COMPLIANCE. GOVERNANCE. SUSTAINABILITY.

J R MORENO
Accounting Services

THE INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS AND STOCKHOLDERS
INTELLECT DESIGN ARENA PHILIPPINES, INC. (RDO 050; TIN 008-065-266)
37th Floor LKG Tower, Ayala Avenue, Makati City

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of **INTELLECT DESIGN ARENA PHILIPPINES, INC.** which comprise its comparative statement of financial position, its related statement of operating results, and statement of cash flows for the years ending December 31, 2017 and 2016 with explanatory notes, including summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the **INTELLECT DESIGN ARENA PHILIPPINES, INC.** as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs) for Small, medium enterprises.

Basis for Opinion

I 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, the Code of Ethics for Professional Accountants in the Philippines (Philippine Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

I have determined that there are no key audit matters to communicate in our report.

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 for SMEs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the **INTELLECT DESIGN ARENA PHILIPPINES, INC.'s** financial reporting process.

Auditor's Responsibility 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 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 indicate 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.

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

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

REPORT ON THE SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees in its Notes to the Financial Statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements.

Such information is the responsibility of management.

The information has been subjected to the auditing procedures applied in our audit of the basic financial statements.

In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as whole.

The in-charge on the audit resulting in this independent auditor's report is Dr. Jackqui R. Moreno, CPA, MBA.

DR. JACKQUI R. MORENO, CPA, MBA
CPA Cert. No. 098122, valid until December 31, 2018
BOA Accreditation No. 1531, valid until December 2, 2020
PTR. NO. 5526160, issued at Q.C. on January 3, 2018
CTC No. CCI201621960837, issued at Quezon City on January 3, 2018
TIN 907-558-205-000
BIR AN: 07-001340-002-2017, valid until July 12, 2020

JRMoreno Accounting Services
Metro Manila
Philippines
CPA
March 24, 2018
-98122

JR MORENO
ACCOUNTING
SERVICES
22 IRIGA CORNER DAPITAN STS. QUEZON CITY 1114
Tele/fax (632)743-6574

SUPPLEMENTAL WRITTEN STATEMENT

TO THE STOCKHOLDERS AND THE BOARD OF DIRECTORS
INTELLECT DESIGN ARENA PHILIPPINES, INC.
37th Floor LKG Tower, Ayala Avenue, Makati City

I have examined the financial statements of **INTELLECT DESIGN ARENA PHILIPPINES, INC.**, for the years then ended December 31, 2017 and 2016, on which I have rendered the attached report dated March 24, 2018.

In compliance with SRC Rule 68, I am stating that the said company has a total number of one (1) stockholder owning one hundred (100) or more shares.

DR. JACKQUI R. MORENO, CPA, MBA
CPA Cert. No. 098122, valid until December 31, 2018
BOA Accreditation No. 1531, valid until December 2, 2020
PTR. NO. 5526160, issued at Q.C. on January 3, 2018
CTC No. CCI201621960837, issued at Quezon City on January 3, 2018
TIN 907-558-205-000
BIR AN: 07-001340-002-2017, valid until July 12, 2020

24 March 2018
Metro Manila, Philippines

EXHIBIT A

INTELLECT DESIGN ARENA PHILIPPINES, INC.
STATEMENT OF FINANCIAL POSITION
As of December 31, 2017

		2 0 1 7		2 0 1 6
ASSETS				
Current Assets				
Cash on Hand and in Bank (Notes 3 & 4)	P	12,805,708	P	1,552,295
Account Receivable (Note 5)		97,168,814		167,984,737
Other Current Assets *(Note 6)*		10,632,576		5,473,433
		120,607,099		175,010,465
Non Current Assets				
Property and equipments - net *(Note 7)*		203,731		176,971
Other Assets				
Deferred tax assets *(Note 2)*		13,352,139		8,886,678
TOTAL ASSETS		134,162,968		184,074,114
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Trade and Other Payables *(Note 8)*		170,927,363		193,409,893
Other Current Liabilities *(Note 9)*		7,352,905		1,390,665
		178,280,268		194,800,558
Non-current Liabilities				
Advances from Stockholders		-		12,545,810
Total		178,280,268		207,346,368
STOCKHOLDER'S EQUITY				
Paid-Up Capital *(Note 9)*		21,847,619		21,847,619
Retained Earnings		(65,964,919)		(45,119,873)
		(44,117,299)		(23,272,254)
TOTAL LIABILITIES AND EQUITY	*P*	134,162,968	P	184,074,114

See acompanying notes to financial statement

EXHIBIT B

INTELLECT DESIGN ARENA PHILIPPINES, INC.
STATEMENT OF OPERATIONS
For the year ended December 31, 2017

		2 0 1 7		2 0 1 6
Revenues on Contracts *(Note 3)*	P	108,517,303	P	98,342,556.31
Less: Cost of Services (Note 11)		89,449,898		88,472,678.99
Gross Profit		19,067,405		9,869,877.32
Operating Expenses				
HR Expenses *(Note 12)*		27,056,689		14,891,421.29
Marketing Expenses *(Note 13)*		1,511,440		5,963,200.65
Administrative Expenses *(Note 14)*		11,677,273		8,237,730.48
	P	*40,245,402*	P	29,092,352.42
Net Income (Loss) from Operations		(21,177,997)		(19,222,475.10)
Gain (Loss) on Foreign Currency Valuation		(4,138,719)		(132,474.98)
Miscellaneous Income		1,799		
Interest Income		4,411		1,793.07
Net Loss Before Tax		(25,310,506)		(19,353,157.01)
Income (Tax) Benefits		7,594,475		5,757,664.16
NET LOSS	P	(17,716,031)	P	(13,595,492.86)

See accompanying notes to financial statement

EXHIBIT C

INTELLECT DESIGN ARENA PHILIPPINES, INC.
STATEMENT OF CHANGES IN EQUITY
As of December 31, 2017

		2017		2016
CAPITAL STOCK				
(Authorized 100,000,000 shares @ P1.00 par value)				
(Subscribed & paid-up 8,514,286 shares)	P	21,847,619	P	21,847,619
Additional Subsrciption & paid-Up 0f				
Total		21,847,619		21,847,619
RETAINED EARNINGS				
Balance at beginning of year		(45,119,873.24)		(27,990,554.99)
Interest Income				
Net Income for the period		(17,716,031.04)		(13,595,492.86)
Adjustment on Deferrred Tax Credit (Expired)		(3,129,014.40)		(3,533,825.40)
Balance at end of year		(65,964,918.68)		(45,119,873.24)
	P	(44,117,299.35)	P	(23,272,253.91)

EXHIBIT D

INTELLECT DESIGN ARENA PHILIPPINES, INC.

STATEMENT OF CASH FLOW
For the period ended December 31, 2017

		2017		2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income for the period	P	(17,716,031)	P	(13,595,493)
Adjustments to reconcile Net Income to Net				
Interest Income		-		-
Depreciation/Amortization		84,519		74,989
Changes in operating assets and liabilities:				
(Increase) Decrease in:				
Receivables		70,815,923		(36,597,556)
Deposit and Prepaid Expenses		(5,159,143)		(2,292,208)
Other Assets		(4,465,461)		(2,223,839)
Increase (Decrease) in:				
Current Liabilities		(16,520,290)		68,480,106
Net Cash provided by operating activities		27,039,517		13,846,000
CASH FLOWS FROM INVESTING ACTIVITIES				
Net Increase in properties and equipments		(111,279)		(116,027)
Net Cash Used in Investing Activities		(111,279)		(116,027)
CASH FLOWS FROM FINANCING ACTIVITIES				
Expired Deferred Tax Assets		(3,129,014)		(3,533,825)
Advances from Parent co.		(12,545,810)		(16,944,716)
Net Cash Used in Investing Activities		(15,674,825)		(20,478,542)
NET INCREASE (DECREASE) IN CASH		11,253,413		(6,748,569)
CASH AT BEGINNING OF THE PERIOD		1,552,295		8,300,863
CASH AS AT THE END OF THE PERIOD	P	12,805,708	P	1,552,295

INTELLECT DESIGN ARENA PHILIPPINES, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

Note 1 – Corporate Information

1.1 In General

Intellect Design Arena Philippines Inc., referred hereto as "the Company" was incorporated and registered with Securities and Exchange Commission on June 15, 2011 under S.E.C. Registration No. CS201110259, to engage in providing computer software services and to carry on business of sytem study, analysis and designs, development and implementation of software systems for usage of computer sytems, communication systems. the company offers state of the art solutions for core Banking, corporate Banking, Wealth & Asset Management and Insurance. The company is owned by Intellect Design Arena Pte. Ltd. (formerly Polaris Financial Technology Limited), a public limited company domicile in India, was founded in 1993 and is headquartered in Chennai.

The Company's principal place of business is at 37th Floor CEO Suites, LKG Tower, Ayala Avenue, MakaTi City.

1.2 Approval of the Financial Statements

The financial statements of the Company for the year ended December 31, 2017 (including the December 31, 2016 for comparative purposes only) was approved and authorized for issue by the Board of Directors on March 24, 2018.

Note 2 – Summary of Significant Accounting Policies

2.1 Statement of Compliance

The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).

2.2 Basis of Preparation

The financial statements of the Company have been prepared on a historical cost basis unless clearly stated at fair value measurement and are presented in Philippine Pesos, which is the Company's functional and presentation currency. All values represent absolute amounts except when otherwise indicated.

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

Amendments to the PFRS for SMEs

In August 2016, the SEC resolved to adopt the *2015 Amendment for PFRS for SMEs* as part of its rules and regulations on financial reporting.
Most of the amendments clarify existing requirements and add supporting guidance to the existing standard rather than change the underlying requirements. Among the most significant amendments to the standards are:

- Permitting SMEs to use revaluation model to measure items of property, plant and equipment.
- Aligning the recognition and measurement requirements for deferred income tax with full PFRS.
- Allowing SMEs to use equity method to account for investments in subsidiaries, associates and jointly controlled entities in the separate financial statements.

The amendments are effective for annual periods beginning on or after January 1, 2017.
The adoption of the *2015 Amendments to PFRS for SMEs* does not have a significant impact on the company`s financial statements.

Cash and Cash Equivalents
Cash are stated at face value. Cash includes cash in banks which earn interest at the respective bank deposit rates and these are deposits held at call with banks. Cash equivalents, if any, may consist of short-term, highly liquid debt instruments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Trade and Other Receivables
Accounts receivable is recognized initially at its transaction price. They are subsequently measured at amortized cost less provision for impairment. A provision for impairment of account receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Other receivables, if any include advances to officers and employees. Other receivables are recognized initially at its transaction cost, and subsequently measured at amortized cost less provision for impairment.

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

Other current assets include input VAT, deferred input VAT, security deposit, advance rental and withholding tax refund that are initially recorded at transaction cost and subsequently measured at cost less impairment loss, if any.

Prepayments are expenses paid in cash and recorded as assets before they are used or consumed, as the service or benefits will be received in the future. Prepayments expire and are recognized as expense either with the passage of time or through use or consumption.

Prepayments and other non-financial assets are included in current assets, except when the related goods or services are expected to be received or rendered more than twelve (12) months after the reporting period, which are then classified as non-current assets.

Property and Equipment

The Company shall recognize the cost of an item of property and equipment as an asset if and only if:

a) it is probable that future economic benefits associated with the item will flow to the entity; and
b) the cost of the item can be measured reliably.

An item of property and equipment is initially recognized at cost. The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. Interests on borrowed funds are normally charged to operations. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of comprehensive income of such period.

Property and equipment are subsequently recognized at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and amortization and any impairment in value.

Depreciation is calculated on a straight-line basis over the useful lives of the assets. The assets' residual values, useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, if there is an indication that there has been indication of significant change since the last annual reporting date.

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. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognized.

Financial Liabilities

Financial liabilities include trade and other payables and advances from officers.

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Trade and Other Payables

Trade and other payables represent accounts payables and are recognized initially at the transaction price and subsequently measured at amortized cost less subsequent payments. Accruals, if any, are liabilities incurred but not yet paid during the calendar year for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts if any due to employees. It is necessary to estimate the amount or timing of accruals, however, the uncertainty is generally much less than for provisions.

Advances from Stockholders
Advances from officers are non-interest bearing borrowings provided by stockholders measured initially at transaction price and subsequently measured at cost less subsequent payments and impairment, if any.

<u>Financial Instruments</u>

Date of Recognition
The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument.

Initial Recognition of Financial Instruments
All financial assets and liabilities are initially recognized at initially, an entity shall measure it at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes in effect, a financing transaction. A financing transaction may take place in connection with the sale of goods of services, for example, if payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Subsequent Recognition of Financial Instruments
At the end of each reporting period, an entity shall measure financial instruments as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

a) Debt instruments that meet the conditions shall be measured at amortized cost using the effective interest method. Debt instruments that are classified as current assets or current liabilities shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received (i.e. net of impairment) unless the arrangement constitutes, in effect, a financing transaction. If the arrangement constitutes a financing transaction, the entity shall measure the debt instrument at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

b) Commitments to receive a loan that meet the conditions shall be measured at cost (which sometimes is nil) less impairment.

c) Investments in non-convertible preference shares and non-puttable ordinary or preference shares that meet the conditions shall be measured as follows:

i. If the shares are publicly traded or their fair value can otherwise be measured reliably, the investment shall be measured at fair value with changes in fair value recognized in profit or loss.

ii. All other such investments shall be measured at cost less impairment.
Impairment or uncollectibility must be assessed for financial instruments.

Determination of Fair Value
For all financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

Impairment of Financial Assets
The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets
A financial asset (or, where applicable a part of financial asset or part of a group of similar financial assets) is derecognized when:

i. The rights to receive cash flows from the asset have expired;

ii. The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement; or

iii. The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Equity
Equity is the residual interest in the assets of the Company after deducting all its liabilities. This includes investments by the shareholders, plus additions to those investments earned through profitable operation and retained for use in the Company's operations, minus reductions to shareholders' investments as a result of unprofitable operations and distributions to shareholders.

The Company shall recognize the issue of shares or other equity instruments as equity when it issues those instruments and another party is obliged to provide cash or other resources to the Company in exchange for the instruments. If the equity instruments are issued before the entity receives the cash or other resources, the Company shall present the amount receivable as an offset to equity in its statement of changes in shareholders' equity. Accordingly, the Company shall measure the equity instruments at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Revenue and Expenses Recognition

The Company adopts the accrual method in recognizing its revenue and expenses transactions. Under this method, revenue is recognized when earned while expenses recognized when incurred.

The Company shall measure revenue at the fair value of the consideration received or receivable. The fair value of the consideration received or receivable takes into account the amount of any trade discounts, prompt settlement discounts and volume rebates allowed by the Company.

Sale of Services

When the outcome of a transaction involving the rendering of services can be estimated reliably, the Company shall recognize revenue associated with the transaction by reference to the stage of completion of the transaction at the end of the reporting period.

Interest Income

The Company shall recognize revenue arising from the use by others of Company's assets yielding interest and commission when (a) it is probable that the economic benefits associated with the transactions will flow to the Company; and (b) the amount of the revenue can be measured reliably. The Company shall recognize revenue on the following bases:

(a) *Interest* – interest income on bank deposits is recognized as the interest accrues.

The Company shall recognize all borrowing costs as an expense in profit or loss in the period in which they are incurred.

Employee Benefits

Employee benefits are all forms of consideration given by the Company in exchange for service rendered by employees, including directors and management.

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. Short-term benefits given by the Company to its employees include compensation, social security contributions, short-term compensated absences, bonuses and other non-monetary benefits.

Retirement Benefits

Republic Act (R.A.) No. 7641 (New Retirement Law) took effect on January 7, 1993 which states that the Company is required to provide minimum retirement benefits to qualified retiring employees. The minimum retirement pay due for covered employees shall be equivalent to one-half month salary for every year of service, a fraction of at least six (6) months being considered as one whole year. One-half month salary include: (a) 15 days salary based on the latest salary rate; (b) cash equivalent of 5 days of service incentive leave (or vacation leave); (c) one-twelfth (1/12) of the 13th month pay; provided that retiree has at least 5 years of continuous service and at least sixty (60) years of age, but not beyond sixty five (65) years which is declared the compulsory retirement age. No employees are qualified for retirement during the year ended.

Leases

The Company shall classify lease as to finance lease or operating lease. Lease classification is made at the inception of the lease and is not changed during the term of the lease unless the lessee and the lessor agree to change the provisions of the lease (other than simply by renewing the lease), in which case the lease classification shall be re-evaluated.

A lease is classified as finance lease if it transfers substantially all the risk and rewards incidental to ownership. On the other hand, a lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating lease - Company as Lessee

Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Accordingly, lease payments (excluding cost for services such as insurance and maintenance) shall be recognized as expense on a straight-line basis over the lease term.

Income Taxes

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

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

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences and carry forward benefits of unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of NOLCO can be utilized.

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

Deferred tax asset and liabilities are measured at the tax rates expected in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Provisions

Provisions for any restructuring costs and legal claims are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions may comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

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

Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Events after the End of the Reporting Period

Post year-end events up to the date of the auditor's report that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

Related Parties

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (1) individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Company; (2) associates; and (3) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

The key management personnel of the Company and post-employment benefit plans for the benefit of Company's employees are also considered to be related parties.

Note 3 – Management's Significant Accounting Judgments and Estimates

3.1 Judgments

The preparation of the Company's financial statements in conformity with PFRS for SMEs requires management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying notes. The estimates and assumptions used in the Company's financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements.

Actual results could differ from such estimates, judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.2 Estimates

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 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.

Estimated Useful Lives of Property and Equipment

The Company estimates the useful lives of property and equipment based on the period over which the property and equipment are expected to be available for use. The estimated useful lives of the 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 property and equipment. In addition, the estimation of the useful lives of property and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in the 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 the property and equipment would increase the recorded expenses and decrease the noncurrent assets. Depreciation is computed on a straight-line method over the estimated useful lives of the assets as follows:

	Estimated Useful Life
Leasehold improvement	3 years
Computer equipment	3 years
Office equipment	3 years
Furniture and fixtures	3 years

The foregoing estimated useful lives and depreciation method are reviewed from time to time to ensure that these are consistent with the expected economic benefits of the property and equipment.

Impairment of Non-financial Assets

The Company assesses the value of property and equipment which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, and require the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that property and equipment and other long-lived assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and results of operations. The preparation of the estimated future cash flows involves significant judgment and estimations.

While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of recoverable values and may lead to future additional impairment charges.

Revenue Recognition

The Company’s revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenues and receivables. Differences between the amounts initially recognized and actual settlements are taken up in the accounts upon reconciliation. However, there is no assurance that such use of estimates may not result to material adjustments in future periods.

Note 4 – Cash

The account consists of the following:

	2016	2016
Cash in bank – Citibank-Peso Acct	11,954,059	1,006,761
Cash in bank – Citibank-US$ Acct	771,611	485,156
Cash in bank – RCBC Savings	10,014	10,000
Cash in bank – RCBC Current	50,018	50,377
Cash in bank – Citi Thailand	5	
Cash in bank – BPI	20,000	
Total	12,805,708	1,552,295

Cash in banks represent unrestricted deposits with local banks which earn interest at the prevailing bank deposit rates. Total interest earned during the year amounted to P4,411 and P1,793 for the years ended 2017 and 2016, respectively.

Note 5 – Trade and Other Receivables

The account consists of the following:

	2017	2016
Account receivable	24,871,925	86,278,352
Revenue accrued but not billed	62,481,892	71,891,388
EMD Receivables	9,814,99	9,814,99
Total	97,168,814	167,984,737

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

As of December 31, 2017, the Management believed that the receivables above were fully collectible, thus, no allowance for probable losses has been set up and none of these were used as collateral to secure any liabilities of the Company.

These carrying amounts of receivables are unsecured, non-interest bearing claims and advances which are expected to be collected or liquidated within one (1) year after reporting date.

Note 6 – Other Current Assets

The account consists of the following:

	2 0 1 7	2 0 1 6
Advances for Expenses	1,505,912	1,212,578
Advances to suppliers	1,559,209	1,337,100
Salary Advances	1,288,828	7,633
Creditable Input Tax	654,167	
Creditable Withholding Tax	5,319,303	2,678,123
Security Deposit	305,157	238,000
Total	10,632,576	5,743,433

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

Note 7 – Property and Equipment

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2016 and 2015 are shown below:

Cost	2 0 1 6	Additions	2 0 1 7
Office machines & equipments	327,380	111,279	438,659

Accumulated depreciation	2 0 1 6	Depreciation	2 0 1 6
Office machines & equipments	150,409	84,519	234,928
Carrying Value	176,971		203,731

As of reporting date, there was no evidence to warrant the recognition of impairment. Furthermore, these assets were not used to secure any liability of the Company.

Note 8 – Trade and Other Payables

The account consists of the following:

	2 0 1 7	2 0 1 6
Accounts payable	151,540,944	170,439,962
Payroll Payable	634,978	6,073,166
Billing in Excess of Revenue	16,011,696	9,296,550
Exchange Fluctuation Reserve	112,100	468,327
Deferred Out put Tax	2,627,646	7,131,888
Total	170,927,363	193,409,893

Trade payables are non-interest bearing liabilities which consist of unpaid invoices from media suppliers. Other accounts payable are liabilities which consist of amount owed from utilities, communication and other office expenses.

Note 9 – Other Current Liabilities

The account consists of the following:

	2 0 1 6	2 0 1 6
SSS Premiums Payable	27,700	14,320
PhilHealth Premiums Payable	11,375	7,000
HDMF Premiums Payable	2,600	1,600
Withholding Tax Payable-Comp.	639,705	540,696
Withholding Tax Payable-Exp.	19,773	34,354
Withholding Tax Payable-Final	4,751,251	
Withholding Tax Payable-VAT	1,900,501	
VAT Payable		792,695
Total	7,352,905	1,390,665

Note 10 – Related party transactions

In the ordinary course of business, the Company has transactions with its stockholders and officers principally consisting of advances which may or may not be interest bearing. Such transactions have been entered into at terms no less favorable than could have been obtained if the transactions were entered with unrelated parties.

Advances represent amount owed to affiliates and stockholders which were used to working capital requirements of the Company.

These payables are unsecured and non interest bearing and are normally payable within 1 year.

Note 11 – Cost of Services

The account consists of the following:

	2 0 1 7	2 0 1 6
Salaries and wages		10,606,400
Consulting/Outsourcing Expense	67,835,1093	35,279,243
Software License	21,614,789	35,251,255
S/W Dev Chgs-Others Ctrl A/C		7,335,782
Total	89,449,898	88,472,679

Note 12 – H R Expenses

The account consists of the following:

	2 0 1 6	2 0 1 6
Salaries and Wages	26,848,891	14,705,279
SSS, Philhealth & pag-ibig Premiums	207,798	186,143
Total	27,056,689	14,891,421

Note 13 – Marketing Expenses

The account consists of the following:

	2 0 1 7	2 0 1 6
Commision Expense	182,525	4,634,715
Business Promotion	1,328,915	1,328,486
Total	1,511,440	5,963,201

Note 14 – Administrative Expenses

The account consists of the following:

	2 0 1 7	2 0 1 6
Rental Expense	3,454,644	1,895,265
Professional fees	2,708,401	633,564
Transportation and Travel Expenses	1,401,395	2,747,855
Fuel and Oil	6,263	
Insurance Expenses	918,103	663,529
Taxes, Licenses and Permits	485,221	553,210
Repairs and Maintenance	1,671,285	871,376
Communications and Postages	715,363	647,476
Interest and Bank Charges	179,159	91,928
Office supplies	52,919	58,536
Depreciation Expense	84,519	74,989
Total	11,677,273	8,237,730

Note 14 – Income Taxation

Regular Corporate Income Tax (RCIT) - 30%

Income (Loss) before income tax	(25,310,506)
Less: Income already subjected to final tax	
Interest income on deposits	4,411
Taxable income	(25,315,914)
RCIT rate	30%
Income Tax Benefits	7,594,475

Minimum Corporate Income Tax

As provided in the Tax Code, the Company will be subjected to Minimum Corporate Income Tax (MCIT) of two percent (2%) of gross income beginning on the fourth (4th) taxable year immediately following the taxable year in which the Company commenced its business operations. As of 2015 taxable year the company is already subject to MCIT, computed as follows:

Gross Profit - Subject to MCIT	19,067,405
MCIT rate	2%
Minimum Corporate Income Tax	381.,348

Ne-Operating Loss Carry Over

As provided in the Tax Code, the Company is allowed to carry over losses from operation for a period of three years. An analysis of the company's accumulated losses, resulted to the following:

Year Incurred	Amount of Losses	NOLCO Applied this year	Expired	NOLCO Unapplied
2017	25,314,917			25,314,917
2016	19,192,214			19,192,214
2014	10,430,048		10,430,048	

Note 15 – Supplementary Information Required by Bureau of Internal Revenue (BIR)

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

15.1 Requirements under Revenue Regulations 15 – 2010

In compliance with BIR Revenue Regulations No.15-2010 (amending certain provision of Sec. 2 of RR No. 21-2002), which requires addition to the disclosures mandated under the Philippine Financial Reporting Standards for SME, and such other standards and convention, the Notes to the Financial Statements shall include information on taxes, duties and license fees paid or accrued during the taxable year particularly on the following which is applicable to the Company:

(a) Value Added Tax

The Company is a VAT-registered company with output tax declaration computed as follows:

	SALES	OUTPUT VAT
2017Service income	108,517,303	13,022,076
Collection Previous Years' Sales	71,763,434	8,611,612
	180,280,737	21,633,688

Input VAT from:	TAX BASE	INPUT VAT
Domestic purchase of services	6,830,176	819,621
Purchase of goods	1,161,787	139,414
Service from Outside sources	89,334,534	10,720,144
	97,326,497	11,679,180

(b) *Taxes and Licenses*

The details of taxes and licenses account are as follows:

	2017	2016
Business permits	484,721	390,474
BIR annual registration	500	500
Penalties and surcharges		162,736
Total	485,221	553,710

(c) *Withholding Taxes*

The Company paid withholding taxes as follows:

	Amount
Withholding Tax on Compensation	8,980,203
Withholding Tax at Source	897,668
Withholding Tax - VAT	10,720,144
Withholding Tax-Final	26,800,360

(e) *Deficiency Tax Assessments and Tax Cases*

As of December 31, 2017, the company does not have any final deficiency tax assessment from the BIR nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.

Note 16 – <u>Lease Agreements</u>

The contract was executed between Jaideep Billa, in behalf of the Company (lessee), and CEO Suite Philippine Branch on June 4, 2015. No future minimum lease payments arising from the contract. Lease agreements are for the period one (1) year beginning June 16, 2015 to June 15, 2016 and cancellable as agreed by both parties.

Note 17 – <u>Capital Stocks</u>

The Company's authorized capital stock amounted to One Hundred Million Pesos (P100,000,000.00) divided by One Hundred Million Shares (100,000,000) at P1.00 par value.

Of the total authorized, Twenty One Million Eight Hundred Forty Seven Thousand Six Hundred Nineteen Pesos (P21,847,619.00) was already subscribed and paid.

******