL INFORMATION**

*Corporate Information*

INTELLECT DESIGN ARENA PHILIPPINES INC. was incorporated under Philippine laws and registered with the Securities and Exchange Commission (SEC) on June 15, 2011 with registration number CS201110259 primarily to provide computer services and to carry on the business of systems for the usage of computer systems, communication systems and to develop deal, trade sell, license, import and export at wholesale with software products and/or encompassing computer equipment and communication and multimedia technology for markets in the Philippines and outside the Philippines; To provide multimedia services and communication services - via the internet and intranet - including the supply of hardware and software, to assemble and/or manufacture computers and communication equipment for markets both within and outside of the Philippines without acting as the internet service provider.

The Company is a wholly-owned subsidiary of Intellect Design Arena PTE Ltd. (the Parent Company), a Company incorporated and domiciled in Singapore and engaged in computer services.

The Company's registered office address is located at 10th Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City.

*Approval of Financial Statements*

The financial statements of the Company as of and for the year ended March 31, 2023 (including comparatives as of and for the year ended March 31, 2022) were authorized for issue by the company's Board of Directors on May 9, 2023.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented unless otherwise stated.

*Basis of Preparation of Financial Statements*

*a. Statement of Compliance with Philippine Financial Reporting Standards for Small and Medium-sized Entities*

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs). PFRS for SMEs is adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB) and approved by the Philippine Board of Accountancy (BOA).

*b. Presentation of Statement of Income and Statement of Changes in Equity*

The Company opted to present a separate statement of income and separate statement of changes in equity even when the changes to equity during the years presented arise only from profit or loss.

The financial statements have been prepared using the measurement bases specified by PFRS for SEs for each type of assets, liabilities, income and expense. The measurement bases are more fully described in the accounting policies in the succeeding pages.

The preparation of financial statements in accordance with the PFRS for SMEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in Note 3.



### *c. Functional and Presentation Currency*

These financial statements are presented in Philippine peso, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the company operates.

### *Cash*

Cash defined as cash on hand and deposit in the bank to meet short-term cash commitment rather than investment or other purposes.

### *Trade and Other Receivables*

Trade and other receivables are recognized initially at the transaction price. These are subsequently measured at amortized cost using the effective interest method, less accumulated allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The related impairment loss is recognized in the profit or loss.

### *Prepayments and Other Current Assets*

Prepayments and other current assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Prepayments and other current assets include prepaid expenses which are paid in advance and recorded as an asset before these are utilized, prepaid income tax, which will be applied in the following year against corporate income tax, and input taxes which will be applied in the following year against output tax. Prepaid expenses are amortized over time and recognized as an expense as the benefit is derived from the asset. Prepayments and other current assets are recognized and measured at transaction costs or the amount of cash paid. Subsequently, these are charged to expense as they are consumed in operations or expire over time.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of the reporting period, or in the normal operating cycle of the business, if longer, are classified as non-current assets.

### *Property and Equipment*

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized, expenditures for repairs and maintenance are charged to expense during the period in which they are incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Computer Software	3 years
Leasehold improvements	5 years
Office machinery and equipment	10 years
Furniture and fixtures	10 years

If there is an indication that there has been a significant change in the useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 7).

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with carrying amount of the item and are recognized as part of Other income in profit or loss.

#### *Trade and Other Payables*

Trade and other payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method.

Trade and other payables are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

#### *Provisions and Contingencies*

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the company that does not yet meet the recognition criteria of an asset are considered contingent assets, hence, they are not recognized in the financial statements.

On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

#### *Impairment of Assets*

At each reporting date, property and equipment are reviewed to determine whether there is any indication that property and equipment have suffered an impairment loss. If there is any indication of possible impairment, the recoverable amount of any affected asset or group of related assets is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in the profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset or group of related assets is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell), but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset or group of related assets in prior years. A reversal of an impairment loss is recognized immediately in the profit or loss.

#### *Revenue and Cost Recognition*

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Company, and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

- a. *Sale of services* - Revenue is recognized when the performance of contractually agreed tasks has been substantially rendered. Where the outcome of the contract cannot be measured reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.
- b. *Interest income* - Revenue is recognized as the interest accrues taking into account effective yield on the asset.

Revenue is measured by reference to the fair value of the consideration received or receivable by the Company for services provided, excluding value-added tax.

Cost and expenses are recognized in the profit or loss upon utilization of the service or at the date they are incurred. Except for borrowing costs attributable to qualifying assets, all finance costs are reported on an accrual basis.

#### *Employee Benefits*

The Company provides short term benefits and post-employment benefits to employees through a defined benefit plan, as well as various defined contribution plans.

##### *a. Short-term Benefits*

Wages, salaries and bonuses are recognized as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognized when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognized when the absences occur.

##### *b. Defined Benefit Plan*

The Company has not yet established a formal post-employment plan nor accrues the estimated cost of post-employment benefits under a defined benefit plan required by the provisions of Republic Act (R.A) No. 7641, The Retirement Pay Law, in as much as such the estimated retirement benefits is not material to the financial statements. The Company will recognize these benefits as an expense as they fall due.

##### *c. Defined Contribution Plan*

A defined contribution plan under which the Company pays fixed contributions into an independent entity such as Social Security System (SSS), Philhealth and Pag-ibig. The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

#### *Leases*

Leases, the Company as lessee, which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statement of income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

The Company determines whether arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

#### *Income Taxes*

Tax expense represents the sum of the current tax and deferred tax. The current tax is based on taxable profit for the year and measured using the tax rates and laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences). Deferred tax liabilities, with certain exceptions, are recognized for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and deferred tax liabilities are offset if the Company has a legally enforceable right to set current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

Most changes in deferred tax assets and liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in the other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realized or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realized or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period. The Company establishes liabilities for probable and estimable assessments by Bureau of Internal Revenue (BIR) resulting from any known tax exposures. Estimates represent a reasonable provision for taxes ultimately expected to be paid and may need to be adjusted over time as more information becomes

#### *Capital Deficiency*

Capital stock represents the nominal value of shares that have been issued.

Deficit represents all current and prior period results of operations as reported in the profit or loss section of the statement of income.

#### *Related Party Transactions and Relationship*

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

#### *Events After the End of the Reporting Period*

Any event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

### **3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The Company's financial statements prepared in accordance with PFRS for SMEs requires management to make judgments and estimates that affect amounts reported in the financial statements and related notes. 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 circumstances. Actual results may ultimately differ for these estimates.

#### *Critical Management Judgments in Applying Accounting Policies*

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



*a. Distinction between Operating and Finance Leases*

The Company has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatements of asset and liabilities.

*b. Recognition of Provisions and Contingencies*

Judgments is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provisions and contingencies are discussed in Note 2 and relevant disclosures are presented in Note 18.

*Key Sources of estimation uncertainty*

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

*a. Impairment of Trade and Other Receivables*

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Company is using direct write-off method for impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Company's relationship with the customers, the customers' current credit status, average age of accounts, collection experience and historical loss experience.

In 2023 and 2022, there were no impairment losses recognized related to trade and other receivables.

*b. Estimating Useful Lives of Property and Equipment*

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of property and equipment are analyzed in Note 7.

Based on management's assessment as at March 31, 2022 and 2021, there is no change in estimated useful lives of property and equipment during the year. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

*c. Impairment of Non-financial Assets*

The Company's policy on estimating the impairment of non-financial assets is discussed in Note 2. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

The Company assessed that none of the non-financial assets as of March 31, 2023 and 2022 are impaired.

*d. Valuation of Post-employment Benefit Obligation*

A defined benefit plan is post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. As at March 31, 2022, the Company does not have a formal post-employment benefit plan nor it computes post-employment benefit obligation based on the provisions of R.A. No. 7641, the Retirement Pay Law, in as much as such the estimated retirement benefits is not material to the financial statements. The company will recognize these benefits as an expenses as they fall due.

**4. CASH**

This account is composed of cash in banks amounted to P5,148,802 and P11,298,765 as at March 31, 2023, and 2022, respectively. Cash in banks generally earns interest at rates based on daily bank deposit rates.

**5. TRADE AND OTHER RECEIVABLES**

This account is composed of the following:

	2023	2022
Trade	P 85,398,416	P 70,893,864
Accrued receivables	86,624,444	69,574,339
Earnest Money Deposit (EMD) Receivables	20,767,626	20,767,626
Others	13,240,062	16,359,689
	<u>P 206,030,548</u>	<u>P 177,595,518</u>

Trade receivables represent valid claims from various customers resulted from projects or other business activities already rendered by the Company.

All of the Company's receivables have been reviewed for the indicator of impairment losses. Based on the management's evaluation, no impairment loss should be recognized in 2023 and 2022.

**6. PREPAYMENTS AND OTHER CURRENT ASSETS**

The composition of this account is shown below:

	2023	2022
Input tax	P 8,501,184	P 16,407,486
Prepaid tax	-	10,988,964
Others	8,690,736	7,046,234
	<u>P 17,191,920</u>	<u>P 34,442,684</u>

Others pertain to advance payment to suppliers and advances to employees for expenses subject to liquidations.

## 7. PROPERTY AND EQUIPMENT

The details of these are shown in the reconciliation presented below:

		Leasehold Improvements	Office Machinery and Equipment	Furnitures and Fixtures	Total
Cost					
Balance, April 1, 2022	P	2,549,963	P 1,570,807	P 849,441	P 4,970,211
Additions during the year		-	-	-	-
Balance, March 31, 2023		2,549,963	1,570,807	849,441	4,970,211
Accumulated depreciation					
Balance, April 1, 2022		1,529,978	1,055,127	254,832	2,839,937
Depreciation charges for the year (see Notes 11 and 21)		509,993	215,974	84,944	810,911
Balance, March 31, 2022		2,039,970	1,271,101	339,776	3,650,848
Net carrying amount as at March 31, 2022	P	509,993	P 299,706	P 509,665	P 1,319,364

Depreciation for property and equipment is presented as part of operating expenses in the statement of income (see Note 11).

All of the Company's property and equipment have been reviewed for indicators of impairment. Based on management's evaluation, no impairment losses on property and equipment need to be recognized in 2023 and 2022.

As at March 31, 2023, and 2022, no property and equipment have been pledged as securities for liabilities.

## 8. OTHER NON-CURRENT ASSET

This account pertains to security deposit amounting to P790,439 and P752,360 in 2023 and 2022, respectively.

Security deposit is intended to secure faithful compliance by the Company with the terms and conditions on its lease agreement with Kapatiran Realty Corporation and Eastern Telecommunications Phils. Inc. and such amount does not bear any interest and returnable to the Company upon termination of the lease, less any costs incurred by the lessor in repairing the damages to the building arising from, relating to or connected with the renovation by the Company of leased premises, if any.

## 9. TRADE AND OTHER PAYABLES

This account consists of the following:

	2023	2022
Accounts payable	P 152,381,789	P 164,698,350
Deferred revenue	17,102,502	15,966,388
Withholding tax payable	13,799,009	10,821,862
Accrued expenses	74,372,327	28,616,188
Deferred output VAT	7,593,379	6,794,008
Others	499,851	601,397
	<u>P 265,748,857</u>	<u>P 227,498,193</u>

## 10. REVENUES

This account represents the service income which amounted to P205,230,631 in 2023 and P156,492,904 in 2022.

## 11. COST AND OTHER OPERATING EXPENSES

The details of other operating expenses are shown below:

	2023	2022
Software license and services	P 40,784,373	P 43,582,597
Salaries and wages	15,043,771	18,304,687
Professional fees	2,419,356	3,080,227
Outside Services	671,530	378,000
Rental	1,737,320	1,524,164
Taxes and licenses (see Note 20)	932,340	637,336
Insurance	315,845	371,491
Communication, Internet and Postage	828,917	458,647
Repairs and maintenance	686,522	462,455
Advertising and promotions	383,303	313,024
Depreciation (see Note 6)	810,911	817,902
Transportation and travel	689,083	370,591
SSS, Philhealth and HDMF contributions	323,856	280,267
Office supplies	120,932	133,302
Fuel and oil	63,315	36,765
Membership Subscription	336,434	49,846
Consulting/Outsourcing Expense	105,607,288	69,295,639
Onsite Vendor Cost	4,485,745	620,612
Miscellaneous	365,814	146,437
	<u>P 176,606,656</u>	<u>P 140,863,990</u>

These expenses are presented in the statement of income as follows:

	2023	2022
Cost of services	P 158,894,520	P 118,339,713
Administrative expenses	17,712,136	22,524,278
	<u>P 176,606,656</u>	<u>P 140,863,990</u>

## 12. POST-EMPLOYMENT BENEFITS

The Company was not able to obtain an actuarial valuation of its transitional retirement liability and consequently its retirement benefit expense for 2023 and 2022 and the corresponding retirement benefit obligations as of March 31, 2023, and 2022. The Company's management believes that such transitional liability and retirement benefit obligation and expense in 2023 and 2022 are not material to the financial statements.

## 13. OTHER INCOME

The details of other income are presented below:

	2023	2022
Commision charges reversal	P -	P 3,751,445
Others	368,873	440,698
	<u>P 368,873</u>	<u>P 4,192,143</u>



#### 14. FINANCE INCOME (COST)

The details of this account are presented below:

	2023	2022
<i>Finance income</i>		
Realized foreign exchange gain	P -	P 5,033,405
Interest income from bank	903	836
	<u>903</u>	<u>5,034,241</u>
<i>Finance cost</i>		
Interest expense on loans payable (see Note 16)	(656,109)	(1,587,120)
Realized foreign exchange loss	(797,688)	-
Un-Realized foreign exchange loss	(1,037,445)	(7,085,464)
Bank charges	(167,195)	(187,832)
	<u>(2,658,437)</u>	<u>(8,860,416)</u>
Net Finance (Cost) Income	<u>P (2,657,534)</u>	<u>P (3,826,174)</u>

#### 15. INCOME TAX

The components of tax expense (benefit) as reported in profit or loss are presented below:

	2023	2022
Tax on pretax profit (loss)	P 6,583,829	P 3,198,976
Adjustment for income subjected to higher (lower) tax rate	(226)	(167)
Tax effect of:		
Revaluation exchange gain/loss	259,361	1,417,093
Accrual of expenses	11,439,035	(4,909,113)
Non-deductible expenses	47,288	-
Temporary Differences	(18,593,082)	-
Expired net operating loss carry over (NOLCO)		176,434
Expired minimum corporate income tax (MCIT)		117,467
Income Tax Rate Adjustment	307,040	-
	<u>P 43,245</u>	<u>P 690</u>

The details of Company's deferred tax asset are shown below:

	2023	2022
NOLCO	P -	P 2,575,268
MCIT	-	1,322,296
Temporary Differences	18,593,082	-
	<u>P 18,593,082</u>	<u>P 3,897,564</u>

The Company is subject to the minimum corporate income tax (MCIT) which is 2% of the Company's gross income, as defined under the tax regulations, and will be paid at the end of the year whenever the regular corporate income tax is lower than the MCIT. Any MCIT paid can be applied against the regular corporate income tax within the next three years after the year it was paid.

The details of MCIT is shown below:

Year	Expiry	Amount	Expired	Applied	Balance
2022	2025	P 423,453	P -	P 423,453	P -
2021	2024	302,556	-	302,556	-
2020	2023	596,287	-	596,287	-
2019	2022	117,467	117,467	-	-
		<u>P 1,439,763</u>	<u>P 117,467</u>	<u>P 1,322,296</u>	<u>P -</u>

On September 30, 2020, the BIR issued Revenue Regulation No. 25-2020 which prescribes the rules and regulations to implement Section 4 of Republic Act (RA) No. 11494 (Bayanihan to Recover as One Act) relative to NOLCO under Section 34 (D) (3) of the National Internal Revenue Code (NIRC) of 1997, as amended. Unless otherwise disqualified from claiming the deduction, the business or enterprise which incurred a net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss. The net operating loss for said taxable years may be carried over as a deduction even after the expiration of RA No. 11494 provided the same are claimed within the next five (5) consecutive taxable years immediately following the year of such loss.

The amount of net operating loss carry-over (NOLCO) which can be deducted from the taxable income is shown below:

Year	Expiry	Amount		Expired		Applied		Balance
2022	2027	P	1,466,060	P	-	P	1,466,060	P -
2020	2025		7,606,852		-		7,606,852	-
2019	2022		632,612		581,769		50,843	-
		P	9,705,524	P	581,769	P	9,123,755	P -

In 2023 and 2022, the Company claims itemized deductions for income tax purposes.

#### **Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act**

On March 26, 2021, Republic Act No. 11534, otherwise known as "Corporate Recovery and Tax Incentives for Enterprises Act" or CREATE Act was signed into law amending certain provisions of the National Internal Revenue Code of 1997.

The key amendments in the Tax Code under the CREATE Act include, but not limited to, the following:

*a. Adoption of Graduated Corporate Income Tax (CIT) rate effective July 1, 2020:*

- 20% CIT for domestic corporations with total assets of not exceeding P100 million (excluding land on which the particular business entity's office is situated), and with net taxable income not exceeding P5 million.
- 25% CIT for other domestic corporations

*b. 25% CIT for non-resident foreign corporations effective January 1, 2021.*

*c.*

*Reduction of Minimum Corporate Income Tax (MCIT) from 2% to 1% from July 1, 2020 to June 30, 2023.*

*d. Reduction of CIT for proprietary, non-profit educational institutions and hospitals from 10% to 1% from July 1, 2020 to June 30, 2023.*

*e. Tax exemption of foreign-sourced dividends of domestic corporations subject to certain conditions.*

*f. Clarification on the types of reorganizations covered by tax-free exchanges under Section 40(C)(2) of the Tax Code.*

*g. Repeal of improperly accumulated earnings tax (IAET).*

*h. Repeal of 10% special income tax rate on regional operating headquarters (ROHQ) starting January 1, 2022.*

## 16. EQUITY

### Capital Stock

	Shares		Amount	
	2023	2022	2023	2022
Common stock -P1 par value				
Authorized	<u>100,000,000</u>	<u>100,000,000</u>	<u>P 100,000,000</u>	<u>P 100,000,000</u>
Subscribed	21,847,619	21,847,619	21,847,619	21,847,619
Subscription receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at end of year	<u>21,847,619</u>	<u>21,847,619</u>	<u>P 21,847,619</u>	<u>P 21,847,619</u>

As of March 31, 2023 and 2022, the Company has one stockholder owning 100 or more shares of the Company's common stock.

## 17. RELATED PARTY TRANSACTIONS

The summary of the Company's significant transactions with its related parties as of and for the years ended March 31, 2023 and 2022 is as follows:

	2023		2022	
	Amount of Transactions	Outstanding Balance	Amount of Transactions	Outstanding Balance
<i>Parent</i>				
Loans payable	<u>P (45,719,639)</u>	<u>P 25,694,896</u>	<u>P (12,683,012)</u>	<u>P 71,414,535</u>
<i>Ultimate Parent Company- Intellect India</i>				
Outsourcing Charges Payable	105,607,288	211,899,805	69,295,639	180,896,657
Other Receivables	-	(13,475,899)	-	(13,475,899)

### Loans Payable

The Company availed a loan from its overseas parent Company, Intellect Design Arena Pte. Ltd which is based in Singapore, with an interest rate is between 2% to 3.5% annually. Loans payable amounted to P25,694,896 and P71,414,535 as at March 31, 2023 and 2022, respectively. Interest expense recognized from this loan in the statement of income amounting to P656,109 and P1,587,120 in 2023 and 2022, respectively (see Note 14). These loan payables are unsecured and payable on demand.

### Key Management Compensation

The Company has no key management personnel.

## 18. COMMITMENTS AND CONTINGENCIES

### *Operating Lease Commitments - Company as Lessee*

The Company has a contract with Kapatiran Realty Corporation, for its office and parking space for a period of five years starting from April 15, 2019. Rental expense from this lease charged to operations amounted to P1,737,321 and P1,524,164 in 2023 and 2022, respectively. The future minimum rentals under these operating leases as follows:

	2023	2022
Within one year	P 3,301,558	P 3,144,341
Beyond one year but less than five years	137,838	3,439,397
Balance at end of year	<u>P 3,439,397</u>	<u>P 6,583,738</u>

In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities that are not given recognition in the Company's financial statements. As of March 31, 2023, the management believes that losses, if any, that may arise from these commitments and contingencies will not have a material effect on the Company's financial statements.

## 19. OTHER INFORMATION REQUIRED BY THE SECURITIES AND EXCHANGE COMMISSION

Republic Act (RA) No. 11232, *An Act Providing for the Revised Corporation Code of the Philippines* (the Revised Corporation Code) took effect on March 8, 2019. The new provisions of the Revised Corporation Code or any amendments thereof have no significant impact on the Company's financial statements.

## 20. SUPPLEMENTARY INFORMATION REQUIRED BY BUREAU OF INTERNAL REVENUE

Presented below is the supplementary information which is required by the Bureau of Internal Revenue (BIR) under its existing revenue regulations to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS for SMEs.

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR 15-2010 are as follows:

### *a. Output Value-Added Tax (VAT)*

The details of output VAT is summarized below:

	Tax base	Output Vat
Vatable sales	P 178,934,434	P 21,472,132
Sales to Government	1,279,253	153,510
Zero-rated sales	393,063	-
	<u>P 180,606,750</u>	<u>P 21,625,642</u>

### *b. Input VAT*

The movements of input VAT as of March 31, 2022 are summarized below:

Balance at beginning of year	P 16,407,481
Domestic purchases of goods	15,154
Domestic purchases of services	1,231,245
Input VAT rendered by non-resident alien	12,404,783
VAT Credit	68,163
Claims against output	(21,625,642)
Balance at end of year	<u>P 8,501,184</u>

*c. Tax on Importation*

The Company does not have any transactions which are subject to importation tax.

*d. Excise Tax*

The Company does not have any transactions which are subject to excise tax.

*e. Documentary Stamp Tax*

The Company incurred documentary stamp taxes of 9,207 in 2023 for loan agreements.

*f. Taxes and Licenses*

The details of taxes and licenses account is as follows:

Business permit	P	700,655
Community Tax Certificate		8,203
Documentary Stamp Tax		9,207
Annual registration		500
Insurance		2,179
Others		4,775
Penalties, interest and other charges		206,821
	P	<u>932,340</u>

*g. Withholding Tax*

The details of withholding taxes for the year ended March 31, 2023 are as follows:

Final	P	10,399,110
Compensation		4,598,380
Expanded		455,595
	P	<u>15,453,085</u>

*h. Deficiency Tax Assessments and Tax Case*

As of March 31, 2023, the Company neither has any deficiency tax assessment with the BIR nor does it have tax case outstanding or pending in courts or bodies outside the BIR in any of the open years.

*Requirements under RR 19-2011*

RR 19-2011 requires schedules of taxable revenues and other non-operating income, costs of sales and services, and itemized deductions, to be disclosed in the notes to financial statements.

The amounts of taxable revenues and income, and deductible costs and expenses presented below are based on relevant tax regulations issued by the BIR, hence, may not be the same as the amounts reflected in the 2023 statement of income.

*a. Taxable Revenue*

The Company's taxable revenue for the year ended March 31, 2023 amounted to P205,230,631.

*b. Deductible Cost of Services*

The Company's deductible cost of services pertains to the following:

Consulting/Outsourcing Expense	62,301,640
Software license and services	39,308,276
Salaries and wages	7,103,899
SSS, Philhealth and HDMF contributions	97,070
Membership Subscription	10,795
Insurance	157,946
Transportation and travel	373,282
Onsite vendor cost	4,485,745
P	<u><u>113,838,654</u></u>

*c. Taxable Non-operating and Other Income*

The Company's non-operating and other income pertain to the following:

Miscellaneous Income	368,873
Commission Charges Reversal	-
Admin Cost Recovery	-
P	<u><u>368,873</u></u>

*d. Itemized Deductions*

The details of the Company's itemized deductions for the year ended March 31, 2022 are as follows:

Salaries and wages	P	7,938,633
Professional fees		2,511,286
Outside Services		596,900
Rental		1,469,771
Taxes and licenses (see Note 20)		936,934
Insurance		157,899
Communication, Internet and Postage		517,917
Repairs and maintenance		577,512
Advertising and promotions		384,803
Depreciation (see Note 6)		810,911
Transportation and travel		308,801
SSS, Philhealth and HDMF contributions		226,786
Office supplies		116,932
Fuel and oil		63,315
Membership Subscription		27,649
Miscellaneous		365,814
P		<u><u>17,011,863</u></u>

*Requirements under Revenue Regulations (RR) 34-2020*

On December 18, 2020, the BIR issued RR 34-2020 which prescribes the guidelines and procedures for the submission of BIR Form No. 1709, Transfer Pricing Documentation (TPD) and other supporting documents. As at March 31, 2022, the Company is not covered by the requirements and procedures for related party transactions provided under this RR.

*-Nothing follows-*