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STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The Management of **RAMCO SYSTEM INC.** is responsible for the preparation and fair presentation of the financial statements for the years ended March 31, 2024 and 2023, in accordance with the Philippine Financial Reporting Standards, 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 going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless Management intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

R.S. Bernaldo & Associates, the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

RAVIKULACHANDRAN RAMAMURTHY
Chairman of the Board

ANN SHERROL DELOS SANTOS
President

JENNILYN R. SIO
Treasurer

Signed this 6th day of May, 2024.

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN

The Management of **RAMCO SYSTEM INC**. is responsible for all information and presentations contained in the Annual Income Tax Return for the year ended March 31, 2024. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited to, the value added tax and or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended March 31, 2024 and the accompanying Annual Income Tax Return are in accordance with the books and records of **RAMCO SYSTEM INC.**, complete and correct in all material respects. Management likewise affirms that:

a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances; and

c) the **RAMCO SYSTEM INC.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

ANN SHERROL D. DELOS SANTOS	**JENNILYN R. SIO**
President	Treasurer

Ramco System Inc,
Unit 1701, Floor 17, BDO Equitable Tower No 8751,
Paseo de Roxas, Makati City, Manila -1226,Philippines

PKF
R.S. Bernaldo & Associates

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
RAMCO SYSTEM INC.
(A Wholly-owned Subsidiary of Ramco Systems Limited)
1805 Cityland Condominium 10 Tower 1
156 H.V. Dela Costa Street
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **RAMCO SYSTEM INC.** (the "Company"), which comprise the statements of financial position as of March 31, 2024 and 2023, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2024 and 2023 and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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 PFRSs, 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 process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audits. We 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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audits 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 and 19-2011 in Notes 39 and 40, respectively, to the financial statements, is presented for purposes of filing with Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the Management of **RAMCO SYSTEM INC.** The information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until May 28, 2024
BSP Group B Accredited
Accreditation No. 0300-BSP
Valid until 2026 audit period
BIR Accreditation No. 08-007679-000-2023
Valid from January 31, 2023 until January 30, 2026
IC Group A Accredited
Accreditation No. 0300-IC
Valid until 2026 audit period

ROSE ANGELI S. BERNALDO
Partner
CPA Certificate No. 114127
BSP Group B Accredited
Accreditation No. 114127-BSP
Valid until 2025 audit period
BIR Accreditation No. 08-007679-001-2023
Valid from October 20, 2023 until October 19, 2026
Tax Identification No. 211-870-290
PTR No. 10081198
Issued on January 9, 2024 at Makati City

May 6, 2024

RAMCO SYSTEM INC.

(A Wholly-owned Subsidiary of Ramco Systems Limited)

STATEMENTS OF FINANCIAL POSITION

March 31, 2024 and 2023

(In Philippine Peso)

	NOTES	2024	2023
A S S E T S			
Non-current Assets			
Financial assets	6, 9	**1,001,628**	1,001,628
Property and equipment – net	14	**783,100**	1,788,732
Right-of-use asset – net	15	**5,644,560**	8,723,423
Deferred tax assets – net	33	**20,360,554**	21,442,796
Other non-financial assets	11,13	**-**	19,994,945
		27,789,842	52,951,524
Current Assets			
Financial assets			
Cash	7	**2,856,279**	5,062,917
Trade and other receivables – net	8	**106,414,141**	112,986,377
Other current financial assets	9,10,21	**1,136,870**	1,513,229
Other non-financial assets	11,12,13	**10,634,557**	116,137,256
		121,041,847	235,699,779
TOTAL ASSETS		**148,831,689**	288,651,303
STOCKHOLDERS' EQUITY AND LIABILITIES			
S T O C K H O L D E R S ' E Q U I T Y			
Capital Stock	22	**11,750,000**	11,750,000
Unappropriated Retained Earnings (Deficit)		**13,957,527**	(22,964,081)
Appropriated Retained Earnings	23	**8,000,000**	111,000,000
TOTAL STOCKHOLDERS' EQUITY		**33,707,527**	99,785,919
L I A B I L I T I E S			
Non-current Liabilities			
Financial Liability			
Lease liability – net of current portion	20	**2,106,281**	5,752,397
Provisions	18	**192,559**	437,261
		2,298,840	6,189,658
Current Liabilities			
Financial Liabilities			
Trade and other payables	17	**38,666,554**	63,465,313
Lease liability	16,20	**3,688,864**	3,407,947
Borrowings	16,21	**-**	37,803,354
Provisions	18	**128,784**	196,289
Other non-financial liabilities	17,19	**70,341,120**	77,802,823
		112,825,322	182,675,726
TOTAL LIABILITIES		**115,124,162**	188,865,384
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		**148,831,689**	288,651,303

(See Notes to Financial Statements)

RAMCO SYSTEM INC.

(A Wholly-owned Subsidiary of Ramco Systems Limited)

STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended March 31, 2024 and 2023

(In Philippine Peso)

	NOTES	**2024**	2023
INCOME			
Revenue from operations	24	**277,079,429**	229,746,825
Finance income	25	**155,280**	704,803
Other income	25	**74,538,736**	162
		351,773,445	230,451,790
EXPENSES			
Employee benefits	26	**45,984,933**	50,212,943
Royalties	21	**41,814,318**	37,083,998
Software service	21	**73,973,709**	25,488,221
Foreign exchange loss – net	30	**2,079,827**	8,076,605
Depreciation	14,15,27	**4,084,495**	4,123,223
Other expenses	29	**245,149,485**	138,617,434
		413,086,767	263,602,424
FINANCE COSTS	28	**2,406,141**	6,332,775
LOSS BEFORE TAX		**(63,719,463)**	(39,483,409)
INCOME TAX EXPENSE (BENEFIT)			
Current tax expense	32	**1,276,685**	1,372,912
Deferred tax expense (benefit)	32	**1,082,244**	(9,890,514)
		2,358,929	(8,517,602)
LOSS		**(66,078,392)**	(30,965,807)

(See Notes to Financial Statements)

RAMCO SYSTEM INC.
(A Wholly-owned Subsidiary of Ramco Systems Limited)
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended March 31, 2024 and 2023
(In Philippine Peso)

			Retained Earnings		
	Notes	**Capital Stock**	**Unappropriated**	**Appropriated**	**Total**
Balance, April 1, 2022		11,750,000	8,001,726	111,000,000	**130,751,726**
Loss			(30,965,807)		**(30,965,807)**
Balance, March 31, 2023	22	**11,750,000**	**(22,964,081)**	**111,000,000**	**99,785,919**
Loss			(66,078,392)		**(66,078,392)**
Reversal of appropriation	23		103,000,000	(103,000,000)	**-**
Balance, March 31, 2024	22	**11,750,000**	**13,957,527**	**8,000,000**	**33,707,527**

(See Notes to Financial Statements)

RAMCO SYSTEM INC.
(A Wholly-owned Subsidiary of Ramco Systems Limited)
STATEMENTS OF CASH FLOWS
For the Years Ended March 31, 2024 and 2023
(In Philippine Peso)

	NOTES	**2024**	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(63,719,463)**	(39,483,409)
Adjustments for:			
Bad debts written-off	29	**112,815,883**	-
Provision for expected credit losses	8,12,13,29	**8,150,417**	66,541,057
Depreciation	14,15,27	**4,084,495**	4,123,223
Finance costs from loans	21,28	**1,764,827**	5,411,838
Finance costs from lease liability	20,28	**641,314**	920,937
Finance income from bank deposits	7,25	**(1,659)**	(338)
Finance income from license agreements	13,25	**(153,621)**	(704,465)
Unrealized foreign exchange gain – net	30	**(6,270,005)**	(7,303,689)
Reversal of provision for expected credit losses	29	**(69,449,801)**	(10,747,827)
Operating cash flows before changes in working capital		**51,581,850**	18,757,327
Decrease (Increase) in operating assets:			
Trade and other receivables		**(107,123,587)**	14,254,198
Other financial assets		**5,611,042**	(65,622,456)
Other non-financial assets		**124,086,480**	129,186,354
Increase (Decrease) in operating liabilities:			
Trade and other payables		**(13,735,513)**	(6,581,909)
Contract liability		**(10,457,624)**	23,594,857
Due to related parties		**3,482,674**	19,408,244
Cash generated from operations		**53,445,322**	132,996,615
Income taxes paid		**(1,276,686)**	(1,372,912)
Net cash from operating activities		**52,168,636**	131,623,703
CASH FLOWS FROM INVESTING ACTIVITIES			
Finance income received from license agreements	13,25	**153,621**	704,465
Finance income received from bank deposits	7,25	**1,659**	338
Acquisition of equipment	14	**-**	(409,303)
Net cash from investing activities		**155,280**	295,500
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments received from related parties		**13,050,615**	-
Finance costs paid related to lease liability	20,28	**(641,314)**	(920,937)
Finance costs paid related to loans	21,28	**(1,764,827)**	(5,411,838)
Payment of lease liability	20	**(3,365,199)**	(3,085,574)
Advances given to related parties	21	**(25,043,599)**	(20,928,630)
Repayment of loans	21	**(37,803,354)**	(105,091,155)
Net cash used in financing activities		**(55,567,678)**	(135,438,134)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH	7,30	**1,037,124**	(229,069)
NET DECREASE IN CASH		**(2,206,638)**	(3,748,000)
CASH AT BEGINNING OF YEAR		**5,062,917**	8,810,917
CASH AT END OF YEAR		**2,856,279**	5,062,917

(See Notes to Financial Statements)

RAMCO SYSTEM, INC.

(A Wholly-owned Subsidiary of Ramco Systems Limited)

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

As of March 31, 2024

Unappropriated Retained Earnings, beginning of reporting period		**-**
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings		
Reversal of Retained Earnings Appropriation/s	-	103,000,000
Effect of restatements of prior-period adjustments	-	
Others (describe nature)	-	
Sub-total		103,000,000
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	-	
Retained Earnings appropriated during the reporting period	-	
Effect of restatements of prior-period adjustments	-	
Others (describe nature)	-	
Sub-total		-
Unappropriated Retained Earnings, as adjusted		**103,000,000**
Add/Less: Net Income (Loss) for the current year		**(66,078,392)**
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	-	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	-	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Unrealized fair value gain of investment property	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-	
Sub-total		-
Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)		
Realized foreign exchange gain, except those attributable to cash and cash equivalents but realized in the current reporting period (net of tax)	-	
Realized fair value adjustment (mark-to-market gains) of financial instrumetns at fair value through profit or loss (FVTPL)	-	
Realized fair value gain of investment property	-	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-	
Sub-total		-
Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)		
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	-	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Reversal of previously recorded fair value gain of Investment Property	-	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded (describe nature)	-	
Sub-total		-
Adjusted Net Income/Loss		**36,921,608**
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)	-	
Sub-total		-
Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP		
Amortization of the effect of reporting relief	-	
Total amount of reporting relief granted during the year	-	
Others	-	
Sub-total		-
Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares)	-	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories		
Net movement in deferred tax asset and deferred tax liabilities related to same transaction,		
Ne e.g., set up of right of use asset and lease liability, set-up of asset and		
Ne asset retirement obligation, and set-up of service concession asset and concession payable		
Adjustment due to deviation from PFRS/GAAP - gain (loss)		
Others	-	
Sub-total		-
Total Retained Earnings, end of the reporting period available for dividend		**36,921,608**

RAMCO SYSTEM INC.

(A Wholly-owned Subsidiary of Ramco Systems Limited)

NOTES TO FINANCIAL STATEMENTS

March 31, 2024 and 2023

1. CORPORATE INFORMATION

Ramco System Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on April 5, 2016. The principal activity of the Company is to carry on the business pertaining to or connected with and involving information technology, computer data processing, computerized information, retrieval systems, computer software, development and management feasibility studies analysis and design or turnkey system for scientific, mathematical, statistical, statutory, financial banking, commercial and business applications, database management, software techniques, word processing software, electronic funds, transfer systems, on-line acquiring systems, transactional processing systems, data capture, data logging, computer graphics, plotting and charting software, process control software, simulations and modeling, and selling of hardware materials.

The Company is wholly-owned by Ramco Systems Limited, an entity incorporated under the laws of India.

The Company's registered office address is located at 1805 Cityland Condominium 10, Tower 1, 156 H.V. Dela Costa Street, Ayala North, Salcedo Village, Barangay Bel-air, Makati City while its principal place of business is located at 17/F BDO Equitable Tower at No. 8751 Paseo de Roxas, Makati City.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Philippine Financial and Sustainability Reporting Standards Council (FSRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRS). The term "PFRS" in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the FSRSC and adopted by SEC.

These new and revised PFRS prescribe new accounting recognition, measurement and disclosure requirements applicable to the Company. When applicable, the adoption of the new standards was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

2.01 New and Revised PFRSs Applied with No Material Effect on the Financial Statements

The following new and revised PFRSs have been adopted in these financial statements. The application of these new and revised PFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to PAS 8, ***Definition of Accounting Estimates***

  The definition of accounting estimates has been amended as follows: accounting **estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".**

  The amendment also clarifies the following:

  - Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

  - A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

  - **A change in an accounting estimate may affect only the current period's** profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.

- Amendments to PAS 1 and PFRS Practice Statement 2, ***Disclosure Initiative – Accounting Policies***

  The amendments to PAS 1 are the following:

  - an entity is now required to disclose its material accounting policy information instead of its significant accounting policies;

  - several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;

  The amendments also clarify the following:

  - accounting policy information may be material because of its nature, even if the related amounts are immaterial;

  - **accounting policy information is material if users of an entity's financial** statements would need it to understand other material information in the financial statements; and

  - if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

  In addition, PFRS Practice Statement 2 has been amended by adding guidance and **examples to explain and demonstrate the application of the 'four**-step materiality **process' to accounting policy information in order to support the amendments to** PAS 1.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

- Amendments to PAS 12, ***Deferred Tax related to Assets and Liabilities arising from a Single Transaction***

  The amendments introduce an exception to the initial recognition exemption (IRE) in PAS 12. Additional exclusions have been added to the IRE, detailed in paragraphs 15(b)(iii) and 24(c) for deferred tax liabilities and assets respectively. The effects of these amendments essentially mean that the IRE is not available for transactions which involve the recognition of both an asset and liability – which in turn leads to equal and opposite temporary differences – such that deferred taxes are calculated and booked for both temporary differences, both at initial recognition and subsequently. Applying this exception, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

  The initial recognition exemption was initially included within PAS 12 to prevent a lack of reporting transparency for transactions which are not business combinations and, at the time of the transaction, do not affect either accounting or taxable profits. Under this exemption, deferred tax assets/liabilities would neither be recognized at initial recognition of the underlying asset/liability, nor subsequently.

  The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, the amendments also apply to taxable and deductible temporary differences associated with right-of-use assets and lease liabilities, and decommissioning obligations and corresponding amounts recognized as assets at the beginning of the earliest comparative period presented.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

- Amendments to PAS 12, ***International Tax Reform – Pillar Two Model Rules***

  The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules, and disclosure requirements for affected entities to help users of the financial sta**tements better understand an entity's exposure to Pillar Two income** taxes arising from that legislation, particularly before its effective date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

2.02 New and Revised PFRSs in Issue but Not Yet Effective

The Company will adopt the following standards and interpretations enumerated below when they become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS, to have significant impact on the financial statements.

2.02.01 Standard Adopted by FSRSC and Approved by the Board of Accountancy (BOA)

- Amendments to PAS 1, ***Classification of Liabilities as Current or Non-current***

  The amendments to PAS 1 are the following:

  - clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
  - clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
  - make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

  The amendments defer the effective date of the January 2020 Classification of Liabilities as Current or Non-Current (Amendments to PAS 1) to annual reporting periods beginning on or after January 1, 2024, with early application permitted.

- Amendments to PAS 7 and PFRS 7, ***Supplier Finance Arrangements***

  The amendments introduce new disclosure requirements to enhance the transparency and, thus, the usefulness of the information provided by entities about supplier finance arrangements.

  The amendments are effective to annual reporting periods beginning on or after January 1, 2024, with early application permitted.

- Amendments to PAS 1, ***Non-current Liabilities with Covenants***

  The amendments clarify that only covenants with which an entity must comply on **or before the reporting date will affect a liability's classification as current or non-**current. Additional disclosures are required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period.

  The amendments are effective to annual reporting periods beginning on or after January 1, 2024, with early application permitted.

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

  The amendments clarify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective to annual reporting periods beginning on or after January 1, 2024, with early application permitted.

- PFRS 17, ***Insurance Contracts***

  PFRS 17 sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. It requires an entity that issues insurance contracts to report them on the balance sheet as the total of the fulfilment cash flows and the contractual service margin. It requires an entity to provide information that distinguishes two ways insurers earn profits from insurance contracts: the insurance service result and the financial result. It requires an entity to report as insurance revenue the amount charged for insurance coverage when it is earned, rather than when the entity receives premium. It requires that insurance revenue to exclude the deposits that represent the investment of the policyholder, rather than an amount charged for services. Similarly, it requires the entity to present deposit repayments as settlements of liabilities rather than as insurance expense.

  PFRS 17 is effective for annual periods beginning on or after January 1, 2025.

  Early application is permitted for entities that apply PFRS 9 Financial Instruments and PFRS 15 Revenue from Contracts with Customers on or before the date of initial application of PFRS 17.

  An entity shall apply PFRS 17 retrospectively unless impracticable, except that an entity is not required to present the quantitative information required by

  paragraph 28(f) of PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and an entity shall not apply the option in paragraph B115 for periods before the date of initial application of PFRS 17. If, and only if, it is impracticable, an entity shall apply either the modified retrospective approach or the fair value approach.

- Amendments to PFRS 17, ***Insurance Contracts***

  The amendments cover the following areas:

  - Insurance acquisition cash flows for renewals outside the contract boundary;
  - Reinsurance contracts held—onerous underlying insurance contracts;
  - Reinsurance contracts held—underlying insurance contracts with direct participation features; and
  - Recognition of the contractual service margin in profit or loss in the general model.

  The amendments are effective to annual reporting periods beginning on or after January 1, 2025.

- Amendment to PFRS 17, ***Initial Application of PFRS 17 and PFRS 9—Comparative Information***

  The amendment is a transition option relating to comparative information about financial assets presented on initial application of PFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and Insurance contract liabilities, and therefore Improve the usefulness of comparative information for users of financial statements.

  PFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after January 1, 2025.

2.02.02 Deferred

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

  The amendments clarify the treatment of the sale or contribution of assets between an investor and its associate and joint venture. This requires an investor in its financial statements to recognize in full the gains and losses arising from the sale or contribution of assets that constitute a business while recognize partial gains and losses if the assets do not constitute a business (i.e. up to the extent only of unrelated investor share).

  On January 13, 2016, the FSRSC decided to postpone the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

3.01 Statement of Compliance

The financial statements have been prepared in conformity with PFRS and are under the historical cost convention, except for certain financial instruments that are carried at amortized cost.

The Company falls under the criteria of small and medium sized entities as specified in the Revised Securities Regulation Code (SRC) Rule 68. However, the Company opted to present its financial statements under PFRS since it is a subsidiary of a parent company reporting under PFRS.

3.02 Functional and Presentation Currency

Items included in the financial statements of the Company are measured using Philippine Peso (₱), the currency of the primary economic environment in which the Company operates (the "functional currency").

The Company chose to present its financial statements using its functional currency.

3.03 Current and Non-current Presentation

The Company classifies an asset as current when:

- It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- It holds the asset primarily for the purpose of trading;
- It expects to realize the asset within twelve (12) months after the reporting period; or
- The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

The Company classifies all other assets as non-current.

The Company classifies a liability as current when:

- It expects to settle the liability in its normal operating cycle;
- It holds the liability primarily for the purpose of trading;
- The liability is due to be settled within twelve (12) months after the reporting period; or
- It does not have an unconditional right to defer settlement of the liability for at least twelve (12) months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

4. MATERIAL ACCOUNTING POLICIES

Principal accounting and financial reporting policies applied by the Company in the preparation of its financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

4.01 Financial Assets

4.01.01 Initial Recognition and Measurement

The Company recognizes a financial asset in its statements of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Except for trade receivables that do not have a significant financing component, at initial recognition, the Company measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

At initial recognition, the Company measures trade receivables that do not have a significant financing component at their transaction price.

4.01.02 Classification

- Financial Asset at Amortized Cost

  A financial asset shall be measured at amortized cost if both of the following conditions are met:

  - the financial asset is held within a business model whose objective is 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.

  The Company's financial assets at amortized cost include cash in banks, trade and other receivables, security deposits and advances to employees under 'financial assets and other current financial assets'.

  a) Cash in Banks

  Cash in banks pertain to cash deposits held at call with bank that are subject to insignificant risk of change in value. This shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

b) Trade and Other Receivables – net

Trade and other receivables are measured at amortized cost using the effective interest method, less any impairment.

c) Security Deposits

Security deposits paid by the Company to lessors are measured at the amount of cash paid. This is to be refunded to the Company when the lease term expires.

d) Advances to Employees

Advances to employees pertain to cash advances granted to employees. These are initially recorded at the amount paid and would be settled subsequently through salary deduction.

The Company has no financial assets measured at fair value through profit or loss and through other comprehensive income in both years.

4.01.03 Effective Interest Method

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets and financial assets that are not purchased or originated credit-impaired but subsequently have become credit-impaired.

4.01.04 Impairment

The Company measures expected losses of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable assumption that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Company adopted the following approaches in accounting for impairment.

➢ General Approach

The Company applies general approach to cash in banks, other receivables, security deposits, and advances to employees. At each reporting date, the Company measures the loss allowance for a financial asset at an amount equal to the lifetime allowance for expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. However, if the credit risk has not increased significantly, the Company measures the loss allowance equal to 12-month allowance for expected credit losses. The Company compares the risk of default occurring as at the reporting date with the risk of default occurring as at the date of initial recognition and consider the macro-economic factors such as GDP, interest, and inflation rates, th**e performance of the counterparties' industry,** and the available financial information of each counterparty to determine whether there is a significant increase in credit risk or not since initial recognition.

The Company determines that there has been a significant increase in credit risk when there is a significant decline in the factors.

The Company may assume that the credit risk on a financial instrument has not increased significantly since initial recognition of the financial instrument is determined to have low credit risk at the reporting date.

The Company did not apply the 30 days past due rebuttable presumption because **based on the Company's historical experience, credit risk has not increased** significantly despite having accounts that are past due for more than 30 days.

If the Company has measured the loss allowance at an amount equal to lifetime allowance for expected credit losses in the previous reporting period, but determines at the current reporting date, that the credit quality improves (i.e. there is no longer a significant increase in credit risk since initial recognition), then the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

The Company recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

The Company performs the assessment of significant increases in credit risk on an individual basis for significant financial assets while collective basis on its other financial assets.

The Company did not apply 90 days past due rebuttable presumption in determining whether a financial statement is credit-impaired or not since based on **the Company's historical experience past due amount even over 90 days are still** collectible.

The Company determines that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the counterparty;
- A breach of contract, such as a default or past due event;
- The lender(s) of the counterparty, for economic or contractual reasons **relating to the counterparty's financial difficulty, having granted to the** borrower a concession(s) that the lender(s) would not otherwise consider; and
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

- Simplified Approach

The Company always measures the loss allowance at an amount equal to lifetime allowance for expected credit losses for trade receivables. The Company determines that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the counterparty;
- A breach of contract, such as a default or past due event;
- The lender(s) of the counterparty, for economic or contractual reasons **relating to the counterparty's financial difficulty, having granted to the**

counterparty
a concession(s) that the lender(s) would not otherwise consider; and

- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

4.01.05 Derecognition

The Company derecognizes a financial asset when, and only when the contractual rights to the cash flows of the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition. The difference between the carrying amount and the consideration received is recognized in profit or loss.

4.01.06 Write-off

The Company directly reduces the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

4.02 Other Non-financial Assets

4.02.01 Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the statements of financial position as current assets when the expenses related to prepayments are expected to be incurred within one (1) year or the Company normal operating cycle whichever is longer. Otherwise, prepayments are classified as non-current assets.

4.02.02 Excess Tax Credits

Excess tax credits arise from creditable withholding tax certificates obtained from the Company's customers and overpayment of income taxes in prior years. These are accumulated and are reduced when deducted from income tax payables.

4.02.03 Contract Assets

A contract asset pertains to the Company's right to consideration in exchange for goods or services that the Company has transferred to a customer when that right is conditioned on something other than the passage of time.

The Company assesses a contract asset for impairment in accordance with PFRS 9. The Company applies simplified approach for this account.

4.02.04 Unbilled License Services

An unbilled license service pertains to the outstanding balances for license services which are yet to be billed upon passage of time by the Company based on contractual terms and with an average term of one (1) to five (5) years.

The Company assesses an unbilled license service for impairment in accordance with PFRS 9. The Company applies simplified approach for this account.

4.03 Property and Equipment

Property and equipment are initially measured at cost. The cost of an asset consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Subsequent to initial recognition, property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is computed on the straight-line method based on the estimated useful lives of the assets below:

Computer equipment	5 years
Office equipment	5 years
Furniture	5 years

The property and equipment's useful lives, residual values, and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An item of property and equipment is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of a computer equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

4.04 Borrowing Costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.05 Impairment of Assets

At each reporting date, the Company assesses whether there is any indication that any assets other than deferred tax assets and financial assets that are within the scope of PFRS 9, ***Financial Instruments*** may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income.

4.06 Financial Liabilities

4.06.01 Initial Recognition and Measurement

The Company recognizes a financial liability in its statements of financial position when,
and only when, the Company becomes party to the contractual provisions of the instrument.

At initial recognition, the Company measures a financial liability at its fair value minus transaction costs that are directly attributable to the acquisition or issue of the liability.

4.06.02 Classification

The Company classifies all financial liabilities as subsequently measured at amortized, except for:

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in a business combination.

The Company's financial liabilities measured at amortized cost include trade and other payables (except payable to government agencies), borrowings, and lease liability.

The Company has no financial liabilities measured at fair value through profit or loss in both years.

4.06.03 Derecognition

The Company removes a financial liability (or part of a financial liability) from its statements of financial position when, and only when, it is extinguished (i.e. when the obligation in the contract is discharged or cancelled or expired).

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4.07 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Ordinary shares are classified as equity.

4.08 Contract Liability

Contract liability pertains to advance billings made to customer based on contractual terms. This represents the Company's obligation to transfer services to clients for which the Company has received consideration thereof. This is initially recognized at the amount of cash received. Subsequently, this is reclassified to revenue upon meeting the criteria of revenue recognition in Note 4.12.

4.09 Employee Benefits

4.09.01 Short-term Employee Benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term employee benefits given by the Company to its employees include salaries and wages, SSS, PhilHealth and HDMF contributions, separation pay and other employee costs.

4.09.02 Termination Benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the Company recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

4.10 Revenue Recognition

The Company recognizes revenue when (or as) the Company satisfies a performance obligation by transferring a promised good or service (i.e. asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

4.10.01 Performance Obligations Satisfied Over Time

The Company's revenue from rendering services is recognized over time. The Company satisfies a performance obligation and recognizes revenue over time when the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.

The Company derives revenues from the following streams: (1) Application Maintenance Service Fees and Charges (2) License fees (3) Managed Services (4) Product Support Service Fees, (5) Software as a Service (SaaS), and (6) Software/Implementation, Hosting, and Installation Services.

4.10.01.01 Application Maintenance Service Fees and Charges

Fees for the application maintenance services, covering inter alia the support of the customized software, are recognized as revenue ratably on straight line basis, over the term of the support arrangement.

4.10.01.02 License Fees

Software license revenues represent all fees earned from granting customers licenses to use the Company's software, through initial licensing and or through the purchase of additional modules or user rights. For software license arrangements that do not require significant modification or customization of the underlying software, revenue is recognized on delivery of the software, including cases with extended credit period, when, in the opinion of the Company, there are no collectability concerns.

4.10.01.03 Managed Services

Fees for managed services, which include business processing services, are recognized as revenue as services are provided.

4.10.01.04 Product Support Service Fees

Fees for product support services, covering inter alia improvement and upgradation of the basic software, whether sold separately (e.g., renewal period AMC) or as an element of a multiple-element arrangement, are recognized as revenue ratably on straight line basis, over the term of the support arrangement.

4.10.01.05 Software as Service (SaaS) Fees

Subscription fees for offering the hosted software as a service are recognized as revenue ratably on straight line basis, over the term of the subscription arrangement.

4.10.01.06 Software/Implementation, Hosting, and Installation Services

Software/implementation, hosting and installation contracts are either fixed price or time and material based. In the case of fixed price contracts, revenue is recognized in accordance with percentage of completion method. In the case of time and material contracts, revenue is recognized based on billable time spent in the project, priced at the contractual rate.

Non-refundable one-time upfront fees for enablement/application installation, consisting of standardization set-up, initiation or activation or user login creation services in the case of hosting contracts, forming part of the implementation services are recognized in accordance with percentage of completion method.

4.10.02 Performance Obligations Satisfied at a Point in Time

The Company also satisfies the performance obligation at a point in time. The Company considers indicators of the transfer of control, which include, but are not limited to, the following:

- The Company has a present right to payment for the asset.
- The customer has legal title to the asset.
- The Company has transferred physical possession of the asset.
- The customer has the significant risks and rewards of ownership of the asset.
- The customer has accepted the asset.

The Company derives revenues at a point of time from sale of hardware materials.

4.10.02.01 Hardware materials

Hardware materials pertain to resale of hardware materials.

4.10.03 Finance Income

Finance income is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Finance income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated

future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4.11 Expense Recognition

Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Company.

The Company recognizes expenses in the statements of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

4.12 Leases

4.12.01 The Company as Lessee

The Company considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for a consideration. To apply this definition the Company assesses whether the contract meets three (3) key evaluations, which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company.
- The Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- The Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

Right-of-Use (ROU) Asset

At the commencement date, the Company measures the ROU asset at cost, which comprises of:

- initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any incentives received;
- any initial direct costs incurred by the Company;
- an estimate of costs 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. The Company incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

Subsequent to initial recognition, ROU asset is carried at cost less accumulated depreciation and accumulated impairment losses. The Company depreciates the ROU asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The Company also assesses the ROU asset for impairment when such indicators exist.

The Company has elected to account for short-term leases and low-value assets using the practical expedients. Instead of recognizing an ROU asset and lease liabilities, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statements of financial position, right-of-use asset has been presented as a separate line item.

Lease Liability

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or if not, the Company uses the incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under the residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect in-substance fixed lease payments.

The Company recognizes the amount of remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the remeasurement in profit or loss.

On the statements of financial position, lease liability have been presented as a separate line item.

4.13 Foreign Currency Transactions

In preparing the financial statements of the Company, transactions in currencies other **than the Company's functional currency, i.e. foreign currencies, are recognized at the** rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences are recognized in profit or loss in the period in which they arise.

4.14 Related Parties and Related Party Transactions

A related party is a person or entity that is related to the Company that is preparing its financial statements. A person or a close member of that person's family is related to Company if that person has control or joint control over the Company, has significant influence over the Company, or is a member of the key management personnel of the Company or of a parent of the Company.

An entity is related to the Company if any of the following conditions applies:

- The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan,
  the sponsoring employers are also related to the Company.
- The entity is controlled or jointly controlled by a person identified above.
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- Management entity providing key management personnel services to a reporting entity.

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Company and include that person's children and spouse or domestic partner; children of that person's spouse or domestic partner; and dependents of that person or that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

4.15 Taxation

Income tax expense represents the sum of current and deferred taxes.

4.15.01 Current Tax

The current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4.15.02 Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction that affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

4.15.03 Current and Deferred Taxes for the Period

Current and deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss, whether in other comprehensive income or directly in equity, in which case the tax is also recognized outside profit or loss.

4.16 Changes in Accounting Policies

The adoption of the new and revised standards and as disclosed in Note 2.01 was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, ***Accounting Policies, Changes in Accounting Estimates and Errors***.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Company's accounting policies, which are described in Note 4, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5.01 Critical Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations that Management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

5.01.01 Determining whether or not it is Reasonably Certain that an Extension Option will be Exercised and Termination Option will not be Exercised

Lease term is the non-cancellable period for which the Company is reasonably certain to exercise an option to extend (or not to terminate) a lease. The Company considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option when determining the lease term and the enforceability of the option. The option to extend the lease term should be included in the lease term if it is reasonably certain that the lessee will exercise the option and the option is enforceable. The Company is required to reassess the option when significant events or changes in circumstances occur that are within the control of the lessee.

Management assessed that the Company cannot extend the lease term beyond the non-cancelable lease period **on the Company's leased office spaces** because the renewal is subject to mutual consent by both parties. Hence, extension of lease contract without mutual consent of both parties is not enforceable under the Philippine law.

5.01.02 Assessment of Contractual Terms of a Financial Asset

The Company determines whether the contractual terms of a financial asset give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding. In making its judgments, the Company considers whether the cash flows before and after the changes in timing or in the amount of payments represent only payments of principal and interest on the principal amount outstanding.

Management assessed that the contractual terms of its financial assets are solely payments of principal and interest and consistent with the basic lending arrangement.

As of March 31, 2024 and 2023, the carrying amount of financial assets amounted to ₱86,365,319 and ₱120,564,151, respectively, as disclosed in Notes 6, 7, 8, 9, and 10.

5.01.03 Assessment of Timing of Satisfaction of Performance Obligations

An entity satisfies a performance obligation by transferring control of a promised good or service to the customer, which could occur over time or at a point in time.

Management assessed that it satisfies the performance obligation over time for its **customer contract. This is when the Company's performance creates a right of use that** the customer can access as the license is granted.

Management assessed that there is also performance obligation to be satisfied at a point in time when the Company has transferred physical possession of the asset for hardware materials.

In 2024 and 2023, revenue from customer contracts amounted to ₱277,079,429 and ₱229,746,825, respectively, as disclosed in Note 24.

5.01.04 Assessment of the Allocation of Transaction Price to Performance Obligations

A performance obligation is a vendor's promise to transfer a good or service that is 'distinct' from other goods and services identified in the contract.

Management assessed that the allocation of transaction price to performance obligations is dependent on the multiple element arrangement presented on the contract.

Software licenses are often sold in combination with implementation and product support services. The consideration in such multiple element contracts is allocated based either on the fair value of each element or on the residual method. Under the residual method, the balance of the consideration, after allocating the fair values of undelivered components of a transaction, has been allocated to the delivered components for which specific fair values do not exist.

Revenues from implementation services in respect of hosting contracts are to be recognized as revenue ratably over the longer of the contract term or the estimated expected life of the customer relationship. However, considering the existence of partners being available for rendering such implementation services, these services are considered to be a separate element and recognized in accordance with percentage of completion method.

5.01.05 Assessment of 30 days Rebuttable Presumption

The Company determines when a significant increase in credit risk occurs on its financial assets based on the credit management practice of the Company.

Management believes that the 30 days rebuttable presumption on determining whether there is a significant increase in credit risk in financial assets is not applicable because **based on the Company's historical experience**, credit risk has not increased significantly despite having accounts that are past due for more than 30 days.

5.01.06 Assessment of 90 days rebuttable presumption

The Company determines when a default occurs on its financial assets based on the credit management practice of the Company.

Management believes that the 90 days rebuttable presumption on determining whether **financial assets are credit impaired is not applicable because based on the Company's** historical experience and aging schedules, past due amounts even over 90 days are still collectible.

5.01.07 Determining whether or not a Contract Contains a Lease

Management assessed that lease of office space qualified as a lease since the contract contains an identified asset, the Company has the right to obtain substantially all of the economic benefits, and the Company has the right to direct the use of the identified asset throughout the period of use.

5.01.08 Functional Currency

PAS 21 requires Management to use its judgment to determine the Company**'s** functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Company considers the following:

- the currency that mainly influences sales prices for financial instruments and services;
- the currency that mainly influences labor, material and other costs of providing goods
  or services; and
- the currency in which receipts from operating activities are usually retained.

The Company's contract assets, trade and other payables and borrowings are denominated in foreign currency. However, Philippine Peso (₱) is the currency of the primary economic environment in which the Company operates. It is the currency that influences the revenues and most of the expenditures of the Company. Hence, Management believes that Philippine Peso (₱) **is the Company's functional** currency since it represents the economic substance relevant to the Company.

5.01.09 Revenue Recognition

The Company uses several revenue recognition methods in accounting for its revenues as disclosed in Note 4.12. The use of these methods requires the Company to determine the allocation of the contract price based on the disclosed accounting policy.

Table below summarizes the revenue recognition per revenue account:

Revenue account	Recognition process
License	Upon delivery of license
Software implementation and installation	Percentage of completion
Product support service	Ratably on straight-line basis
Application maintenance services and charges	Ratably on straight-line basis
Software as Service (SaaS)	Ratably on straight-line basis
Hardware materials	Resale of hardware materials
Finance income	Accrued on time proportion basis

The Company has recognized revenues amounting to ₱277,079,429 and ₱229,746,825 in 2024 and 2023, respectively, as disclosed in Note 24.

5.02 Key Sources of Estimation Uncertainties

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

5.02.01 Estimating the Appropriate Discount Rate to Use

The Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or if not, the Company uses the incremental borrowing rate.

Management used its incremental borrowing rate of 8.75% to measure the present value of its lease liability since the implicit rate was not readily available.

5.02.02 Estimating Allowance for Expected Credit Losses

The Company evaluates the allowance for expected credit losses related to its assets based on an individual assessment for significant assets and collective assessment on other assets by grouping assets that shares similar credit risk characteristics and available facts and circumstances, including, but not limited to historical loss experience and economic factors.

The Company uses credit ratings, performance of banking industry, macro-economic **and bank's financial information to assess the** allowance for expected credit losses on its cash in banks. In view of the foregoing factors, Management believes that the allowance for expected credit loss is nil.

The Company uses advancement in technology, growth in software industry and macro-economic factors to assess the allowance for expected credit losses on its trade receivables, contract asset, and unbilled license services.

In view of the foregoing factors, Management believes that the allowance for expected credit losses on trade receivables amounted to ₱22,862,030 and ₱6,204,669 as of March 31, 2024 and 2023, respectively, as disclosed in Note 8, allowance for expected credit losses on contract assets amounted to ₱47,213,058 and ₱13,596,824 as of March 31, 2024 and 2023, respectively, as disclosed in Note 12, and allowance for expected credit losses on unbilled license services amounted to ₱11,298,014 and ₱67,059,833 as of March 31, 2024 and 2023, respectively, as disclosed in Note 13.

In both years, Management believes that the collectability of advances to employees and security deposits is certain and that the allowance for expected credit losses is considered immaterial; hence, the Company did not recognize provision on allowance for expected credit losses.

As of March 31, 2024 and 2023, the carrying amount of financial assets, contract assets and unbilled license services amounted to ₱124,731,225 and ₱321,854,463, respectively, as disclosed in Note 35.02.

5.02.03 Reviewing Residual Values, Useful Lives and Depreciation Method of Property and Equipment

The residual values, useful lives and depreciation method of the Company's property and equipment is reviewed at least annually, and adjusted prospectively, if appropriate, if there is an indication of a significant change in how an asset is used; significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date. The useful lives of the Company's property and equipment are estimated based on the period over which the equipment is expected to be available for use.

In determining the useful life of equipment, the Company considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Company's property and equipment. In addition, the estimation of the useful lives is based on Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of equipment would increase the recognized operating expenses and decrease non-current assets. The Company uses a depreciation method that reflects the pattern in which it expects to consume the equipment's future economic benefits. If there is an indication that there has been a significant change in the pattern used by which the Company expects to consume equipment's future economic benefits, the Company shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern.

In both years, Management assessed that there are no indications of any change in pattern used by the Company in consuming its property and equipment's future economic benefits. As of March 31, 2024 and 2023, the carrying amounts of property and equipment amounted to ₱783,100 and ₱1,788,732, respectively, as disclosed Note 14.

5.02.04 Impairment of Non-financial Assets

The Company performs an impairment review when certain impairment indicators are present. Determining the fair value of other non-financial assets, property and equipment, and right-of-use asset which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that other non-financial assets, property and equipment, and right-of-use asset is impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgments and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

In both years, Management assessed that there is no indication of impairment existed on the aforementioned assets. As of March 31, 2024 and 2023, the aggregate carrying amounts of the aforementioned assets are ₱36,679,051 and ₱138,922,560, respectively, as disclosed in Notes 13, 14 and 15.

5.02.05 Recoverability of Deferred Tax Assets

The Company reviews the carrying amounts at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

In both years, Management believes that the Company will be able to generate future taxable profit to allow its entire deferred tax assets to be utilized. As of March 31, 2024 and 2023, deferred tax assets recognized by the Company amounted to ₱21,928,054and ₱23,268,718, respectively, as disclosed in Note 33.

5.02.06 Post-employment Benefits

The determination of the retirement obligation and cost and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rates, mortality of plan members and rates of compensation increase. In accordance with PFRS, actual results that differ from the assumptions and the effects of changes in actuarial assumptions are recognized directly as remeasurements in other comprehensive income. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

In both years, Management assessed not to recognize retirement benefits expense and obligation since the Company does not have any employees qualified for retirement.

5.02.07 Estimation of Provision for Tax Assessments

The Company assesses its provision for tax assessments annually. Significant estimates and assumptions are made in determining the provision once letter of assessments is received from the Bureau of Internal Revenue (BIR). Those uncertainties may result in future actual expenditure differing from the amounts currently provided.

While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in the future periods.

As of March 31, 2024 and 2023, the outstanding provisions recognized under accrued expenses amounted to ₱2,773,839 and ₱4,774,993, respectively as disclosed in Note 17.

6. FINANCIAL ASSETS

Details of financial assets are as follows:

	March 31, 2024		
	Current	**Non-current**	**Total**
Cash (Note 7)	₱ **2,856,279**	₱ -	₱ **2,856,279**
Trade and other receivables – net (Note 8)	**106,414,141**	-	**106,414,141**
Security deposits (Note 9)	**882,694**	**1,001,628**	**1,884,322**
Advances to employees (Note 10)	**254,176**	-	**254,176**
	₱ **110,407,290**	₱ **1,001,628**	₱ **111,408,918**

	March 31, 2023		
	Current	Non-current	Total
Cash (Note 7)	₱ 5,062,917	₱ -	₱ 5,062,917
Trade and other receivables – net (Note 8)	112,986,377	-	112,986,377
Security deposits (Note 9)	569,600	1,001,628	1,571,228
Advances to employees (Note 10)	943,629	-	943,629
	₱ 119,562,523	₱ 1,001,628	₱ 120,564,151

7. CASH

For the purpose of the statements of cash flows, cash pertains to cash on hand and cash in banks.

Cash at the end of each reporting period as shown in the statements of cash flows can be reconciled to the related item in the statements of financial position as follows:

	2024	2023
Cash on hand	₱ **32,125**	₱ 32,970
Cash in banks	**2,824,154**	5,029,947
	₱ **2,856,279**	₱ 5,062,917

Cash in banks **earn interest at floating rates based on bank's daily deposit rates.** Finance income presented in the statements of comprehensive income amounted to ₱1,659 and ₱338 in 2024 and 2023, respectively, as disclosed in Note 25.

In 2024 and 2023, the Company recognized unrealized foreign exchange gain and loss amounting to ₱1,037,124 and ₱229,069, respectively, as disclosed in Note 30.

8. TRADE AND OTHER RECEIVABLES – net

The Company's trade and other receivables as shown in the statements of financial position are as follows:

		2024		2023
Trade	₱	**83,037,790**	₱	88,638,133
Allowance for expected credit losses (Note 35.02)		**(22,862,030)**		(6,204,669)
		60,175,760		82,433,464
Due from related parties (Note 21)		**32,921,614**		20,928,630
Others (Note 21)		**13,316,767**		9,624,283
	₱	**106,414,141**	₱	112,986,377

Trade receivables pertain to the billed portion of contract assets and current asset.

The average credit period on the sale of services is within 30 days or may vary depending on the agreement with customers. No interest is charged on outstanding balance of trade receivables.

In 2024, advances given to related parties included in the due from related parties amounted to ₱25,043,599, as disclosed in Note 21.

The Company does not hold any collateral or other credit enhancements over these balances, nor does it have a legal right to offset against any amounts owed by the Company to the counterparty.

In 2024, the Company has written-off trade receivables amounting to ₱618,087 as disclosed in Note 29.

The movements in the allowance for expected credit losses are as follows:

		2024		2023
Balance, April 1	₱	**6,204,669**	₱	4,269,879
Provision for expected credit losses (Note 29)		**22,862,030**		1,934,790
Reversal of expected credit losses (Note 29)		**(6,204,669)**		-
Balance, March 31	₱	**22,862,030**	₱	6,204,669

Aging of accounts that are past due but not impaired is as follows:

		2024		2023
31 – 60 days	₱	**620,912**	₱	1,588,553
61 – 90 days		**2,345,237**		1,622,834
Over 90 days		**31,349,969**		38,119,556
	₱	**34,316,118**	₱	41,330,943

In 2024 and 2023, the Company recognized unrealized foreign exchange gain amounting to ₱308,733 and ₱89,671, respectively, as disclosed in Note 30.

9. SECURITY DEPOSITS

The **details of the Company's security deposits**, as disclosed in Note 31, are as follows:

		2024		2023
Current	₱	**882,694**	₱	569,600
Non-current		**1,001,628**		1,001,628
	₱	**1,884,322**	₱	1,571,228

10. ADVANCES TO EMPLOYEES

As of March 31, 2024 and 2023, the advances to employees of the Company arising from salaries and travel allowance which are subject to salary deduction amounted to ₱254,176 and ₱943,629, respectively, as disclosed in Note 6.

11. OTHER NON-FINANCIAL ASSETS

The **details of the Company's other non**-financial assets are shown below:

		2024		2023
Prepaid expenses	₱	**7,863,736**	₱	8,196,840
Excess tax credits		**18,649,635**		13,471,382
Contract assets – net (Note 12)		**3,724,709**		82,345,392
Unbilled license services – net (Note 13)		**513,278**		32,118,587
	₱	**30,251,391**	₱	136,132,201

Prepaid expenses pertain to group insurances, heath care and other prepaid expenses.

12. CONTRACT ASSET – net

Details of the Company's contract asset as shown in Note 11 is as follows:

		2024		2023
Contract asset	₱	**50,937,767**	₱	95,942,216
Allowance for expected credit losses (Note 35.02)		**(47,213,058)**		(13,596,824)
	₱	**3,724,709**	₱	82,345,392

Contract asset pertains to outstanding balance for service fees which will be billed by the Company. This arises from revenues in excess of billings and is often referred to as unbilled revenues. In 2024, the Company has written-off contract assets amounting to ₱37,548,654, as disclosed in Note 29.

The movements in the allowance for expected credit losses are as follows:

		2024		2023
Balance, April 1	₱	**13,596,824**	₱	15,226,905
Additional provision for expected credit losses		**47,213,058**		-
Reversal of provision for expected credit losses (Note 29)		**(13,596,824)**		(1,630,081)
Balance, March 31	₱	**47,213,058**	₱	13,596,824

In 2024 and 2023, the Company recognized unrealized foreign exchange gain amounting to nil and ₱6,242,027, respectively, as disclosed in Note 30.

13. UNBILLED LICENSE SERVICES – net

Details of the Company's unbilled license services shown in the statements of financial position are as follows:

		2024		2023
Current	₱	**531,149**	₱	13,036,174
Non-current		**11,280,143**		86,142,246
Total unbilled license services		**11,811,292**		99,178,420
Allowance for expected credit losses (Note 35.02)		**(11,298,014)**		(67,059,833)
Total unbilled license services – net		**513,278**		32,118,587
Less: Non-current portion		-		(19,994,945)
Current portion	₱	**513,278**	₱	12,123,642

Unbilled license services pertain to outstanding balances for license services which will be billed upon passage of time by the Company based on contractual terms and with an average term of one (1) to five (5) years. This arises from revenues in excess of billings and is often referred to as unbilled revenues. The Company may also charge interest based on agreement with customers amounting to 10% and 8% in 2024 and 2023, respectively. Interest income on licenses charged by the Company in 2024 and 2023 amounted to ₱153,621 and ₱704,465, respectively, as disclosed in Note 25. In 2024, the Company has directly written-off additional unbilled license services amounting to ₱9,969,753, as disclosed in Note 29.

Details for allowance of expected credit losses are as follows:

		2024		2023
Current	₱	**17,871**	₱	912,532
Non – current		**11,280,143**		66,147,301
	₱	**11,298,014**	₱	67,059,833

The movements in the allowance for expected credit losses are as follows:

		2024		2023
Balance, April 1	₱	**67,059,833**	₱	11,571,310
Provision for expected credit loss (Note 29)		**11,371,134**		64,606,268
Reversal of expected credit loss (Note 25)		**(2,453,564)**		(9,117,745)
Expected credit loss written-off		**(64,679,389)**		-
Balance, March 31	₱	**11,298,014**	₱	67,059,833

In 2024 and 2023, the Company recognized unrealized foreign exchange loss amounting to ₱1,206,206 and ₱2,418,478, respectively, as disclosed in Note 30.

14. PROPERTY AND EQUIPMENT – net

The carrying amounts **of the Company's** property and equipment as of March 31, 2024 and 2023 are as follows:

	Computer Equipment	Office Equipment	Furniture	Total
April 1, 2022				
Cost	₱ 2,382,260	₱ 2,307,236	₱ 933,895	₱ **5,623,391**
Accumulated depreciation	(1,214,756)	(1,424,517)	(560,337)	**(3,199,610)**
Carrying amount	**1,167,504**	**882,719**	**373,558**	**2,423,781**
Movements during 2023				
Balance at April 1, 2022	1,167,504	882,719	373,558	**2,423,781**
Additions	409,303	-	-	**409,303**
Depreciation (Note 27)	(454,215)	(403,357)	(186,779)	**(1,044,351)**
Balance at March 31, 2023	**1,122,592**	**479,361**	**186,779**	**1,788,732**
March 31, 2023				
Cost	2,791,563	2,307,236	933,895	**6,032,694**
Accumulated depreciation	(1,668,971)	(1,827,875)	(747,116)	**(4,243,962)**
Carrying amount	**1,122,592**	**479,361**	**186,779**	**1,788,732**
Movements during 2024				
Balance at April 1, 2023	1,122,592	479,361	186,779	**1,788,732**
Depreciation (Note 27)	(434,783)	(384,070)	(186,779)	**(1,005,632)**
Balance at March 31, 2024	**687,809**	**95,291**	-	**783,100**
March 31, 2024				
Cost	2,791,563	2,307,236	933,895	**6,032,694**
Accumulated depreciation	(2,103,754)	(2,211,945)	(933,895)	**(5,249,594)**
Carrying amount	₱ **687,809**	₱ **95,291**	₱ -	₱ **783,100**

All additions in 2023 were paid in cash.

In 2024, fully depreciated furniture is still in use by the Company.

In both years, Management believes that there is no impairment in the carrying amount of its property and equipment.

15. RIGHT-OF-USE ASSET – net

The details of the Company's right-of-use asset are as follows:

		2024		2023
Balance, April 1				
Cost	₱	**21,038,895**	₱	21,038,895
Accumulated depreciation		**(12,315,472)**		(9,236,600)
Carrying amount		**8,723,423**		11,802,295
Movements during the year				
Balance April 1		**8,723,423**		11,802,295
Depreciation (Note 27)		**(3,078,863)**		(3,078,872)
Balance, March 31		**5,644,560**		8,723,423
Balance, March 31				
Cost		**21,038,895**		21,038,895
Accumulated depreciation		**(15,394,335)**		(12,315,472)
Carrying amount	₱	**5,644,560**	₱	8,723,423

As of March 31, 2024 and 2023, lease liability related to right-of-use asset amounted to ₱ 5,795,149 and ₱9,160,344, respectively, as disclosed in Notes 20 and 31.

In both years, the Company has determined that there is no indication that an impairment has occurred to its right-of-use asset.

16. FINANCIAL LIABILITIES

Details of financial liabilities are as follows:

		March 31, 2024				
		Current		**Non-current**		**Total**
Trade (Notes 17 and 21)	₱	**29,571,909**	₱	-	₱	**29,571,909**
Accrued expenses (Note17)		**9,094,645**		-		**9,094,645**
Lease liability (Note 20)		**3,688,864**		**2,106,281**		**9,160,344**
	₱	**42,355,418**	₱	**2,106,281**	₱	**44,461,699**

		March 31, 2023				
		Current		Non-current		Total
Trade (Notes 17 and 21)	₱	41,597,621	₱	-	₱	41,597,621
Accrued expenses (Note17)		21,867,690		-		21,867,690
Borrowings (Note 21)		37,803,354		-		37,803,354
Lease liability (Note 20)		3,407,947		5,752,397		9,160,344
	₱	104,676,612	₱	5,752,397	₱	110,429,009

17. TRADE AND OTHER PAYABLES

The components of trade and other payables account are as follows:

		2024		2023
Trade	₱	**1,928,351**	₱	5,631,907
Due to related parties (Note 21)		**27,643,560**		35,965,716
Payable to government agencies		**10,355,581**		7,359,660
Accrued expenses		**9,094,645**		21,867,690
	₱	**49,022,137**	₱	70,824,973

The average credit period on purchases of services from suppliers is 30 days. No interest is charged on trade payables from the date of invoice.

Payable to government agencies pertains to withholding taxes payable, VAT payable, and statutory employee welfare contribution payable at reporting dates and is considered as ‘other non-financial liabilities’ in the Statements of Financial Position.

Breakdown of accrued expenses is as follows:

		2024		2023
Transportation and travel	₱	**1,683,841**	₱	2,307,146
Hosting		**1,050,279**		3,091,851
Payable to employees		**461,100**		304,471
Commission		-		9,991,367
Provision for loss on tax assessment		**2,773,839**		4,774,993
Others		**3,125,586**		1,397,862
	₱	**9,094,645**	₱	21,867,690

Provision for loss on BIR tax assessment pertains to provision recognized by the Company arising from the receipt of the 2021 Letter of Assessment from BIR. In 2024, the Company paid ₱2,001,154 for the deficiency taxes inclusive of surcharges, interest and compromise penalties, as disclosed in Note 39.01.05.

A reversal of accrued commission expense was made during the year amounting to ₱5,088,935, as disclosed in Note 25.

Others include accruals of salaries, paid leave encashments, subcontractors, audit fee, bonuses and support service cost.

18. PROVISIONS

The **details of the Company's provisions shown in the statements of financial position** are as follows:

		2024		2023
Current	₱	**128,784**	₱	196,289
Non-current		**192,559**		437,261
	₱	**321,343**	₱	633,550

Current portion pertains to provision for leave encashment while non-current portion pertains to provision for gratuity, as disclosed in Note 17.

19. CONTRACT LIABILITY

Details of the Company's contract liability is as follows:

		2024		2023
Balance, April 1	₱	**70,443,163**	₱	46,848,306
Increase (Decrease) arising from a change in the measure of progress		**(10,457,624)**		23,594,857
Balance, March 31	₱	**59,985,539**	₱	70,443,163

Contract liability pertains to advance billing made to customers based on contractual terms.

In 2024 and 2023, the current portion of the contract liability amounted to ₱59,985,538 and ₱70,443,163, respectively, and the non-current portion amounted to nil.

20. LEASE LIABILITY

The Company, as lessee, entered into lease arrangement with Equitable Insurance Corporation, as disclosed in Note 31. The weighted average incremental borrowing rate applied to lease liabilities recognized under PFRS 16 ***Leases***, is 8.75% in both years.

The following are the amounts of lease liability:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2024	2023	**2024**	2023
Not later than one (1) year	₱ **4,006,510**	₱ 4,006,510	₱ **3,688,864**	₱ 3,407,947
Later than one (1) year but not later than five (5) years	**2,164,810**	6,171,322	**2,106,281**	5,752,397
	6,171,320	10,177,832	**5,795,145**	9,160,344
Discount	**(376,175)**	(1,017,488)	**-**	-
Present value of minimum lease payments	**5,795,145**	9,160,344	**5,795,145**	9,160,344
Current lease liability	**3,688,864**	3,407,947	**3,365,197**	3,365,197
Non-current lease liability	₱ **2,106,281**	₱ 5,752,397	₱ **2,429,948**	₱ 5,975,147

Payments of lease liability amounted to ₱3,365,197 and ₱3,085,574 in 2024 and 2023, respectively. Finance costs incurred and paid related to the lease amounted to ₱641,314 and ₱920,937 in 2024 and 2023, respectively, as disclosed in Note 28.

The Company is compliant with the terms and conditions of the lease.

21. RELATED PARTY TRANSACTIONS

Nature of relationships of the Company and its related parties are disclosed below:

Related Parties	Nature of Relationship
Ramco Systems Limited, India	Parent
Ramco Systems Sdn. Bhd., Malaysia	Fellow Subsidiary
Ramco Systems Pte. Ltd., Singapore	Fellow Subsidiary
Ramco Systems Australia Pty. Ltd, Australia	Fellow Subsidiary
Ramco Systems (Shanghai) Co. Ltd., China	Fellow Subsidiary
Ramco Systems Limited, Switzerland	Fellow Subsidiary
Ramco Systems Corporation, USA	Fellow Subsidiary
PT Ramco Systems Indonesia, Indonesia	Fellow Subsidiary
Stockholders	Members of Key Management Personnel

Balances and transactions between the Company and its related parties are disclosed below:

21.01 Due from Related Parties

Balances of due from related parties as disclosed in Note 8 are summarized per category as follows:

	2024	2023
Parent company	₱ -	₱ 741,622
Fellow subsidiaries	**46,238,381**	29,811,291
	₱ 46,238,381	₱ 30,552,913

21.01.01 Parent Company

Transaction with parent is detailed below:

	March 31, 2024		March 31, 2023	
	Amount/ Volume	**Outstanding Balance**	Amount/ Volume	Outstanding Balance
Ramco Systems Limited				
Reimbursements	₱ -	₱ -	₱ 6,798,793	₱ 741,622

Reimbursements pertain to salaries and travel expenses paid by the Company on behalf of its parent.

The amount outstanding is unsecured, non-interest bearing, collectible on demand and will be settled in cash. No guarantees have been received. No provisions have been made for allowance for expected credit losses in respect of the amounts owed by the Parent Company.

In 2024 and 2023, the Company received collections from Parent amounting to ₱741,622 and ₱8,400,831, respectively.

21.01.02 Fellow Subsidiaries

Transactions with fellow subsidiaries are detailed below:

	March 31, 2024		March 31, 2023	
	Amounts/ Volume	**Outstanding Balances**	Amount/ Volume	Outstanding Balances
Ramco Systems Pte Ltd., Singapore				
Loan (Note 8)	**₱ 25,043,599**	**₱ 25,043,599**	₱ -	₱ -
Advances (Note 8)	-	-	10,910,945	10,910,945
Reimbursements (Note 29)	**5,921,884**	**5,723,072**	2,900,322	2,900,322
Ramco Systems (Shanghai) Co. Ltd., China				
Reimbursements	-	-	-	-
Ramco Systems Pty Ltd, Australia				
Advances (Note 8)	**7,758,086**	**7,878,015**	8,430,049	8,430,049
Unrealized foreign exchange gain (Notes 6 and 30)	-	-	(674,743)	-
Reimbursements	**3,496,090**	**6,241,066**	2,744,976	2,744,976
Ramco Systems Sdn. Bhd., Malaysia				
Reimbursements (Note 29)	**1,112,197**	**1,352,629**	570,712	240,432
Ramco Systems Corporation, USA				
Advances (Note 8)	**1,650,187**	-	1,587,636	1,587,636
	₱ 44,982,043	**₱ 46,238,381**	₱ 26,419,897	₱ 29,811,291

Advances pertain to payments made to support the working capital requirements of the subsidiaries.

Reimbursements pertain to salaries and travel expenses paid by the Company on behalf of its related parties.

The amounts outstanding are unsecured, non-interest bearing, collectible on demand and will be settled in cash. No guarantees have been received. No provisions have been made for allowance for expected credit losses in respect of the amounts owed by the related parties.

In 2024 and 2023, the Company received collections from Parent amounting to ₱1,587,636 and ₱1,216,446, respectively.

21.02 Due to Related Parties

Balances of due to related parties are summarized per category as follows:

	March 31, 2024					
		Parent Company		**Fellow Subsidiaries**		**Total**
Software service expense	₱	**4,740,074**	₱	-	₱	**4,740,074**
Marketing, travel, hosting, salaries and bank charges		**3,360,539**		**4,016,861**		**7,377,400**
Loan (Note 17)		-		**27,643,560**		**27,643,560**
	₱	**8,100,613**	₱	**31,660,421**	₱	**39,761,034**

	March 31, 2023					
		Parent Company		Fellow Subsidiaries		Total
Royalties	₱	11,961,240	₱	-	₱	11,961,240
Software service expense		10,465,598		-		10,465,598
Marketing, travel, hosting, salaries and bank charges		7,860,293		5,678,585		13,538,878
Loan (Note 17)		-		37,803,354		37,803,354
	₱	30,287,131	₱	43,461,939	₱	73,769,070

21.02.01 Parent Company

Transactions with Parent are detailed below:

		March 31, 2024				March 31, 2023		
		Amounts/ Volume		**Outstanding Balances**		Amounts/ Volume		Outstanding Balances
Ramco Systems Limited								
Royalties (Note 21.03)	₱	**41,814,318**	₱	-	₱	36,937,415	₱	11,961,240
Software service expenses		**73,973,709**		**4,740,074**		25,488,221		10,465,598
Marketing, travel, hosting, salaries and bank charges (Note 29)		**3,383,816**		**3,360,539**		12,264,783		7,860,293
	₱	**119,171,843**	₱	**8,100,613**	₱	74,690,419	₱	30,287,131

The following are the nature, payment terms and conditions of the related party transactions:

- Royalties pertain to expenses incurred for the right to use the license of the Parent Company. The Company was granted a non-exclusive and non-transferable license to use, market, distribute, sub-license and make derivative works of the Parent Company's software which include Virtual Works ERP solution, Maintenance & Engineering (M&E), Maintenance Repair and Overhaul (MRO) in aviation, foods and beverages and Third Party Administration. Total royalties paid amounted to ₱41,814,318 and ₱37,083,998 in 2024 and 2023, respectively.

- Software service expenses are the amounts charged for off-shore services on upgrades, modifications, bug-fixes, patches, or enhancements to the software of the Parent Company.

- Marketing, travel, hosting, salary expenses and bank charges are paid by the Company as a form of reimbursement to its related party.

Loan transaction with related party is subject to 8.75% interest per annum in 2024 and 2023, respectively, unsecured, on demand, and will be settled in cash. In 2024 and 2023, the Company incurred and paid finance cost amounting to nil and ₱383,953 to its Parent Company while payments of loan amounted to nil in both years, respectively, as disclosed in Note 21.03.02.

In 2024 and 2023, the Company recognized unrealized foreign exchange gain on loan amounting to ₱5,241,519 and ₱4,884,390, respectively, as disclosed in Note 30.

In 2024 and 2023, the Company made the following payments to Parent amounting to ₱119,171,843 and ₱77,390,409, respectively. Out of the total payments, the Company paid final withholding taxes amounted to ₱10,879,681 and ₱5,411,838 in 2024 and 2023, respectively.

21.02.02 Fellow Subsidiaries

Transactions with fellow subsidiaries are detailed below:

	March 31, 2024		March 31, 2023	
	Amounts/ Volume	**Outstanding Balances**	Amounts/ Volume	Outstanding Balances
Ramco Systems Pte Ltd., Singapore				
Reimbursement of salary and travel expenses (Note 29)	₱ **10,576,416**	₱ **2,512,676**	₱ 14,590,427	₱ -
Royalties	-	-	-	146,583
Unrealized foreign exchange gain (Note 30)	**525,655**	-	-	-
	11,102,071	**2,512,656**	14,590,427	146,583
Ramco Systems Limited Switzerland				
Loan	-	-	-	37,803,354
Finance cost (Note 21.03.02)	**1,764,827**	-	1,845,926	-
Unrealized foreign exchange loss (Note 30)	-	-	5,877,920	-
	1,764,827	-	7,723,846	37,803,354
Ramco Systems Sdn. Bhd., Malaysia				
Reimbursement of salary and travel expenses (Note 29)	**11,457,457**	**4,276,839**	7,951,940	5,553,521
Unrealized foreign exchange gain (loss) (Note 30)	-	-	44,847	-
	11,457,457	**4,276,839**	7,996,787	5,553,521
Ramco Systems Corporation, USA				
Finance cost (Note 21.03.02)	-	-	3,181,959	-
Hosting	**14,807,578**	**7,855,559**	15,461,189	-
	14,807,578	-	18,643,148	-
Ramco Systems Australia Pty. Ltd, Australia				
Reimbursement of salary and travel expenses (Note 29)	**3,496,090**	**473,722**	1,556,864	-
	3,496,090		1,556,864	-
PT Ramco Systems Indonesia, Indonesia				
Reimbursements (Note 29)	**38,642**	**160,185**	595,295	125,064
Unrealized foreign exchange gain (Note 30)	**5,136**	-	1,484	-
	43,778	**160,185**	596,779	125.064
	₱ **42,671,801**	₱ **4,016,861**	₱ 51,107,851	₱ 43,628,522

Salary and travel expenses incurred by the employees of related parties for the projects of the Company are subject to reimbursement as agreed by the parties involved.

In 2024 and 2023, the Company made payments to fellow subsidiaries amounting to ₱81,716,716 and ₱147,975,570, respectively.

21.03 Significant Contracts

21.03.01 Service Agreements

21.03.01.01 Ramco Systems Limited

On April 5, 2016, the Company entered into a service agreement with Ramco Systems Limited (Parent) wherein the former shall acquire licensing rights from the Parent for the purpose of marketing, licensing, professional services and annual maintenance services to the customers of the Company.

In consideration of the license granted, the Company shall pay the Parent royalty fees equivalent to 30% of the license value. The parties further agreed that upgrades, modifications, bug-fixes, patches or enhancements to the software of the Parent Company shall be provided by the Parent at a price equivalent to $2,500 per person per month.

The agreement shall commence upon signing of such agreement and shall continue for a period of ten (10) years provided that where both parties mutually agreed, the period may be less than ten (10) years.

In 2024 and 2023, royalty expenses incurred and paid by the Company amounted to ₱41,814,318 and ₱36,937,415, respectively, as disclosed in Note 21.02.

21.03.01.02 Ramco Systems Pte. Ltd

On April 1, 2018, the Company entered into a service agreement with Ramco Systems Pte Ltd (fellow subsidiary) wherein the former shall acquire licensing rights of chatbots and reimbursement of expenses for salary and travel costs from the fellow subsidiary.

In consideration of the license granted, the Company shall pay the fellow subsidiary royalty fees equivalent to 30% of the chatbot license value. Also included in the agreement are reimbursements of salary, travel, marketing expenses and a certain percentage of common support services incurred on behalf of Ramco System, Inc.

The agreement shall commence upon signing of such agreement and shall continue for a period of ten (10) years provided that where both parties mutually agreed, the period may be less than ten (10) years.

In 2024 and 2023, royalty expense incurred and paid amounted to ₱41,814,318 and ₱36,937,415, respectively.

21.03.02 Loan Agreements

21.03.02.01

On November 6, 2017, the Company entered into an unsecured loan agreement with Ramco Systems Limited (Parent) wherein the former can acquire loans in one or more tranches not exceeding USD 1,000,000 subject to 9.85% interest until March 2019 and 8.75% effective April 2019.

The table below summarized the movements of loan agreement with the Parent Company:

		2024		2023
Balance, April 1	₱	-	₱	15,236,718
Finance cost (Note 21.02.01)		-		383,953
Payments of finance cost		-		(383,953)
Payment of loan		-		(15,236,718)
Balance, March 31	₱	-	₱	-

21.03.02.02 Ramco Systems Corporation, USA

On December 18, 2019, the Company entered into an unsecured loan agreement with Ramco Systems Corporation, USA (fellow subsidiary) wherein the former can acquire loans in one or more tranches not exceeding USD 2,000,000 subject to 5% interest per annum.

In 2023 and 2022, the Company borrowed loans amounting to nil and USD 620,000 or ₱29,652,100, respectively.

The table below summarized the movements of loan agreement with the fellow subsidiary:

		2024		2023
Balance, April 1	₱	-	₱	91,988,454
Finance cost (Note 21.02.02)		-		3,181,959
Payment of finance cost		-		(3,181,959)
Payments of loan		-		(91,988,454)
Balance, March 31	₱	-	₱	-

21.03.02.03 Ramco Systems Limited, Switzerland

On December 18, 2019, the Company entered into an unsecured loan agreement with Ramco Systems Limited, Switzerland (fellow subsidiary) wherein the former can acquire loans in one or more tranches not exceeding CHF2,000,000 subject to 5% interest per annum.

The table below summarized the movements of loan agreement with the fellow subsidiary:

		2024		2023
Balance, April 1	₱	**37,803,354**	₱	35,669,337
Finance cost (Note 21.02.02)		**1,764,827**		1,845,926
Unrealized foreign exchange loss (Note 21.02.02)		-		5,877,920
Payments of loan		**(37,803,354)**		(3,743,903)
Payment of finance cost		**(1,764,827)**		(1,845,926)
Balance, March 31	₱	-	₱	37,803,354

21.04 Remuneration of Key Management Personnel

In 2024 and 2023, remuneration paid to the Company's key management personnel amounted to ₱645,000 and ₱540,000, respectively.

21.05 Revenue Regulations No. 34 – 2020

The Company is not covered by the requirements and procedures for related transactions provided in RR No. 34-2020.

22. CAPITAL STOCK

The capital stock of the Company is as follows:

	2024		2023	
	Shares	**Amount**	Shares	Amount
Authorized shares				
₱1 par value per share	**47,000,000**	**₱ 47,000,000**	47,000,000	₱ 47,000,000
Issued and fully paid	**11,750,000**	**₱ 11,750,000**	11,750,000	₱ 11,750,000

The Company's capital stock consists of ordinary shares which are all issued at par value. Ordinary shares carry one (1) vote per share and a right to dividends.

23. APPROPRIATED RETAINED EARNINGS

The movements in the appropriated retained earnings are as follows:

	2024	2023
Balance, April 1	**₱ 111,000,000**	₱ 111,000,000
Reversal of appropriation	**(103,000,000)**	-
Balance, March 31	**₱ 8,000,000**	₱ 111,000,000

On March 22, 2018, the Board of Directors and stockholders of the Company approved additional appropriation of retained earnings amounting to ₱44,000,000 to be used for future business expansion by intensifying sales of the Company through hiring of additional manpower. The appropriated earnings will be utilized within a period of five (5) years.

On March 29, 2019, the Board of Directors and stockholders of the Company approved the reversal of appropriation amounting to ₱36,500,000 after materialization of the business expansion through leasing of office spaces to accommodate the increase in sales force. Further authorized is the additional appropriation of retained earnings amounting to ₱87,500,000 to be used for future business expansion by intensifying sales of the Company through hiring of additional manpower. The appropriated earnings will be utilized within a period of five (5) years.

On March 31, 2020, the Board of Directors and stockholders of the Company approved the additional appropriation of retained earnings amounting to ₱8,000,000 to be used for future business expansion by intensifying sales of the Company through hiring of additional manpower. The appropriated earnings will be utilized within a period of five (5) years.

On March 25, 2024, the Board of Directors and stockholders of the Company approved through a board resolution numbered 03 series of 2024, the reversal of the appropriated retained earnings amounting to ₱103,000,000 to the unappropriated retained earnings of the Company for the year ended March 31, 2024.

24. REVENUE FROM OPERATIONS

Details of revenue from operations are as follows:

		2024		2023
Implementation, installation and hosting	₱	**132,569,360**	₱	93,493,042
Application maintenance services and charges		**95,405,915**		45,028,104
Software as Service (SaaS) fees		**28,231,136**		13,226,924
License fees		**19,042,328**		67,043,674
Product support service fee		**1,674,690**		3,600,103
Hardware materials		**156,000**		-
Managed services		-		7,354,978
	₱	**277,079,429**	₱	229,746,825

25. OTHER INCOME

Details of other income are as follows:

		2024		2023
Reversal of expected credit losses (Note 29)	₱	**55,139,515**	₱	-
Reversal of allowance for expected credit losses (Note 29)		**14,310,286**		-
Income from reversal of commission (Note 17)		**5,088,935**		-
License agreements (Note 13)		**153,621**		704,465
Bank deposits (Note 7)		**1,659**		338
Others		-		162
	₱	**74,694,016**	₱	704,965

26. SHORT-TERM EMPLOYEE BENEFITS

Aggregate employee benefits expense is as follows:

		2024		2023
Salaries and wages	₱	**39,353,445**	₱	45,353,324
SSS, Philhealth and HDMF contributions		**1,264,998**		1,472,373
Separation pay		**345,400**		761,086
Other employee costs		**5,021,090**		2,626,160
	₱	**45,984,933**	₱	50,212,943

27. DEPRECIATION

The account is composed of the following:

		2024		2023
Right-of-use asset (Note 15)	₱	**3,078,863**	₱	3,078,872
Property and equipment (Note 14)		**1,005,632**		1,044,351
	₱	**4,084,495**	₱	4,123,223

28. FINANCE COST

The account is composed of the following:

		2024		2023
Finance cost from loans (Note 21)	₱	**1,764,827**	₱	5,411,838
Finance cost from lease liability (Note 20)		**641,314**		920,937
	₱	**2,406,141**	₱	6,322,775

29. OTHER EXPENSES

The account is composed of the following expenses:

		2024		2023
Bad debts written-off (Notes 8, 12, 13)	₱	**112,815,883**	₱	-
Provision for expected credit losses – net (Note 35.02)		**64,373,478**		55,793,232
Hosting		**17,517,734**		21,131,774
Salaries and wages reimbursements (Note 21)		**11,321,681**		10,042,653
Subcontractors		**10,685,101**		6,736,528
Transportation and travel		**4,949,157**		8,358,413
Transportation and travel reimbursements		**4,849,411**		6,959,889
Taxes and licenses		**3,333,239**		3,251,530
Professional fees		**2,573,655**		2,648,548
Marketing		**2,333,890**		891,304
Penalties		**2,003,424**		1,500
Communication, light and water		**1,901,327**		1,887,849
Rent (Note 31)		**1,638,211**		1,678,466
Representation		**669,323**		1,348,210
Printing and stationery		**304,521**		264,582
Repairs and maintenance		**132,953**		336,877
Recruitment charges		**27,550**		85,794
Commission		-		14,333,615
Miscellaneous		**3,718,946**		2,866,670
	₱	**245,149,484**	₱	138,617,434

Provision for expected credit losses – net is composed of the following:

		2024		2023
Additional provision for:	₱		₱	
Trade and other receivables – net (Note 29)		**13,181,657**		1,934,790
Unbilled license services – net (Note 29)		**51,191,821**		64,606,268
		64,373,478		66,541,058
Reversal of provision for:				
Contract assets – net (Note 25)		**(14,310,286)**		(1,630,081)
Unbilled license services – net (Note 25)		**(55,139,515)**		(9,117,745)
	₱	**(69,449,801)**	₱	(10,747,826)

Hosting charges pertain to payments made to parent company for usage space for the projects of the Company.

Subcontractors pertain to outsourced parts of the work for some projects.

30. FOREIGN EXCHANGE LOSS – net

Components of foreign exchange losses are as follows:

		2024		2023
Effects of foreign exchange gain (loss) on outstanding balances of:				
Loans payable (Note 21)	₱	**5,241,519**	₱	4,884,390
Cash in banks (Note 7)		**1,037,124**		(229,069)
Due to related parties (Note 21)		**708,835**		(1,264,852)
Trade receivables (Note 8)		**308,733**		89,671
Contract asset (Note 12)		-		6,242,027
Unbilled license services (Note 13)		**(1,206,206)**		(2,418,478)
Unrealized foreign exchange gain (loss) – net		**6,270,005**		7,303,689
Realized foreign exchange loss		**(8,349,832)**		(15,380,294)
Foreign exchange loss – net	₱	**(2,079,827)**	₱	(8,076,605)

31. LEASE AGREEMENTS

Summary of lease agreements are summarized as follows:

31.01 The Company as a Lessee

The Company has leases for office space and guest houses. With the exception of short-term leases, one lease is reflected on the statements of financial position as a right-of-use asset and a lease liability.

31.01.01 Equitable Insurance Corporation

The Company entered into an agreement to lease an office space located at 17/F BDO Equitable Tower located at No. 8751 Paseo de Roxas, Makati City with a lease area of 354.9733 square meters. The lease term under such agreement shall be of three (3) years, commencing on January 16, 2019 and ending January 15, 2023 subject to renewal upon mutual written agreements of the parties. The contract has no longer been renewed as of March 31, 2024.

In 2019, the Company paid ₱1,001,628 for the security deposit equivalent to three (3) months rent which shall cover for any lessee obligation other than rent. Upon termination of lease, the amount equivalent to two (2) months rental shall be returned to the lessee and the balance will be returned upon settlement of lease obligation other than rent.

As of March 31, 2024 and 2023, lease liability relative to the right-of-use asset amounted to ₱5,795,145 and ₱9,160,344, respectively, as disclosed in Notes 15 and 20.

As of March 31, 2024 and 2023, right-of-use asset relative to the lease liability amounted to ₱3,365,198 and ₱3,085,574, respectively, as disclosed in Note 20.

31.02 Lease Payments not recognized as a Liability

The Company has elected not to recognize a lease liability for short term leases of equipment. Payments made under such leases are expensed on a straight-line basis. The expense relating to payments not included in the measurement of the lease liabilities in 2024 and 2023 are summarized as follows:

	Rent Expense (Note 29)	Security Deposits (Note 9)
		Current
March 31, 2024		
Carjolin Farms, Inc.	₱ **408,000**	₱ **136,000**
Hombiance Ventures	**403,271**	**60,000**
JTL Realty Corporation	**263,667**	**140,000**
Others	**563,273**	**546,694**
	1,638,211	**882,694**
March 31, 2023		
Carjolin Farms, Inc.	408,000	136,000
JTL Realty Corporation	366,333	140,000
Kong Fan Ling	251,840	66,000
Hombiance Ventures	180,978	60,000
Others	471,315	167,600
	₱ 1,678,466	₱ 569,600

31.02.01 Carjolin Farms, Inc.

The Company leased an office space located at San Rafael Street, Sta Clara Subdivision Bacolod City. The lease shall be for a period of one (1) year starting from August 1, 2023 to July 31, 2024, renewable for another year thereafter upon mutual agreement. In 2024, the Company's security deposit amounted to ₱136,000.

In 2024 and 2023, rent expense charged to operations amounted to ₱408,000.

31.02.02 Homebiance Ventures

The Company leased a residential condominium located at West Tower, Lumiere Residences, Shaw Blvd, Pasig City. The lease shall be for a period of one (1) year starting from October 2, 2020, the Company renewed for another year thereafter upon mutual agreement. In 2024, the Company's security deposit amounted to ₱60,000.

In 2024 and 2023, rent expense charged to operations amounted to ₱403,271 and ₱180,978, respectively.

31.02.03 JTL Realty Corporation

The Company leased an office space located at 1767 Taft Avenue Pasay City. The lease shall be for a period of one (1) year starting October 1, 2023 to September 30, 2024, renewable for another year thereafter upon mutual agreement. In 2024, the Company's security deposit amounted to ₱140,000.

In 2024 and 2023, rent expense charged to operations amounted to ₱263,667 and ₱366,333, respectively.

31.02.04 Kong Fan Ling

The Company leased a residential condominium located at Greenbelt Hamilton Tower 1, No. 147, Legazpi Street, Legazpi Village, Philippines. The lease shall be for a period of one (1) year starting from November 8, 2021, renewable for another year thereafter upon mutual agreement. In 2024, the parties no longer renewed the lease agreement.

In 2024 and 2023, rent expense charged to operations amounted to nil and ₱251,840, respectively.

31.02.05 Others

The Company leased several guest units to be used by employees travelling from abroad for project execution for Philippine customers. These leases shall be for a period of one (1) to two (2) months only. In 2024 and 2023, the Company paid security deposit amounting to ₱379,094 and ₱62,000, respectively.

In 2024 and 2023, rent expense charged to operations amounted to ₱563,273 and ₱471,315, respectively.

32. INCOME TAXES

32.01 Income Tax Recognized in Profit or Loss

Components of income tax are as follows:

		2024		2023
Current tax expense	₱	**1,276,685**	₱	1,372,912
Deferred tax expense (benefit) (Note 33)		**1,082,244**		(9,890,514)
	₱	**2,358,929**	₱	(8,517,602)

A numerical reconciliation between tax benefit and the product of accounting loss multiplied by the tax rates in 2024 and 2023 is as follows:

		2024		2023
Accounting loss	₱	**(63,719,463)**	₱	(39,483,409)
Tax benefit at 25%		**(15,929,866)**		(9,870,852)
Tax effects of the following:				
Non-recognition of DTA from NOLCO		**17,418,304**		-
Non-recognition of DTA from MCIT		**1,276,686**		-
Unallowable finance cost		**441,207**		1,352,960
Non-deductible penalties		**425,247**		375
Finance income subjected to final tax		**(415)**		(85)
Non-taxable commission income from reversal		**(1,272,234)**		
	₱	**2,358,929**	₱	(8,517,602)

Details of the Company's NOLCO covered by Revenue Regulation No. 25-2020 is as follows:

Year Incurred		Amount		Applied Previous Year		Applied Current Year		Expired		Unapplied	Expiry Date
2021	₱	5,164,406	₱	5,164,406	₱	-	₱	-	₱	-	2026

The Bureau of Internal Revenue (BIR) has recently issued Revenue Regulations (RR) 25-2021 to inform all concerned on the longer period for claiming NOLCO from taxable years 2020 and 2021.

Pursuant to Section 4 (bbb) of Bayanihan II and as implemented under RR 25-2020, the net operating losses of a business or enterprise incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years following the year of such loss. Ordinarily, NOLCO can be carried over as deduction from gross income for the next three consecutive years only.

The amount of NOLCO for 2024 is as follows:

Year Incurred		Amount		Applied Previous Year		Applied Current Year		Expired		Unapplied	Expiry Date
2024	₱	**69,673,218**	₱	-	₱	-	₱	-	₱	**69,673,218**	**2027**

Details of Company's MCIT which can be claimed as tax credits against regular income tax are as follows:

Year Incurred		Amount		Applied Previous Year		Applied Current Year		Expired		Unapplied	Expiry Date
2021	₱	917,984	₱	917,984	₱		₱	-	₱	-	2024
2024		1,276,685		-		-		-		1,276,685	2027
	₱	**2,194,669**	₱	**917,984**	₱	-	₱	-	₱	**1,276,685**	

The Bureau of Internal Revenue (BIR) has recently issued Revenue Regulations (RR) 25-2020 to inform all concerned on the longer period for claiming NOLCO from taxable years 2020 and 2021.

Pursuant to Section 4 (bbb) of Bayanihan II and as implemented under RR No. 25-2020, the net operating losses of a business or enterprise incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years following the year of such loss. Ordinarily, NOLCO can be carried over as deduction from gross income for the next three consecutive years only.

33. **DEFERRED TAXES** – net

The breakdown of the Company's deferred taxes presented in the statements of financial position is as follows:

		2024		2023
Deferred tax assets (Note 33.01)	₱	**21,928,054**	₱	23,268,718
Deferred tax liability (Note 33.02)		**(1,567,500)**		(1,825,922)
	₱	**20,360,554**	₱	21,442,796

33.01 Deferred Tax Assets

The Company's deferred tax assets and their respective movements are as follows:

	Allowance for Expected Credit Losses	Unrealized Foreign Exchange Loss – net	Effect of PFRS 16	NOLCO	MCIT	Provision for Tax Assessment	Total
Balance, April 1, 2022	₱ 7,767,023	₱ 551,124	₱ 361,315	₱ 1,291,102	₱ 917,984	₱ 1,253,436	₱ **12,141,984**
Recognized in profit or loss	13,948,308	(551,124)	(1,676)	(1,291,102)	(917,984)	(59,688)	**11,126,734**
Balance, March 31, 2023	**21,715,331**	-	**359,639**	-	-	**1,193,748**	**23,268,718**
Recognized in profit or loss	(1,269,081)	-	(71,583)	-	-	-	**(1,340,664)**
Balance, March 31, 2024	**₱ 20,446,250**	**₱ -**	**₱ 288,056**	**₱ -**	**₱ -**	**₱ 1,193,748**	**₱ 21,928,054**

33.02 Deferred Tax Liability

The Company's deferred tax liability from unrealized foreign exchange gain and its movements are as follows:

	2024	2023
Balance, April 1	**₱ 1,825,922**	₱ 530,015
Recognized in profit or loss	**(258,422)**	1,295,907
Balance, March 31	**₱ 1,567,500**	₱ 1,825,922

34. FAIR VALUE MEASUREMENTS

34.01 Fair Value of Financial Assets and Liabilities

The carrying amounts and estimated fair values of the Company's financial assets and financial liabilities as of March 31, 2024 and 2023 are presented below:

		2024				2023		
		Carrying Amounts		**Fair Values**		Carrying Amounts		Fair Values
Financial Assets:								
Cash	₱	**2,856,279**	₱	**2,856,279**	₱	5,062,917	₱	5,062,917
Trade and other receivable – net		**106,414,141**		**106,414,141**		112,986,377		112,986,377
Security deposits		**1,884,322**		**1,844,322**		1,571,228		1,571,228
Advances to employees		**245,176**		**245,176**		943,629		943,629
	₱	**110,407,290**	₱	**110,407,290**	₱	120,564,151	₱	120,564,151
Financial Liabilities:								
Trade and other payables	₱	**38,666,556**	₱	**38,666,556**	₱	63,465,313	₱	63,465,313
Borrowings		-		-		37,803,354		37,803,354
Lease liability		**5,795,145**		**5,795,145**		9,160,344		9,160,344
	₱	**39,291,196**	₱	**39,291,196**	₱	110,429,009	₱	110,429,009

The fair value of the financials assets and financial liabilities are determined as follows:

- Due to short-term maturities, nature and demand feature, Management believes that the carrying amounts of cash, trade and other receivables, and advances to employees approximates their fair value.
- Management believes that the carrying amount security deposit approximates its fair value because the discount using current market interest rate is relatively immaterial.
- Borrowings presented under 'due to related parties' bear market interest rates; hence, Management believes that their carrying amounts approximate their fair values.
- The carrying amounts of trade and other payables (except payable to government agencies) approximate their fair values due to either the demand feature or relatively short-term duration of these payables.
- The carrying amount of lease liability approximates its fair value since lease liability bears market interest rate.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's Corporate Treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk, including currency risk, fair value interest rate risk, credit risk and liquidity risk.

35.01 Market Risk Management

35.01.01 Foreign Currency Risk Management

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting periods are as follows:

35.01.01.01 United States Dollar (USD)

		2024			2023	
		PHP	**USD**		PHP	USD
Monetary Assets						
Cash	₱	**914,931**	**16,353**	₱	462,244	8,544
Trade receivables		**32,384,808**	**300,285**		15,068,603	278,533
Contract asset		**25,335,150**	**899,163**		54,974,363	1,016,165
Other asset		-	-		22,070,987	407,968
	₱	**58,634,889**	**1,215,801**	₱	92,576,197	1,711,210

35.01.01.02 Singapore Dollar (SGD)

		PHP	**SGD**		PHP	SGD
Monetary Asset						
Contract assets	₱	-	-	₱	10,910,945	269,260

35.01.01.03 Malaysian Ringgit (MYR)

		PHP	**MYR**		PHP	MYR
Monetary Liability						
Due to related parties	₱	**4,276,839**	**353,675**	₱	5,553,521	442,445

35.01.01.04 Swiss Franc (CHF)

		PHP	**CHF**		PHP	CHF
Monetary Liability						
Due to related parties	₱	-	-	₱	37,803,354	644,000

35.01.01.05 Australian Dollar (AUD)

		PHP	AUD		PHP	AUD
Monetary Liability						
Due to related parties	₱	**7,878,015**	**217,854**	₱	8,430,049	234,338

35.01.01.06 Indonesian Rupiah (IDR)

		PHP	IDR		PHP	IDR
Monetary Liability						
Due to related parties	₱	**160,185**	**45,138,610**	₱	125,064	34,663,292

The Company is mainly exposed to US Dollar, SG Dollar, MY Rupee and Swiss Franc. The exchange rates used are shown below:

	2024	2023
US Dollar(USD)	**54.43**	54.10
Singaporean Dollar (SGD)	**41.00**	40.52
Malaysian Ringgit (MYR)	**12.31**	12.55
Swiss Franc (CHF)	**59.54**	58.70
Australian Dollar (AUD)	**36.53**	35.97
Indonesian Rupiah (IDR)	**0.0036**	0.0036

The following table details the Company's sensitivity as of March 31, 2024 and 2023, respectively, increase in the Philippine Peso against the relevant foreign currencies. The sensitivity rates of shown below are used when reporting foreign currency risk internally to key management personnel and represents M**anagement's assessment** of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for the rates changes, as shown below, in foreign currency rates. The sensitivity analysis includes loans to foreign operations within the Company where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit where the Philippine Peso against the relevant currency contrary to the negative number weakening of the Philippine Peso against the relevant currencies, there would be a comparable impact on the profit and the balances below would be negative.

		Monetary Assets	Monetary Liabilities	Net Effect to Profit	
	Change in assumption	Increase / (Decrease) in assumption	(Increase) / Decrease in assumption	Increase in assumption	Decrease in assumption
2024					
US Dollar	**1.24%**	**773,219 (773,219)**	-	**773,219**	**(773,219)**
MY Ringgit	**2.25%**	-	**97,959 (97,959**	**97,959**	**(97,959)**
AU Dollar	**1.13%**	-	**90,501 (90,501)**	**90,501**	**(90,501)**
ID Rupiah	**2.07%**	-	**3,364 (3,364)**	**3,364**	**(3,364)**
2023					
US Dollar	1.96%	2,067,358/ (2,067,358)	-	2,067,358	(2,067,358)
SG Dollar	2.02%	187,603/ (187,603)	-	187,603	(187,603)
MY Ringgit	1.52%	-	99,032/ (99,032)	99,032	(99,032)
Swiss Franc	2.32%	-	1,009,149/ (1,009,149)	1,009,149	(1,009,149)
AU Dollar	2.87%	-	135,301/ (135,301)	135,301	(135,301)
ID Rupiah	2.40%	-	2,251/ (2,251)	2,251	(2,251)

In Management's opinion, the sensitivity analysis is a representative of the inherent foreign exchange risk. The Company mitigates its exposure to foreign currency risk by monitoring its US Dollar, SG Dollar, MY Ringgit, Swiss Franc, Australian Dollar and Indonesia Rupiah cash flows.

35.01.02 Interest Rate Risk Management

The Company's exposure to interest rate risk arises from its cash deposits in banks which are subject to variable interest rates as well as loans from related parties and lease liability which are subject to fixed interest rates.

Loss and Profit for the years ended March 31, 2024 and 2023 would have been unaffected since the Company has no borrowings at variable rates and interest rate risk exposure for its cash in banks, which is subject to variable rate, is immaterial.

35.02 Credit Risk Management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risks from cash in banks, contract assets, unbilled licenses services, trade and other receivables, security deposits, and advances to employees, all at amortized cost.

The Company considers the following policies to manage its credit risk:

- Banks

  The Company transacts only to banks with investment grade credit rating. This information is supplied by independent rating agencies. The Company uses other publicly available information such as annual report to monitor the financial status of the banks.

  The Company assesses the current and forecast information of the banking industry and the macro-economic factors such as GDP, interest, and inflation rates to determine the possible impact to banks.

- Unbilled license services and Trade and other receivables

  The Company transacts only with creditworthy clients. It is the Company's policy that all new clients undergo background investigation. The Company assesses the creditworthiness of each recurring client before entering into new contracts. The acceptance or continuance of contract needs approval from the Management. **The Company assesses the current and forecast information of the clients'** industry and the macro-economic factors such as GDP, interest, and inflation to determine the possible impact to clients.

Financial assets measured at amortized cost, contract assets, and unbilled license services are as follows:

		2024		2023
Financial assets				
Cash in banks	₱	**2,824,154**	₱	5,029,947
Contract assets – net		**3,724,709**		95,942,216
Unbilled license services – net		**11,811,292**		99,178,420
Trade and other receivables – net		**104,232,572**		119,191,046
Security deposits		**1,884,322**		1,571,228
Advances to employees		**254,176**		943,629
	₱	**124,731,225**	₱	321,854,486

The calculation of allowance for expected credit losses are based on the following three (3) components:

- Probability of Default (PD)

  PD is the likelihood over a specified period, usually one year that a client will not be able to make scheduled repayments. PD depends not only on the client's characteristics, but, also on the economic environment. PD may be estimated using historical data and statistical techniques.

- Loss Given Default (LGD)

  LGD is the amount of money a company loses when a client defaults on a contract. The most frequently used method to calculate this loss is by comparing the actual total losses and the total amount of potential exposure sustained at the time that a contract goes into default.

➢ Exposure at Default (EAD)

EAD is the total value a company is exposed to when a loan default. It refers to the gross carrying amount of financial asset.

Below is the summary of computation of allowance for expected credit losses in 2024 and 2023:

	PD rate	**LGD rate**		**EAD**		**ECL**
	a	**b**		**c**		**d=a*b*c**
Cash in banks	**0.00%**	**0.00% to 82.30%**	**₱**	**2,824,154**	**₱**	**-**
Contract assets	**10.00%**	**100.00%**		**472,130,580**		**47,213,058**
Unbilled license services	**75.92%**	**100.00%**		**50,937,767**		**11,298,014**
Trade and other receivables	**7.00%**	**100.00%**		**104,232,572**		**22,862,030**
Security deposits	**0.00%**	**100.00%**		**1,884,322**		**-**
Advances to employees	**0.00%**	**100.00%**		**254,176**		**-**
			₱	**649,925,936**	**₱**	**81,373,102**

	PD rate	LGD rate		EAD		ECL
	a	b		c		d=a*b*c
Cash in banks	0.00%	0.00% to 90.06%	₱	5,029,947	₱	-
Contract assets	10.00%	100.00%		135,968,240		13,596,824
Unbilled license Services	67.62%	100.00%		95,942,216		67,059,833
Trade and other receivables	7.00%	100.00%		119,191,044		6,204,669
Security deposits	0.00%	100.00%		1,571,228		-
Advances to employees	0.00%	100.00%		943,629		-
			₱	358,646,304	₱	86,861,326

Cash in Banks

The Company determined the probability of default rate by considering the following: the credit ratings; the past, current, and forecast performance of Banking Industry; the past, current, and forecast macro-economic factors that may affect the banks; and the current and projected financial information. The Company estimated the probability of default to be nil.

Loss given default rate is calculated by taking into consideration the amount of insured deposit and estimated it to be 0.00% to 82.30% and 0.00% to 90.06% in 2024 and 2023, respectively.

Exposure at default is equal to the gross carrying amount of cash in banks.

Contract asset

The Company determined the probability of default rate by considering the credit ratings, credit history and forecast of macro-economic factors affecting the industry. The PD rate is estimated to be 10.00% in 2024 and 2023.

Loss given default rate is 100% because the Company expects to lose the whole amount in case of default.

Exposure at default is equal to the carrying amount of contract asset.

Unbilled license services – net and Trade and Other Receivable – net

The Company patterned its determination of the probability of default rate to its Parent Company by using a provision matrix which is based on historical loss experience, reflecting current conditions and forecasts of future economic conditions, which are group on the basis of similar credit characteristics such as nature of industry, customer segment, past due status and other factors that are relevant to the estimation of the expected cash losses from these assets. In 2024 and 2023, the Company estimated the probability of default to be 7.00% and 3.80% for trade and other receivable outstanding for more than 365 days 67.62% and 10.00% for unbilled license services, respectively. Balances of unbilled license services and trade and other receivable outstanding amounted to ₱96,657,538 and ₱215,133,262 as of March 31, 2024 and 2023, respectively, based on the aging schedule.

Unbilled license services and trade and other receivable are written off when there is no reasonable expectation of realization, such as a debtor declaring bankruptcy or failing to engage in a repayment plan with the Group and where there is a probability of default.

In both years, loss given default rate is 100% for all clients because the Company does not obtain collateral for these transactions.

Exposure at default is equal to the gross carrying amount of unbilled license services and trade and other receivable.

Security Deposits

The balance of security deposits is immaterial to the total financial asset taken. Moreover, the company believes that the balances are collectible in full; Hence, the credit risk is only minimal. Based on these factors, the Company determined that the probability of default is nil.

Loss given default rate is 100% because the Company expects to lose the whole amount in case of default.

The movements in the allowance for expected credit losses as disclosed in Notes 8, 9 and 10 as shown below:

		2024		2023
Balance, April 1	₱	**86,861,326**	₱	31,068,094
Allowance for expected credit losses		**8,150,417**		66,541,058
Reversal of expected credit losses		**(14,310,286)**		(10,747,826)
Balance, March 31	₱	**80,701,457**	₱	86,861,326

35.03 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the **management of the Company's short, medium and long**-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining appropriate level of liquidity, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following table details the Company's expected maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will be earned on those assets. The inclusion of information on non-derivative financial liabilities is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Weighted Average Effective Interest Rate	On Demand	Within One (1) Year	One (1) – Five (5) Years	Total
March 31, 2024					
Trade and other payables	**0.00%**	**₱ 12,117,474**	**₱ 11,022,996**	**₱ -**	**₱ 23,140,470**
Lease liability		-	**3,688,864**	**2,106,281**	**5,795,145**
		₱ 12,117,474	**₱ 14,711,860**	**₱ 2,106,281**	**₱ 28,935,615**
March 31, 2023					
Trade and other payables	0.00%	₱ 35,965,716	₱ 27,499,597	₱ -	₱ 63,465,313
Borrowings	0.00% - 8.75%	37,803,354	-	-	37,803,354
Lease liability		-	3,407,947	5,752,397	9,160,344
		₱ 73,769,070	₱ 30,907,544	₱ 5,752,397	₱ 110,429,011

The following table details the Company's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to **understand the Company's liquidity risk management as the liquidity is managed on** a net asset and liability basis.

	Weighted Average Effective Interest Rate		On Demand		Within One (1) Year		One (1) – Five (5) Years		Total
March 31, 2024									
Cash	**floating rates**	**₱**	**2,824,154**	**₱**	**-**	**₱**	**-**	**₱**	**2,824,154**
Trade and other receivables – net	-		**21,194,782**		**63,651,464**		**-**		**84,846,246**
Security deposits	-		**-**		**882,694**		**1,001,628**		**1,884,322**
Advances to employees	-		**-**		**254,176**		**-**		**254,176**
		₱	**24,018,936**	**₱**	**64,788,604**	**₱**	**1,001,628**	**₱**	**89,808,898**
March 31, 2023									
Cash	floating rates	₱	5,029,917	₱	-	₱	-	₱	5,029,917
Trade and other receivables – net	-		30,552,913		82,433,464		-		112,986,377
Security deposits	-		-		569,600		1,001,628		1,571,228
Advances to employees	-		-		943,623		-		943,623
		₱	35,582,830	₱	83,946,687	₱	1,001,628	₱	120,531,145

36. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company manages its capital to ensure that the Company will be able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. **The Company's overall strategy remains unchanged** from 2023.

The capital structure of the Company consists of net debt (total liabilities offset by cash) and bank balances and equity of the Company.

Pursuant to Section 42 of the Revised Corporation Code of the Philippines, Stock corporations are prohibited from retaining surplus profits in excess of one hundred (100%) percent of their paid-in capital stock, except: (1) when justified by definite corporate expansion projects or programs approved by the board of directors; or (2) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its/his consent, and such consent has not yet been secured; or (3) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is need for special reserve for probable contingencies. The Company is in compliance with the above requirements.

The BOD has overall responsibility for monitoring capital in proportion to risk. **Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business, operation and industry.** The Company has a target gearing ratio of 1:1 determined as the proportion of net debt to equity.

The gearing ratio at end of the reporting period is as follows:

		2024		2023
Debt	₱	**115,124,162**	₱	188,865,384
Cash		**2,856,279**		5,062,917
Net debt		**112,267,883**		183,802,467
Equity		**33,707,527**		99,785,919
Net debt to equity ratio		**3.33:1**		1:84:1

Debt is defined as total liabilities, while equity includes capital and all retained earnings of the Company that are managed as capital.

37. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities is as follows:

		2024		2023
Balance, April 1	₱	**26,035,068**	₱	155,140,427
Repayment received from related parties		**13,050,615**		-
Finance cost incurred on loans		**1,764,827**		5,411,838
Finance cost incurred on lease liability		**641,314**		920,937
Finance cost paid related to lease liability		**(641,314)**		(920,937)
Advances given to related parties		**(25,043,599)**		(20,928,630
Finance cost paid related to loans		**(1,764,827)**		(5,411,838)
Repayment of lease liability		**(3,365,198)**		(3,085,574)
Repayment of loans		**(36,038,527)**		(105,091,155)
Total changes from financing cash flows		**19,622,714**		129,105,359
Balance, March 31	₱	**6,412,354**	₱	26,035,068

38. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issuance by the Board of Directors on May 6, 2024.

39. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATIONS NO. 15–2010

The Bureau of Internal Revenue (BIR) released a revenue regulation dated November 25, 2010 amending Revenue Regulations No. 21-2002 setting forth additional disclosures on Notes to Financial Statements. Below are the disclosures required by the said Regulation:

39.01 Taxes and Licenses Paid or Accrued

The details of the Company's taxes and licenses fees paid or accrued in 2024 are as follows:

39.01.01 Output VAT

The Company is VAT-registered with VAT output declaration of ₱38,302,075, for the year based on the amount of revenue billed to customers amounting to ₱242,810,512; hence, may not be comparable with the amounts recognized in the statement of comprehensive income.

39.01.02 Input VAT

An analysis of the Company's input VAT claimed during the year is as follows:

Current year's domestic purchases/payments for:		
Services lodged under cost of goods sold	₱	2,090,802
Total available input VAT		**2,090,802**
Applied against output VAT		2,090,802
Balance, March 31	**₱**	-

39.01.03 Taxes and Licenses

An analysis on the Company's taxes and license paid or accrued during the year amounted to ₱3,333,239 which pertains to permit fees, sanitary fees, and others.

39.01.04 Withholding Taxes

An analysis on the Company's withholding taxes paid or accrued during the year is as follows:

Final withholding taxes	₱	9,296,615
Withholding tax on compensation		5,781,341
Expanded withholding taxes		1,085,357
Fringe benefits taxes		508,375
	₱	**16,671,688**

Final withholding taxes arose from payments of royalties and finance cost paid to non-resident foreign corporations.

Expanded withholding taxes arose from payments of rentals and directors' fees and purchases of goods and services.

39.01.05 Deficiency Tax Assessments

The Company received a final assessment covering the taxable years April 1, 2021 to March 31, 2023 amounting to ₱2,001,154, inclusive of surcharges, interest and compromise penalties, for deficiency on value added tax, expanded withholding tax, and withholding tax on compensation which has agreed upon. The deficiency taxes were paid on October 27, 2023.

40. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION NO. 19–2011

Pursuant to Section 244 in relation to Section 6(H) of the National Internal Revenue Code of 1997 (Tax Code), as amended, these Regulations are prescribed to revise BIR Form 1702 setting forth the following schedules. Below are the disclosures required by the said Regulation:

40.01 Revenue from Operations

The analysis **of the Company's revenues for the taxable year are as follows:**

Implementation, installation and hosting	₱	132,569,360
Application maintenance services and charges		95,405,914
Software as Service (SaaS) fees		28,231,136
License fees		19,042,328
Product support service fee		1,674,690
Hardware materials		156,000
	₱	**277,079,428**

40.02 Cost of Services

The following is an analysis of the Company**'s** cost of services for the taxable year:

Salaries and wages	₱	36,462,079
Software service expense		73,973,709
Royalties		41,814,318
Hosting		17,517,734
Salaries and wages reimbursements		14,213,047
Subcontractors		10,685,101
SSS, Philhealth and HDMF contributions		1,264,998
Other employee benefits		5,366,489
	₱	**201,297,475**

40.03 Taxable Other Income

The following are taxable other income for the taxable year:

Realized foreign exchange gain	₱	9,176,809
License agreements		153,621
	₱	**9,330,430**

40.04 Itemized Deductions

The following is an analysis of the Company's itemized deductions for the taxable year:

Bad debts expense	₱	112,815,883
Realized foreign exchange loss		10,222,952
Rent		5,644,723
Transportation and travel		4,949,159
Transportation, travel and reimbursements		4,849,411
Taxes and licenses		3,333,239
Professional fees		2,573,655
Marketing		2,333,890
Communication, light and water		1,901,327
Depreciation		1,005,633
Representation		669,323
Printing and stationery		304,521
Penalties		302,437
Repairs and maintenance		132,953
Recruitment charges		27,550
Miscellaneous		3,718,945
	₱	**154,785,601**

40.05 Effect of PFRS 16, Leases on Itemized Deductions

Depreciation	₱	4,084,496
Finance cost		641,314
Total expense recognized relating to PFRS 16, Leases		**4,725,810**
Operating lease		4,006,512
Unallowable depreciation and finance cost		(3,087,899)
Deductible rent expense	**₱**	**5,644,423**

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R.S. Bernaldo & Associates

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SUPPLEMENTAL INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
RAMCO SYSTEM INC.
(A Wholly-owned Subsidiary of Ramco Systems Limited)
1805 Cityland Condominium 10 Tower 1
156 H.V. Dela Costa Street
Makati City

We have audited the financial statements of **RAMCO SYSTEM INC.** for the years ended March 31, 2024 and 2023 on which we have rendered the attached report dated May 6, 2024.

In compliance with Revenue Regulation V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the said Company has only one (1) stockholder owning more than one hundred (100) shares.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until May 28, 2024
BSP Group B Accredited
Accreditation No. 0300-BSP
Valid until 2026 audit period
BIR Accreditation No. 08-007679-000-2023
Valid from January 31, 2023 until January 30, 2026
IC Group A Accredited
Accreditation No. 0300-IC
Valid until 2026 audit period

RSBernaldo

ROSE ANGELI S. BERNALDO
Partner
CPA Certificate No. 114127
BSP Group B Accredited
Accreditation No. 114127-BSP
Valid until 2025 audit period
BIR Accreditation No. 08-007679-001-2023
Valid from October 20, 2023 until October 19, 2026
Tax Identification No. 211-870-290
PTR No. 10081198
Issued on January 9, 2024 at Makati City

May 6, 2024

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REPORT ON THE SUPPLEMENTARY SCHEDULE

The Board of Directors and the Stockholders
RAMCO SYSTEM, INC
(A Wholly-owned Subsidiary of Ramco Systems Limited)
1805 Cityland Condominium 10 Tower 1
156 H.V Dela Costa Street
Makati City

We have issued our report dated May 6, 2024 on the basic financial statements of **RAMCO SYSMTEM, INC.** as of and for the year ended March 31, 2024. Our audit was conducted for the purpose of forming an opinion on the basic financial statements of **RAMCO SYSTEM, INC.** taken as a whole. The information in the Schedule of Retained Earnings for Available Dividend Declaration as of and for the year ended March 31, 2024, which is not a required part of the financial statements, is required to be filed with the Securities and Exchange Commission. Such information is the responsibility of the Management **RAMCO SYSTEM, INC.** The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
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May 6, 2024