Coforge BPS Philippines, Inc.

Financial Statements
March 31, 2024
(With Comparative Figures as at and for the Year Ended March 31, 2023)

and

Independent Auditors' Report

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
Coforge BPS Philippines, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Coforge BPS Philippines, Inc. (the Company) which comprise the statement of financial position as at March 31, 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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 its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Other Matter

The financial statements of the Company as at March 31, 2023 and for the year then ended, which are presented for comparative purposes were audited by another auditor who expressed an unmodified opinion on those statements on June 20, 2023.

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.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it 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 audit. 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 audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of 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 auditor's 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 auditor's 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 22 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Coforge BPS Philippines, 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.

SYCIP GORRES VELAYO & CO.

Kristopher S. Catalan
Partner
CPA Certificate No. 109712
Tax Identification No. 233-299-245
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-109-2023, October 26, 2023, valid until October 25, 2026
PTR No. 10079916, January 5, 2024, Makati City

June 21, 2024

COFORGE BPS PHILIPPINES, INC.

(A Wholly-owned Subsidiary of Coforge Business Process Solutions Private Limited)

STATEMENTS OF FINANCIAL POSITION

AS AT MARCH 31, 2024

(With Comparative Figures as at March 31, 2023)

	March 31	
	2024	2023
ASSETS		
Current Assets		
Cash in banks (Note 4)	**₱78,527,240**	₱211,420,449
Trade and other receivables (Note 5)	**470,901,762**	357,058,690
Prepayments and other current assets (Note 6)	**12,677,534**	12,539,238
Refundable deposits (Note 16)	**1,507,055**	3,233,455
Total Current Assets	**563,613,591**	584,251,832
Noncurrent Assets		
Property and equipment - net (Note 7)	**103,845,612**	56,762,790
Refundable deposits (Note 16)	**18,829,089**	11,283,973
Right-of-use assets (Note 16)	**174,328,597**	68,720,163
Deferred tax assets - net (Note 17)	**736,872**	827,051
Total Noncurrent Assets	**297,740,170**	137,593,977
TOTAL ASSETS	**₱861,353,761**	₱721,845,809
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 8)	**₱114,572,496**	₱130,091,816
Due to related parties (Note 10)	**5,191,972**	6,153,696
Lease liabilities (Note 16)	**43,961,875**	23,309,396
Total Current Liabilities	**163,726,343**	159,554,908
Noncurrent Liabilities		
Retirement benefit obligation (Note 9)	**1,280,147**	5,122,773
Lease liabilities (Note 16)	**143,496,263**	47,538,697
Total Noncurrent Liabilities	**144,776,410**	52,661,470
TOTAL LIABILITIES	**308,502,753**	212,216,378
Equity		
Share capital (Note 11)	**152,787,654**	152,787,654
Retained earnings (Note 11)	**376,946,978**	338,936,597
Other comprehensive income (Note 9)	**23,116,376**	17,905,180
Total Equity	**552,851,008**	509,629,431
TOTAL LIABILITIES AND EQUITY	**₱861,353,761**	₱721,845,809

See accompanying Notes to Financial Statements.

COFORGE BPS PHILIPPINES, INC.
(A Wholly-owned Subsidiary of Coforge Business Process Solutions Private Limited)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED MARCH 31, 2024
(With Comparative Figures for the fiscal year ended March 31, 2023)

	Years Ended March 31	
	2024	2023
REVENUES (Note 12)	**₱1,182,490,417**	₱1,006,317,814
COST OF SERVICES (Note 13)	**666,747,055**	557,747,533
GROSS PROFIT	**515,743,362**	448,570,281
OPERATING EXPENSES (Note 14)	**124,413,078**	103,279,059
OTHER INCOME (CHARGES) - net		
Foreign exchange gain - net	**18,054,664**	17,269,429
Interest expense (Note 16)	**(13,444,742)**	(2,568,876)
Interest income (Note 4)	**196,399**	189,658
Gain on disposal of property and equipment (Note 7)	**–**	1,506,828
Others	**250,687**	–
	5,057,008	16,397,039
INCOME BEFORE INCOME TAX	**396,387,292**	361,688,261
PROVISION FOR INCOME TAX (Note 17)		
Current	**28,525,444**	24,149,476
Deferred	**(168,533)**	(1,267,331)
	28,356,911	22,882,145
NET INCOME	**368,030,381**	338,806,116
OTHER COMPREHENSIVE INCOME		
Item that will not be reclassified subsequently to profit or loss:		
Actuarial gain on defined benefit obligation (Note 9)	**5,469,908**	7,247,665
Income tax effect	**(258,712)**	(344,262)
	5,211,196	6,903,403
TOTAL COMPREHENSIVE INCOME	**₱373,241,577**	₱345,709,519

See accompanying Notes to Financial Statements.

COFORGE BPS PHILIPPINES, INC.

(A Wholly-owned Subsidiary of Coforge Business Process Solutions Private Limited)

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED MARCH 31, 2024

(With Comparative Figures as at March 31, 2023)

	Share Capital	Retained Earnings	Other Comprehensive Income	Total
Balances as at March 31, 2022	₱152,787,654	₱183,475,661	₱11,001,777	₱347,265,092
Net income	–	338,806,116	–	338,806,116
Other comprehensive income (Note 9)	–	–	6,903,403	6,903,403
Total comprehensive income	–	338,806,116	6,903,403	345,709,519
Declaration of dividends (Note 11)	–	(183,345,180)	–	(183,345,180)
Balances as at March 31, 2023	152,787,654	338,936,597	17,905,180	509,629,431
Net income	–	368,030,381	–	368,030,381
Other comprehensive income (Note 9)	–	–	5,211,196	5,211,196
Total comprehensive income	–	368,030,381	5,211,196	373,241,577
Declaration of dividends (Note 11)	–	(330,020,000)	–	(330,020,000)
Balances as at March 31, 2024	**₱152,787,654**	**₱376,946,978**	**₱23,116,376**	**₱552,851,008**

See accompanying Notes to Financial Statements.

COFORGE BPS PHILIPPINES, INC.
(A Wholly-owned Subsidiary of Coforge Business Process Solutions Private Limited)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2024
(With Comparative Figures for the fiscal year ended March 31, 2023)

	Years Ended March 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱396,387,292**	₱361,688,261
Adjustments for:		
Depreciation (Notes 7, 13, 14 and 16)	**96,173,559**	65,297,026
Unrealized foreign exchange gain - net	**(18,054,664)**	40,997
Interest expense (Note 16)	**13,444,742**	2,568,876
Retirement expense (Note 9)	**1,627,282**	3,153,750
Interest income (Note 4)	**(196,399)**	(189,658)
Gain on disposal of property and equipment (Note 7)	–	(1,506,828)
Operating income before working capital changes	**489,381,812**	431,052,424
Decrease (increase) in:		
Trade and other receivables	**(113,634,923)**	(168,416,334)
Prepayments and other current assets	**(138,296)**	1,559,554
Refundable deposits	**(5,818,716)**	(151,907)
Increase (decrease) in:		
Trade and other payables	**(18,082,840)**	(8,155,868)
Due to related parties	**(961,724)**	2,975,234
Net cash generated from operations	**350,745,313**	258,863,103
Interest received	**196,399**	189,658
Income taxes paid	**(25,417,837)**	(24,149,476)
Net cash from operating activities	**325,523,875**	234,903,285
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 7)	**(94,833,143)**	(12,875,352)
Proceeds from sale of property and equipment	–	1,536,700
Net cash used in investing activities	**(94,833,143)**	(11,338,652)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Payment of dividends (Note 11)	**(330,020,000)**	(183,345,180)
Payment of lease liabilities (Note 16)	**(50,866,369)**	(40,049,319)
Cash used in financing activities	**(380,886,369)**	(223,394,499)
EFFECTS OF EXCHANGE RATE CHANGES	**17,302,428**	(40,997)
NET INCREASE (DECREASE) IN CASH	**(132,893,209)**	129,137
CASH AT BEGINNING OF YEAR	**211,420,449**	211,291,312
CASH AT END OF YEAR (Note 4)	**₱78,527,240**	₱211,420,449

See accompanying Notes to Financial Statements.

1. Corporate Information and Authorization for Issuance of the Financial Statements

Corporate Information
Coforge BPS Philippines, Inc. (hereinafter referred to as the "Company") was registered with the Philippine Securities and Exchange Commission (SEC) on October 29, 2015.

The principal activity of the Company is to engage in and carry on the business of providing outsourced services and business process management to clients from multiple industries, which includes but not limited to, responsibilities over specific business functions and processes, performance of back-office operations, call center services and IT-enabled services including data analysis and processing services to overseas clients and consumers.

On June 23, 2022, the Securities and Exchange Commission approved the amendments of the Company's corporate name to Coforge BPS Philippines, Inc. (formerly SLK Global Philippines) and its principal office to be established at Ground Floor, Vector 3, Northgate, Filinvest City, Alabang, Muntinlupa.

The Company is a wholly-owned subsidiary of Coforge Business Process Solutions Private Limited (formerly SLK Global Solutions Private Limited), hereinafter referred to as the ("Parent Company"), a foreign company organized and existing under the laws of India. The global ultimate parent is Coforge Limited, a foreign company organized and existing under the laws of India.

The Company is registered with PEZA, as an Ecozone IT Enterprise under Registration Number 16-010 issued on January 20, 2016. The Company started its commercial operation on July 1, 2016. Subsequently, the Company filed for registration of its new activity, particularly "Business Process Outsourcing/Call Center Operations," as an Expansion Project which has been approved under Supplemental Agreement dated July 5, 2018 (see Note 21).

The Company's registered address and principal place of business is at Ground Floor, Vector 3, Northgate Filinvest City, Alabang, Muntinlupa City, Philippines.

Authorization for Issuance of the Financial Statements
The financial statements of the Company have been approved and authorized for issuance by the Board of Directors on June 21, 2024.

2. Basis of Preparation, Statement of Compliance and Summary of Material Accounting Policies

Basis of Preparation
The financial statements have been prepared on a historical cost basis which are presented in Philippine Peso, which is the currency of the primary economic environment in which the Company operates. All amounts are recorded in the nearest peso, except when otherwise indicated.

Statement of Compliance
The financial statements of the Company have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS), which includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC) as approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and Board of Accountancy (BOA), and adopted by the SEC.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2023. Adoption of these new standards did not have any significant impact on the Company's financial position or performance.

Unless otherwise indicated, adoption of these new standards did not have an impact on the Company's financial statements.

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

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

  The amendments had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the financial statements.

- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 12, *International Tax Reform - Pillar Two Model Rules*

Future Changes in Accounting Policies
Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2024
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

Deferred effectivity

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

The Company continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to March 31, 2024. Additional disclosures required by these new and amended accounting standards and interpretations will be included in the financial statements when they are adopted.

Summary of Material Accounting Policies

<u>Financial Instruments</u>
Financial assets and financial liabilities are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instruments.

Financial assets at amortized cost
The Company measures financial assets at amortized cost if both of the following conditions are met:

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

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

The Company's financial assets classified under this category include cash in banks, trade and other receivables, and refundable deposits.

Impairment of financial assets
The Company recognizes a loss allowance for ECL on its financial assets measured at amortized cost.

The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Company's historical credit losses experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value when appropriate.

For cash in banks, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risks investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the external credit rating agencies to determine whether the debt instruments has significantly increased in credit risk and estimate ECLs.

The Company considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Other financial liabilities
This category pertains to financial liabilities that are not held for trading or not designated as FVTPL upon the inception of the liability. These include liabilities arising from operating and financing activities.

Trade and other payables and due to related parties are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Company is established. These are measured at amortized cost, normally equal to the nominal amount.

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium or discount and any directly attributable transaction costs.

The Company's trade and other payables (except for statutory payables) and due to related parties are classified as other financial liabilities.

Property and Equipment
Property and equipment are initially measured at cost. The cost of an item of property and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management.

At the end of each reporting period, items of property and equipment measured using the cost model are carried at cost less any subsequent accumulated depreciation and impairment losses.

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

	Number of Years
Computers	3 to 10
Furniture and fixtures	10
Office equipment	5 to 15

Leasehold improvements are depreciated over the improvements' useful life of 3 years or when shorter, the term of the relevant lease.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Employee Benefits

Short-term benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period that are expected to be settled wholly before twelve months after the end of the reporting period.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Post-employment benefits

The Company classifies its retirement benefit as defined benefit plan. Under the defined benefit plan, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statements of financial position with a charge or credit recognized in OCI in the period in which they occur. Remeasurement recognized in OCI is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expense or income
- Remeasurement

The Company presents the first two components of defined benefit costs in profit or loss in the line item retirement benefits. Curtailment gains and losses are accounted for as past service costs.

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. The Company has generally concluded that is principal in its revenue arrangements because it typically controls the goods and services before transferring them to the customer.

Sale of services is recognized over time as the customers simultaneously receive and consume the benefits of the services being performed.

Foreign Currency-Denominated Transactions

Transactions in foreign currencies are initially recorded using the applicable exchange rates at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are restated using the applicable exchange rates at the end of the reporting period. Foreign exchange gains or losses arising from foreign currency transactions are recognized in profit or loss.

Leases

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use (ROU) asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets.

For these leases, the Company recognizes the lease payments as operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives.

The lease liability is presented as a separate line in the statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The ROU assets are presented as a separate line in the statements of financial position. The Company applies PAS 36, *Impairment of Assets* to determine whether an ROU asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the ROU asset. The related payments are recognized as expense in the period in which the event or condition that triggers those payments occurs and are included in the line operating expenses in the statements of comprehensive income.

As a practical expedient, PFRS 16, *Leases* permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

Income taxes

Income tax expense represents the current and deferred income tax expense.

Current tax

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using a tax rate of 5% on gross income for PEZA-registered activities. For all other activities, tax is calculated using a regular corporate income tax (RCIT) rate of 25% in 2024 and 2023.

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 base 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 to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Events after the Reporting Period
The Company identifies events after the end of each reporting period as those events, both favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue. The financial statements of the Company are adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting period. Non-adjusting events after the end of the reporting period are disclosed in the notes to the financial statements when material.

3. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, 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 the 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.

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 Company's accounting policies that have the most significant effect on the amounts recognized in the financial statements.

Determination of functional currency
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company was determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the Company in determining the cost of its operations.

Identification of lease contract
The evaluation of whether an arrangement contains a lease is based on its substance. An arrangement is, or contains, a lease when the fulfillment of the arrangement depends on a specific asset or assets and the arrangement conveys the right to use the asset.

Determination of indicators of impairment of nonfinancial assets
The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount which is the higher of an asset's fair value less costs to sell and value-in-use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Based on management's evaluation, no indication of impairment was noted in the Company's nonfinancial assets as of March 31, 2024 and 2023.

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

Estimating allowance for ECL for financial assets at amortized cost
The Company's receivables pertain to intercompany transactions, for the receivables from related parties, including the advances to affiliates, the Company uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing ECL against recorded receivable amounts. The impairment loss is re-evaluated and adjusted as additional information is received.

Total trade and other receivables as at March 31, 2024 and 2023 amounted to ₱470,901,762 and ₱357,058,690, respectively, as disclosed in Note 5. Management believes that the collectability of the Company's trade and other receivables is certain. Accordingly, no provision for ECL was recognized in both years.

Estimating useful lives of assets
The useful lives of the Company's assets with definite life are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of the Company's property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Company's assets. In addition, the estimation of the useful lives is based on the 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 property and equipment would increase the recognized operating expenses and decrease non-current assets.

The carrying amounts of the Company's property and equipment amounted to ₱103,845,612 and ₱56,762,790 as at March 31, 2024 and 2023, respectively. Total accumulated depreciation as at March 31, 2024 and 2023 amounted to ₱205,282,429 and ₱157,532,108, respectively, as disclosed in Note 7.

Estimating cost of ROU assets
Determining the cost of ROU assets includes the amount of lease liabilities recognized and the estimated costs to be incurred in dismantling and removing the underlying asset or restoring it to the condition required by the contract.

Lease liabilities are measured at the present value of lease payments to be made over the lease term. In calculating the lease liabilities, the Company uses its borrowing cost at the time of the commencement of the lease term.

As at March 31, 2024 and 2023, the carrying amounts of the Company's ROU assets amounted to ₱174,328,597 and ₱68,720,163, respectively. Total accumulated depreciation as at March 31, 2024 and 2023 amounted to ₱46,862,532 and ₱134,350,533, respectively, as disclosed in Note 16.

Estimating retirement benefits and other post-employment benefits
The determination of the retirement benefit obligation and other post-employment benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rates, mortality and rates of compensation increase. 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 amount of retirement benefit obligation and other post-employment benefits recognized.

The total retirement expense recognized in 2024 and 2023 amounted to ₱1,627,282 and ₱3,153,750, respectively, while the retirement benefit obligation as at March 31, 2024 and 2023 amounted to ₱1,280,147 and ₱5,122,773, respectively, as disclosed in Note 9.

Recognition of deferred tax assets
The Company recognized a deferred tax asset resulting from provisions for retirement, leave encashment, 13th month pay and incentives. The Management believes that future taxable income will be available from which this deferred tax asset will be utilized.

As at March 31, 2024 and 2023, the Company's deferred tax asset amounted to ₱1,741,309 and ₱1,572,776, respectively, as disclosed in Note 17.

Determining the incremental borrowing rate
The Company measures the lease liability at the present value of lease payments discounted using the incremental borrowing rate since the interest rate implicit in the lease cannot be readily determined. The incremental borrowing rate was estimated to be the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The incremental borrowing rate applied to lease liabilities recognized in the statements of financial position is 9%.

As at March 31, 2024 and 2023, the amount of lease liability amounted to ₱187,458,138 and ₱70,848,093, respectively, as disclosed in Note 16.

4. Cash in Banks

Cash in banks at the end of the reporting period as shown in the statements of cash flows amounted to ₱78,527,240 and ₱211,420,449 as at March 31, 2024 and 2023, respectively.

Cash in banks earned average interest of 0.17% and 0.09% in 2024 and 2023 respectively. Cash in banks includes fixed deposits, which are available for use, with annual interest of 1.05%.

Interest income recognized in the statements of comprehensive income amounted to ₱196,399 and ₱189,658 in 2024 and 2023, respectively.

5. Trade and Other Receivables

The Company's trade and other receivables consist of:

	2024	2023
Trade receivables from related parties (Note 10)	**₱466,817,293**	₱352,974,221
Insurance receivable	**4,319,045**	4,319,045
Total receivables	**471,136,338**	357,293,266
Less: Allowance for doubtful accounts	**234,576**	234,576
Net receivables	**₱470,901,762**	₱357,058,690

The average credit period on rendering of services is 60 days. No interest is charged on trade receivables after the credit period.

6. Prepayments and Other Current Assets

	2024	2023
Prepaid rent	**₱6,445,883**	₱7,905,198
Advances to suppliers	**4,515,863**	3,297,822
Advances to officers and employees	**846,039**	507,186
Others	**869,749**	829,032
	₱12,677,534	₱12,539,238

The Company's prepaid rent pertains advances to office and parking rental.

Advances to suppliers relates to advances to common charges and repair and maintenance.

7. Property and Equipment - net

	Computers	Furniture and Fixtures	Office Equipment	Leasehold Improvements	Total
Cost					
At April 1, 2022	₱79,184,801	₱20,035,209	₱33,429,969	₱69,271,204	₱201,921,183
Acquisitions	9,883,299	437,700	2,554,353	–	12,875,352
Disposal	–	(489,462)	(12,175)	–	(501,637)
At March 31, 2023	89,068,100	19,983,447	35,972,147	69,271,204	214,294,898
Acquisitions	39,187,345	16,106,020	11,541,212	27,998,566	94,833,143
At March 31, 2024	₱128,255,445	₱36,089,467	₱47,513,359	₱97,269,770	₱309,128,041

(Forward)

	Computers	Furniture and Fixtures	Office Equipment	Leasehold Improvements	Total
Accumulated Depreciation					
At April 1, 2022	**₱50,817,405**	**₱12,306,965**	**₱24,112,238**	**₱36,218,989**	**₱123,455,597**
Depreciation	**13,391,119**	**1,158,773**	**2,982,404**	**17,015,981**	**34,548,277**
Disposal	**–**	**(459,591)**	**(12,175)**	**–**	**(471,766)**
At March 31, 2023	**64,208,524**	**13,006,147**	**27,082,467**	**53,234,970**	**157,532,108**
Depreciation	**21,709,938**	**1,387,269**	**2,039,866**	**22,613,248**	**47,750,321**
At March 31, 2024	**85,918,462**	**14,393,416**	**29,122,333**	**75,848,218**	**205,282,429**
Carrying Amounts					
March 31, 2023	**₱24,859,576**	**₱6,977,300**	**₱8,889,680**	**₱16,036,234**	**₱56,762,790**
March 31, 2024	**₱42,336,983**	**₱21,696,051**	**₱18,391,026**	**₱21,421,552**	**₱103,845,612**

Movements in the carrying amounts of property and equipment are as follows:

Proceeds from disposal of property and equipment amounted to ₱1,536,700 in 2023, which resulted to gain on disposal of property and equipment amounting to ₱1,506,828.

Depreciation of property and equipment charged to cost of services and operating expenses are as follows:

	2024	2023
Cost of services (Note 13)	**₱45,169,223**	₱32,820,862
Operating expenses (Note 14)	**2,581,098**	1,727,414
	₱47,750,321	₱34,548,276

The cost of fully depreciated assets still in use amounted to ₱129,465,316 as of March 31, 2024.

8. Trade and Other Payables

The Company's trade and other payables consist of:

	2024	2023
Trade payables	**₱9,208,936**	₱10,226,074
Accrued expenses	**75,637,430**	68,126,655
Employee liabilities	**13,535,009**	40,426,507
Taxes payable	**10,971,183**	6,607,883
Other liabilities	**5,219,938**	4,704,697
	₱114,572,496	₱130,091,816

Trade payables pertain to obligations incurred by the Company in the course of its normal operations and capital acquisitions. These are unsecured, non-interest bearing and generally have 30 to 60 days' credit term.

The average credit period on purchase of certain goods or services from suppliers is one month. No interest is charged on trade payables if it exceeds the credit period.

Employee liability include provisions for final pay to employees, incentives, and one time staff welfare engagement Companywide celebration in 2023.

Other liabilities consist of various government payables.

Accrued expenses are obligations on the basis of normal credit terms and do not bear interest. Accrued expenses consist of:

	2024	2023
Accrued salaries and benefits	**₱42,485,138**	₱34,668,685
Repairs and maintenance	**12,601,491**	1,897,258
Professional fees	**9,774,345**	14,282,333
Accrued leave	**5,495,918**	5,073,789
General provision	**2,067,964**	4,209,757
Transportation	**1,226,400**	149,500
Outside services	**480,687**	580,527
Recruitment	**209,300**	582,512
Communication	**144,703**	3,957,987
Others	**1,151,484**	2,724,307
	₱75,637,430	₱68,126,655

Repairs and maintenance include Microsoft office software maintenance, housekeeping charges and general repairs.

Professional fees include audit, legal, tax and other professional fees.

General provision is composed of electricity, water and security charges, insurance, and printing charges.

Others consists of team building costs, subscription fees and staff welfare expenses that are individually immaterial.

9. Retirement Benefit Obligation

Requirement of Republic Act (RA) 7641
RA 7641 provides for the minimum retirement pay to qualified private sector employees in the Philippines. Benefits due under RA 7641 are accounted for as defined benefit plan under PAS 19. However, there are instances when an employer establishes a defined contribution plan and does not have an equivalent defined benefit plan covering the benefits required under RA 7641.

An employee upon reaching the age of 60 years or more, but not beyond 65 years which is declared the compulsory retirement age, who has served at least five years in the said establishment, may retire and shall be entitled to retirement pay equivalent to at least one-half (1/2) month salary for every year of service, a fraction of at least six months being considered as one whole year.

The Company is in compliance of the minimum requirement of RA 7641 as at March 31, 2024 and 2023.

Defined Benefit Plan
The Company operates an unfunded defined benefit plan for qualifying employees. Under the plan, the employees are entitled to retirement benefits upon attainment of a retirement age of 60 and completion of at least five years of service.

The current retirement plan typically exposes the Company to various risks such as liquidity risk, longevity risk and salary risk.

The Company does not maintain a fund for its retirement benefit obligation. While funding is not a requirement of law, there is a risk that the Company may not have the cash if several employees retire within the same year.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	Valuation at	
	2024	2023
Discount rate	**6.17%**	6.43%
Expected rate of salary increase	**4.50%**	4.40%
Average longevity at retirement age for current employees	**1.87 years**	1.55 years

Amounts recognized in the statements of comprehensive income in respect of this defined benefit plan are as follows:

	2024	2023
Service cost		
Current service cost	**₱1,297,888**	₱2,675,405
Net interest income	**329,394**	478,345
Components of defined benefit costs recognized in profit or loss	**1,627,282**	3,153,750
Remeasurement on the net defined benefit liability recognized in OCI:		
Actuarial gain due to liability experience	**5,469,908**	7,247,665
Total	**₱7,097,190**	₱10,401,415

Movements in the remeasurement gains and losses in OCI are as follows:

	2024	2023
Beginning balance	**₱18,650,905**	₱11,403,267
Remeasurement gain on defined benefit obligation	**5,469,908**	7,247,638
Ending balance	**₱24,120,813**	₱18,650,905

The retirement benefit expense is charged to direct costs and operating expenses as follows:

	2024	2023
Cost of services (Note 13)	**₱1,436,495**	₱2,643,701
Operating expenses (Note 14)	**190,787**	510,049
	₱1,627,282	₱3,153,750

Retirement expense attributed to key management employees amounted to ₱663,731 and ₱1,295,276 during 2024 and 2023, respectively, as disclosed in Note 10.

Movements in the present value of the defined benefit obligation are as follows:

	2024	2023
Present value of defined benefit obligation, beginning	**₱5,122,773**	₱9,216,661
Current service cost	**1,297,888**	2,675,405
Interest cost	**329,394**	478,345
Actuarial loss (gain) due to:		
Experience adjustments	**(5,474,844)**	(4,809,901)
Changes in demographic assumptions	**35,232**	(1,214,193)
Changes in financial assumptions	**(30,296)**	(1,223,544)
Present value of defined benefit obligation, end	**₱1,280,147**	₱5,122,773

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

		Increase (Decrease) in Retirement Benefit Obligation	
	Change in Assumption	2024	2023
Discount rate	+100 basis points	**(₱91,927)**	(₱658,245)
	-100 basis points	**104,658**	779,642
Expected salary growth	+1%	**111,988**	788,402
	-1%	**(99,832)**	(677,684)

The sensitivity analyses presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analyses, the present value of the defined benefit obligation has been calculated using the Projected Unit Credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

There has been no change in the methods and assumptions used in preparing the sensitivity analyses from prior years.

The Company does not expect to make a contribution to the defined benefit obligation during the next financial year.

Shown below is the maturity profile of the undiscounted benefit payments:

	Expected Benefit Payments	
Plan Year	2024	2023
Less than 1 year	**₱93,150**	₱–
1 to less than 5 years	**458,030**	636,840
5 to less than 10 years	**1,898,678**	5,680,911
10 to less than 15 years	**6,739,972**	11,560,072
15 to less than 20 years	–	26,032,564
20 years and above	–	27,178,200

The average duration of the expected benefit payments at the end of 2024 and 2023 are 1.87 years and 1.55 years, respectively.

10. Related Party Transactions

The summary of the Company's transactions and outstanding balances with related parties as at and for the years ended March 31, 2024 and 2023 are as follows:

			Outstanding Balance			
Category	Year	Amounts	Payable	Receivable	Terms	Remarks
2024						
Parent						
(Coforge Business Process Solutions Pvt Ltd.)						
	2024	**₱7,885,573**	**(₱2,832,467)**	**₱–**		Unsecured,
Reimbursement of services					60 days, non-interest	unguaranteed, no
	2023	₱8,092,828	(₱2,672,507)	₱–	bearing, payable in cash	impairment
Indirect Parent						
(Coforge Ltd.)						
	2024	**5,118,580**	**(145,327)**	**–**		Unsecured,
Cost sharing allocation					60 days, non-interest	Unguaranteed, no
	2023	3,446,475	(3,378,152)	–	bearing, payable in cash	impairment
	2024	**224,000**	**–**	**190,946**		Unsecured,
Reimbursement of services					60 days, non-interest	Unguaranteed, no
	2023	–	–	–	bearing, payable in cash	impairment
Affiliate						
(Coforge UK Ltd.)						
	2024	**64,144,323**	**–**	**12,316,062**		Unsecured,
Transfer pricing					60 days, non-interest	Unguaranteed, no
	2023	4,820,533	–	4,722,958	bearing, payable in cash	impairment
Affiliate						
(Coforge DPA Australia Pty Ltd.)						
	2024	**14,770,655**	**–**	**2,398,425**		Unsecured,
Transfer Pricing					60 days, non-interest	Unguaranteed, no
	2023	–	–	–	bearing, payable in cash	impairment
Affiliate						
(Coforge DPA NA Inc.)						
	2024	**25,336,166**	**–**	**9,009,149**		Unsecured,
Transfer pricing					60 days, non-interest	Unguaranteed, no
	2023	–	–	–	bearing, payable in cash	impairment
Affiliate						
(Coforge BPS America Inc.)						
Transfer pricing	**2024**	**1,078,239,274**	**–**	**442,902,711**	60 days, non-interest	Unsecured,
	2023	476,233,277	–	348,251,263	bearing, payable in cash	unguaranteed
Cross charges	**2024**	**96,121**	**–**	**–**	60 days, non-interest	Unsecured,
	2023	–	–	–	bearing, payable in cash	unguaranteed
	2024	**3,287,944**	**(2,214,178)**	**–**		Unsecured,
Reimbursement of services					60 days, non-interest	Unguaranteed, no
	2023	4,486,126	(103,037)	–	bearing, payable in cash	impairment
Gross due (to) from	**2024**	**₱–**	**(₱5,191,972)**	**₱466,817,293**		
related parties	2023	₱–	(₱6,153,696)	₱352,974,221		
Allowance for	**2024**	**₱–**	**₱–**	**(₱234,576)**		
doubtful accounts	2023	₱–	₱–	(₱234,576)		
Net due (to) from	**2024**	**₱–**	**(₱5,191,972)**	**₱466,582,717**		
related parties	2023	₱–	(₱6,153,696)	₱352,739,645		

The Company's related party transactions include transfer pricing, cost to cost reimbursement, and cost allocation.

Reimbursement of services are expenses cross-charged to the Company at cost for services rendered by the ultimate supplier. Such expenses include Multiprotocol Label Switching Technology (MPLS) or internet charges, SOC audit fees, travel charges and licenses fees, and other expenses. Cost sharing allocation are related to software licenses, recruitment portal, and insurance procured as a group and is allocated by the ultimate parent "Coforge Ltd." across all subsidiaries.

Transfer pricing is the result of an offshore services agreement to related party based on agreed methodologies.

Remuneration of Key Management Personnel
The remuneration of key management personnel of the Company is set out below in aggregate for each of the categories specified in PAS 24, *Related Party Disclosures*:

	2024	2023
Short-term employee benefits (Note 15)	**₱34,198,708**	₱20,809,194
Post-employment benefits (Note 15)	**663,731**	1,295,276
	₱34,862,439	₱22,104,470

11. Equity

Components of share capital are as follows:

	2024	2023
Authorized:		
160,000,000 shares at ₱1 per share	**₱160,000,000**	₱160,000,000
Issued, fully paid and outstanding:		
152,787,654 shares at ₱1 per share	**₱152,787,654**	₱152,787,654

Ordinary shares carry one vote per share and a right to dividend.

Retained Earnings
On October 4, 2023, the Company declared cash dividends of ₱2.16 per share totaling to ₱330,020,000 against the Company's unrestricted retained earnings to all shareholders of record as at October 14, 2023 in proportion to their respective shareholdings. Cash dividends declared were paid on October 16, 2023.

On March 31, 2022, the Company declared cash dividends of ₱1.20 per share totalling to ₱183,345,180 against the Company's unrestricted retained earnings to all shareholders of record as at August 31, 2022 in proportion to their respective shareholdings. Cash dividends declared were paid on September 16, 2022.

Events after the End of Reporting Period
On June 21, 2024, the Company's BOD approved the declaration of cash dividends amounting to ₱2.16 per share totalling to ₱330,021,333 against the Company's unrestricted retained earnings to all shareholders of record as at March 31, 2024 in proportion to their respective shareholdings.

12. Revenue

Disaggregated Revenue Information
Set out below is the disaggregation of the Company's revenue from contracts with customers for the years ended March 31:

	2024	2023
Production	**₱–**	₱525,264,003
Transfer pricing	**1,182,490,417**	481,053,811
	₱1,182,490,417	₱1,006,317,814

13. **Cost of Services**

	2024	2023
Employee benefits (Note 15)	**₱517,423,702**	₱429,050,021
Depreciation (Note 7 and 16)	**90,974,989**	62,032,175
Repairs and maintenance	**25,137,262**	22,876,582
Professional fees	**16,938,716**	12,732,028
Communication	**6,010,069**	11,619,965
Utilities	**4,965,499**	3,625,357
Recruitment	**3,397,441**	2,118,422
Retirement expense (Note 9)	**1,436,495**	2,643,701
Subcontractor costs	**–**	7,931,254
Others	**462,882**	3,118,028
	₱666,747,055	₱557,747,533

Others consist of travel and training expenses.

14. **Operating Expenses**

	2024	2023
Employee benefits (Note 15)	**₱66,954,427**	₱75,209,778
Security services	**13,313,068**	10,236,937
Repairs and maintenance	**12,606,052**	1,233,110
Housekeeping	**7,188,941**	5,293,448
Professional fees	**6,317,312**	2,601,708
Depreciation (Notes 7 and 16)	**5,198,570**	3,264,851
Subcontractor costs	**5,016,659**	517,077
Recruitment	**3,632,264**	699,529
Travel	**1,635,206**	722,684
Taxes and licenses	**475,869**	427,150
Retirement benefits (Note 9)	**190,787**	510,049
Others	**1,883,923**	2,562,738
	₱124,413,078	₱103,279,059

Others consist of business promotions, donation, membership and subscriptions, and other miscellaneous cost.

15. **Employee Benefits**

	2024	2022
Salaries and benefits (Notes 13 and 14)	**₱495,643,870**	₱454,455,523
Incentives and bonuses (Notes 13 and 14)	**45,883,815**	15,811,526
Employee insurance (Notes 13 and 14)	**33,512,299**	26,506,833
Leave entitlement (Notes 13 and 14)	**9,341,645**	7,485,917
Retirement benefits (Notes 13 and 14)	**1,627,282**	3,153,750
	₱586,008,911	₱507,413,549

16. **Leases**

The Company as Lessee

Long-term Lease Agreement

a. The Company entered into a cancellable lease agreement with Filinvest Reit Corp. in the third quarter of 2017 for the lease of an office space located at the Ground Floor, Vector Three Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City. The lease agreement is from September 7, 2017 to September 6, 2020.

   The lease contains provisions, including but not limited to, quarterly payment based on the lease rate per month of ₱675 per square meter from September 7, 2017 to September 6, 2020 and thereafter subject to an annual escalation of 5%.

   The Company renewed its lease agreement related to Vector 3 for another three years at a monthly lease rate of ₱770 per square meter on February 5, 2020.

   In September 2023, the Company further extended its lease agreement related to Vector 3 for another 4 years at a monthly lease rate of ₱710 per square meter.

b. On November 29, 2019, the Company entered into a cancellable lease with Filinvest Reit Corp. for another building in Axis 1. The lease is from January 15, 2020 to January 14, 2023 at a monthly lease rate of ₱800 per square meter.

   The Company renewed its lease agreement related to Axis 1 from January 15, 2023 to September 14, 2026 at a monthly lease rate of P750 per square meter on December 12, 2022.

c. On May 23, 2023, the Company entered into a cancellable lease with Flininvest Reit Corp. expanding its lease at the 11th Floor of Vector Three Building. The lease is from June 27, 2023 to June 26, 2028 and at a monthly lease rate of ₱700 per square meter.

   Total refundable deposit amounting to ₱20,336,144 and ₱14,517,428 were recognized by the Company as at March 31, 2024 and 2023, respectively. This includes refundable deposit amounting to ₱1,507,055 and ₱3,233,455 as at March 31, 2024 and 2023, respectively, which were classified as current.

The Company used the incremental borrowing rate of 9% provided by its bank as a discount rate to assess the present value of lease liability for all lease agreements.

The Company leases several assets including buildings and parking slots. The average lease term is 4 years in 2024 and 2023.

ROU Assets

	Buildings	Parking Slots	Total
Cost:			
Balance, April 1, 2022	₱131,352,639	₱4,558,600	₱135,911,239
Additions	64,183,622	2,975,835	67,159,457
Balance, March 31, 2023	195,536,261	7,534,435	203,070,696
Additions	146,472,627	7,559,046	154,031,673
Retirement	(131,352,639)	(4,558,601)	(135,911,240)
Balance, March 31, 2024	₱210,656,249	₱10,534,880	₱221,191,129

(Forward)

	Buildings	Parking Slots	Total
Accumulated depreciation:			
Balance, April 1, 2022	₱100,127,027	₱3,474,756	₱103,601,783
Depreciation	29,675,074	1,073,676	30,748,750
Balance, March 31, 2023	129,802,101	4,548,432	134,350,533
Depreciation	46,167,143	2,256,095	48,423,238
Retirement	(131,352,639)	(4,558,600)	(135,911,239)
Balance, March 31, 2024	44,616,605	2,245,927	46,862,532
Carrying Amounts			
March 31, 2024	**₱166,039,644**	**₱8,288,953**	**₱174,328,597**
March 31, 2023	₱65,734,160	₱2,986,003	₱68,720,163

In June 2023, the Company retired the ROU pertaining to Vector 3 and Axis 1 Building.

There is no reliable basis to measure the reinstatement costs upon expiration of all lease agreements.

Depreciation expense on ROU assets is charged to direct costs and operating expenses as follows:

	2024	2023
Cost of services (Note 13)	**₱45,805,766**	₱29,211,313
Operating expenses (Note 14)	**2,617,472**	1,537,437
	₱48,423,238	₱30,748,750

<u>Lease liabilities</u>

Leases, in which the Company is the lessee, relate to properties owned by third parties with lease terms of between 1 to 5 years, with approximately 3 years or 5 years extension option. All lease contracts contain market review clauses in the event that the Company exercises its option to renew. The Company does not have an option to purchase the property at the expiry of the lease period.

Maturity analysis of lease payments based on undiscounted cash flows:

	2024	2023
Year 1	**₱57,999,789**	₱27,438,513
Year 2	**60,899,850**	20,729,852
Year 3	**50,495,368**	31,171,623
Year 4	**38,436,575**	–
Year 5	**6,247,257**	–
Total	**₱214,078,839**	₱79,339,988

Balance of lease liabilities in the statements of financial position is analyzed as:

	2024	2023
Current	**₱43,961,875**	₱23,309,396
Non-current	**143,496,263**	47,538,697
	₱187,458,138	₱70,848,093

Reconciliation of liabilities arising from financing activity

The table below details changes in the Company's liabilities arising from financing activity, including both cash and non-cash changes. Liabilities arising from financing activity are those for which cash flows were, or future cash flows will be, classified in the Company's statements of cash flows as cash flows from financing activities.

	2024	2023
Beginning balance	**₱70,848,093**	₱41,169,079
Non-cash changes:		
Interest expense	**13,444,742**	2,568,876
Principal payment	**(50,866,369)**	(40,049,319)
Total payment	**(37,421,627)**	(37,480,443)
Lease renewal	**154,031,672**	67,159,457
Ending balance	**₱187,458,138**	₱70,848,093

Amounts recognized in profit or loss:

	2024	2023
Depreciation expense on ROU assets	**₱48,423,238**	₱30,748,750
Interest expense on lease liabilities	**13,444,742**	2,568,876
	₱61,867,980	₱33,317,626

The breakdown of lease payments for leased assets are as follows:

	2024	2023
Fixed payments	**₱50,866,369**	₱40,049,319

17. **Income Taxes**

a. Components of income tax expense charged to profit or loss are as follows:

	2024	2023
Current tax expense	**₱28,525,444**	₱24,149,476
Deferred tax expense	**(168,533)**	(1,267,331)
	₱28,356,911	₱22,882,145

b. The reconciliation between tax expense and the product of accounting profit multiplied by 5% in 2024 and 2023 follows:

	2024	2023
Accounting profit from continuing operations	**₱396,387,292**	₱361,688,261
Tax expense at 5%	**₱19,819,365**	₱18,084,413
Tax effect of expenses that are non-deductible	**12,619,764**	6,127,480
Tax effect of income that are non-taxable	**(3,913,685)**	(62,417)
Recognition of deferred taxes	**(168,533)**	(1,267,331)
	₱28,356,911	₱22,882,145

c. The deferred tax asset and deferred tax liability are presented at net amount in the statements of financial position.

The composition of deferred tax asset recognized by the Company is as follows:

	March 31, 2023	Charged to profit or loss	Charged to OCI for the Year	**March 31, 2024**
Provision for retirement	₱132,185	(₱104,159)	₱–	**₱28,026**
Provision for leave encashment	241,005	(22,441)	–	**218,564**
Provision for statutory bonus	271,072	6,864	–	**277,936**
Provision for incentives	928,514	288,269	–	**1,216,783**
Total	₱1,572,776	₱168,533	₱–	**₱1,741,309**

The composition of deferred tax liability recognized by the Company is as follows:

	March 31, 2023	Charged to Profit or Loss	Charged to OCI for the Year	**March 31, 2024**
Actuarial gain on defined benefit obligation	(₱745,725)	₱–	(₱258,712)	**(₱1,004,437)**

18. **Fair Value Information**

The fair values of the Company's financial assets and financial liabilities as at March 31, 2024 and 2023 are shown below:

	2024		2023	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial assets:				
Cash in banks (Note 4)	**₱78,527,240**	**₱78,527,240**	₱211,420,449	₱211,420,449
Trade and other receivables (Note 5)	**470,901,762**	**470,901,762**	357,058,690	357,058,690
Refundable deposits (Note 16)	**20,336,144**	**20,336,144**	14,517,428	14,517,428
	₱569,765,146	**₱569,765,146**	₱582,996,567	₱582,996,567
Financial liabilities:				
Trade and other payables (Note 8)	**₱98,381,375**	**₱98,381,375**	₱118,779,236	₱118,779,236
Due to related parties (Note 10)	**5,191,972**	**5,191,972**	6,153,696	6,153,696
	₱103,573,347	**₱103,573,347**	₱124,932,932	₱124,932,932

Trade and other payables is net of withholding tax, and other regulatory liabilities which are not considered as financial liabilities.

Due to the short-term maturities of cash in banks, trade and other receivables, trade and other payables and due to related parties, their carrying amounts approximate their fair values. The fair value of the refundable deposits cannot be measured reliably since there were no comparable market data and inputs for the sources of fair value such as discounted cash flows analysis. However, Management believes that its carrying amount approximates its fair value.

19. **Financial Risk Management**

Financial Risk Management Objectives and Policies
The Company is exposed to financial risks such as market risk which includes foreign exchange risk and fair value interest rate risk, credit risk and liquidity risk. The Company's policies and objectives in managing these risks are summarized below:

Market risk
Market risk refers to the possibility that changes in market prices, such as foreign exchange rates, will affect the Company's profit or the value of its holdings of financial instruments. The Company focuses on two market risk areas such as interest rate risk and foreign currency risk. The objective and management of these risks are discussed below.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Foreign currency exchange risk
Foreign currency exchange risk arises when an investment's value changes due to variations in currency exchange rate. Foreign exchange risk arises also when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency.

The Company undertakes certain transactions denominated in foreign currencies such as US Dollar and Indian Rupee, hence, exposures to exchange rate fluctuations arise with respect to such transactions. Significant fluctuation in the exchange rates could significantly affect the Company's financial position.

The Company has no established policy in managing foreign exchange rate risk. Any favorable or unfavorable movements of foreign currency exchange rates are absorbed by the Company.

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

	2024	2023
US Dollar		
Monetary assets		
Cash in banks	**₱28,572,737**	₱160,563,684
Trade and other receivables	**470,901,762**	357,058,690
Monetary liabilities		
Due to related parties	**(5,191,971)**	(6,153,696)
	₱494,282,528	₱511,468,678

If the foreign exchange rates had been higher or lower by -0.38% and -0.28% in 2024 and 2023, respectively, than the prevailing exchange rates at the end of the relevant year, based on observed volatilities of such currencies during the year, the Company's gain/loss for the years ended March 31, 2024 and 2023 would not have changed significantly.

The following table details the effect in the Company's profit if foreign exchange rates had been higher or lower than the prevailing rates at the end of the year. The sensitivity rates represent Management's assessment of the reasonably possible changes in foreign exchange rates. The sensitivity analysis includes all outstanding foreign currency denominated financial assets and liabilities and adjusts their translation at the period end for the percentage change in foreign currency rates. A positive number below indicates an increase in profit if the Philippine Peso strengthens by the above rates against the relevant currencies.

On the other hand, if the Philippine Peso weakens against the relevant currencies by the above rates, there would be an equal and opposite impact on the profit as shown below:

	2024		2023	
	Effect in Equity	**Effect in Loss**	Effect in Equity	Effect in Loss
US Dollar				
Monetary Assets				
Cash	**(₱109,761)**	**(₱109,761)**	(₱449,578)	(₱449,578)
Trade receivable	**(1,808,946)**	**(1,808,946)**	(999,764)	(999,764)
Monetary Liabilities				
Due to related parties	**19,945**	**19,945**	17,230	17,230
	(₱1,898,762)	**(₱1,898,762)**	(₱1,432,112)	(₱1,432,112)

Interest rate risk
Interest rate risk refers to the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest.

The Company has no established policy in managing interest rate risk. Management believes that fluctuations on the interest rates will not have a significant effect on the Company's financial performance.

The primary source of the Company's interest rate risk relates to cash in bank as disclosed in Note 4.

Credit risk
Credit risk refers to the possibility that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

The Company has no significant credit risk. The Company transacts mainly with its affiliates. The table below presents the Company's maximum exposure to credit risk equal to carrying amounts of the financial assets as at March 31, 2024 and 2023.

The table below presents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained:

	2024	2023
Cash in banks	**₱78,527,240**	₱211,420,449
Trade and other receivables	**470,901,762**	357,058,690
Refundable deposits	**20,336,144**	14,517,428
	₱569,765,146	₱582,996,567

ECLs are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

The Company's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognizing ECL
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Doubtful	Amount is >60 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written-off

The table below details the credit quality of the Company's financial assets and other items, as well as the Company's maximum exposure to credit risk by credit risk rating grades:

2024	External credit rating	Internal credit rating	12m or lifetime ECL?	Gross carrying amount (i)	Loss allowance	Net carrying amount
Cash in banks (Note 4)	N/A	Performing	12m	**₱78,527,240**	**₱–**	**₱78,527,240**
Trade receivables (Note 5)	N/A	Performing	Lifetime	**466,582,717**	**–**	**466,582,717**
Other receivables (Note 5)	N/A	Performing	12m	**4,319,045**	**–**	**4,319,045**
Refundable deposits (Note 16)	N/A	Performing	12m	**20,336,144**	**–**	**20,336,144**
				₱569,765,146	**₱–**	**₱569,765,146**
2023						
Cash in banks (Note 4)	N/A	Performing	12m	₱211,420,449	₱–	₱211,420,449
Trade receivables (Note 5)	N/A	Performing	Lifetime	352,739,645	–	352,739,645
Other receivables (Note 5)	N/A	Performing	12m	4,319,045	–	4,319,045
Refundable deposits (Note 16)	N/A	Performing	12m	14,517,428	–	14,517,428
				₱582,996,567	₱–	₱582,996,567

Trade receivables were classified as lifetime ECL since the Company does not have a history of trade receivables aging more than 12 months.

The Company does not hold any collateral as security for these outstanding receivables.

No impaired accounts outstanding as at March 31, 2024 and 2023.

Liquidity risk
Liquidity risk arises when the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company maintains adequate liquid assets in the form of cash and receivable which are realizable in shorter period than current liabilities' credit terms to assure necessary liquidity.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities as at March 31, 2024 and 2023:

	2024	2023
Trade and other payables (Note 8)	**₱98,381,375**	₱118,779,236
Due to related parties (Note 10)	**5,191,972**	6,153,696
	₱103,573,347	₱124,932,932

Financial liabilities presented above exclude amounts payable to government agencies for contributions and withholding and other taxes.

20. Capital Risk Management

The Company manages its capital to ensure that the Company will be able to continue as a 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 2024. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

As at March 31, 2024 and 2023, the Company has no outstanding external borrowings, hence, not subject to any restrictions on capital management imposed by third parties. Capital and operating expenditures were generally funded by cash generated from financing and operating activities.

The capital structure of the Company consists of debt and equity. Debt is defined as financial liabilities while equity includes share capital and retained earnings of the Company.

	2024	2023
Debt	**₱98,381,375**	₱118,779,236
Cash	**78,527,240**	211,420,449
Net liabilities (assets)	**19,854,135**	(92,641,213)
Equity	**552,851,008**	509,629,431
Net assets over equity	**0.04:1**	(0.18):1

There were no changes in the Company's approach to capital management during the periods presented.

The Company is not subject to externally imposed capital requirements.

21. Registration with the Philippine Economic Zone Authority (PEZA)

As a registered business enterprise, the Company is entitled to certain fiscal and non-fiscal incentives provided under Republic Act (RA) No. 7916, otherwise known as the Special Economic Zone Act of 1995. The Company continues to avail incentives as provided in the Implementing Rules and Regulations (IRR) of RA 11534 otherwise known as the Corporate Recovery and Tax Incentives Act or the CREATE Act.

A. For project under the Registration Agreement with PEZA dated January 20, 2016:

1. Payment of 5% Special Corporate Income Tax (SCIT) based on gross income, in lieu of all national and local taxes, however, local taxes shall not include fees and charges as defined under Section 131 (l) and (g), respectively, of the Local Government Code of 1991.
2. Five Percent (5%) tax on gross income earned granted prior to the effectivity of CREATE Act, and to continue availing the said tax incentive at the rate of five percent (5%) for ten (10) years.

B. For project under the Supplemental Agreement with PEZA dated July 05, 2018:

1. The Income Tax Holiday (ITH) shall be limited to the income generated by the Company from a registered project or activity.
2. Registered business enterprises whose projects or activities were granted an ITH prior to the effectivity of CREATE Act and that are entitled to the five percent (5%) tax on gross income earned incentive after the ITH be allowed to use the ITH for the period specified in the terms and conditions of their registration and thereafter, avail of the five percent (5%) tax on gross income earned incentive, subject to the 10-year limit for both incentives under the (IRR) of this Act.

C. For project under Supplemental Agreement with PEZA dated June 23, 2023:

1. Income Tax Holiday (ITH) for three (3) years on incremental sales. The income qualified for the ITH shall be limited to the income directly attributable to the eligible revenue generated from the approved project located at the 11th Floor of the Vector 3 Building at the Northgate Cyberzone.
2. After the enjoyment of the ITH incentive, the REGISTRANT shall be entitled to the 5% Special Corporate Income Tax (5% SCIT) for ten (10) years. Thereafter, the REGISTRANT shall pay the Regular Corporate Income Tax (RCIT) for the approved project.
3. Thirteen (13) years duty-exemption on importation of IT equipment and/or accessories.
4. Thirteen (13) years Value-Added Tax (VAT) exemption on importation and VAT-zero rating on local purchases.

D. For all registered projects:

1. Customs Duty Exemption on Importation of Capital Equipment, Raw Materials, Spare Parts or Accessories subject to the provisions of Rule 2, Section 4 of the amended IRR of the CREATE Law.
2. Value-added Tax (VAT) zero-rating and exemption subject to the provisions of Rule 2, Section 5 of the amended IRR of the CREATE Law and Bureau of Internal Revenue (BIR) Revenue Regulations (RR) No. 21-2021 dated December 3, 2021.

The ITH for Vector 1 site has ended on June 30, 2021, while the expansion project of Vector 3 has ended on March 31, 2022.

In 2024 and 2023, the Company paid 5% final tax on gross income for Axis 1 (previously Vector 1) and Vector 3 operations.

22. Supplementary Information Required by the BIR Under RR No. 15-2010

The following supplementary information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

Output and input value-added tax (VAT)
The Company is registered with PEZA and is qualified enterprise for a VAT zero-rating on its purchases directly and exclusively used in its registered project or activity. As at March 31, 2024, the Company's revenue exempt from VAT amounted to ₱1,182,490,417.

Other taxes and licenses
Details of the Company's taxes, licenses and permit fees paid or accrued in 2024 are as follows:

Documentary stamp tax	₱199,098
Penalties	54,000
Registration and permit fees	31,720
Others	191,051
Total	₱475,869

Others include VAT payment for disposal of assets, penalties and various notary reimbursements.

Withholding taxes
Details of the Company's withholding taxes paid or accrued in 2024 are as follows:

Withholding tax on compensation and benefits	₱2,463,697
Expanded withholding taxes	313,334
Total	₱2,777,031

There are no pending tax cases as at March 31, 2024.