### **COVER SHEET**

## for AUDITED FINANCIAL STATEMENTS

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	<u>aseem.roy@wipro.com</u> (02) 8908 7000 09154050293								93																				
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Susan Gerodias Batistis							susan.batistis@wipro.com						N/A +639171824130					ס											
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	Block 2 Lot 13, Deca Homes Subdivision Cubacub, Cebu City																												

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

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



## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **WIPRO PHILIPPINES, INC.** (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedule attached therein, for the years ended March 31, 2025 and 2024 in accordance with the Philippine Financial Reporting Standards (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 going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless Management intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

ROY ASEEM

Chairman of the Board/President

**SUSAN GERODIAS BATISTIS** 

Treasurer

Signed this 22<sup>nd</sup> day of May 2025.





#### R.S. Bernaldo & Associates

18/F Cityland Condominium 10 Tower 1, 156 H.V. dela Costa St., Ayala North, Makati City, Philippines 1226

+632 8812-1718 to 22 info@pkfrsbernaldo.com www.pkfrsbernaldo.com

### **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and the Stockholders WIPRO PHILIPPINES, INC.
(A Wholly Owned Subsidiary of Wipro Limited, India)
Cebu Central Bloc Corporate Center Tower 2
Block 10, Geonzon St., Cebu I.T. Park, Brgy. Apas, Cebu

#### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the financial statements of **WIPRO PHILIPPINES**, **INC**. (the "Company"), which comprise the statements of financial position as of March 31, 2025 and 2024 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2025 and 2024, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

#### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *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 audits of the financial statements in 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.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the 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 audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

#### Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations Nos. 15-2010 and 34-2020 in Note 34, to the financial statements, is presented for purposes of filing with Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the Management of **WIPRO PHILIPPINES**, **INC**. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

#### **R.S. BERNALDO & ASSOCIATES**

BOA/PRC No. 0300

Valid until November 19, 2026

SEC Group A Accreditation No. 0300-SEC

Valid until 2024 audit period (extended until 2025 audit period)

BSP Group B Accreditation No. 0300-BSP

Valid until 2026 audit period

BIR Accreditation No. 08-007679-000-2023

Valid from January 31, 2023 until January 30, 2026

IC Group A Accreditation No. 0300-IC

Valid Inhil/20/26 audit period

GLENN J. MAGCALING

Partner\_

CPA Certificate No. 98624

BOA/PRC No. 0300/P-005

Valid until November 19, 2026

SEC Group A Accreditation No. 98624-SEC

Valid until 2024 audit period (extended until 2025 audit period)

BIR Accreditation No. 08-007679-005-2024

Valid from February 19, 2024 until February 18, 2027

Tax Identification No. 198-646-943

PTR No. 10481165

Issued on January 15, 2025 at Makati City

May 22, 2025

# (A Wholly-owned Subsidiary of Wipro Limited, India) STATEMENTS OF FINANCIAL POSITION

March 31, 2025 and 2024

(In Philippine Peso)

	NOTES	2025	2024
ASSETS			
Current Assets			
Cash and cash equivalents	7	304,397,298	5,830,338,893
Short-term investments	8	7,972,901,172	-
Trade and other receivables – net	9	3,480,353,238	4,122,088,659
Unbilled service fees	10	396,904,083	395,235,047
Prepayments	11	120,734,689	69,523,599
Financial asset at fair value through profit or loss	12	147,153,839	9,932,512
		12,422,444,319	10,427,118,710
Non-current Assets			
Property and equipment – net	13	1,600,791,612	937,074,408
Right-of-use assets – net	14	864,990,877	1,146,110,655
Refundable deposits	25	112,664,550	109,301,845
		2,578,447,039	2,192,486,908
TOTAL ASSETS		15,000,891,358	12,619,605,618
Current Liabilities Trade and other payables Due to related parties Lease liabilities	15 17 16	1,330,476,073 454,224 239,612,141	1,262,399,864 991,159
Financial liability at fair value through profit or loss	4.0		310,716,507
	12	-	17,210,379
Income tax payable	12	- 14,592,053	
	12	14,592,053 1,585,134,491	17,210,379
Income tax payable  Non-current Liabilities		1,585,134,491	17,210,379 51,685,453 1,643,003,362
Non-current Liabilities Retirement benefit obligation	24	1,585,134,491 15,641,570	17,210,379 51,685,453 1,643,003,362 24,739,089
Non-current Liabilities Retirement benefit obligation Lease liabilities – net of current portion	24 16	1,585,134,491 15,641,570 738,768,753	17,210,379 51,685,453 1,643,003,362 24,739,089 929,268,699
Non-current Liabilities Retirement benefit obligation	24	1,585,134,491 15,641,570 738,768,753 46,117,443	17,210,379 51,685,453 1,643,003,362 24,739,089 929,268,699 42,012,435
Non-current Liabilities Retirement benefit obligation Lease liabilities – net of current portion	24 16	1,585,134,491 15,641,570 738,768,753	17,210,379 51,685,453 1,643,003,362 24,739,089 929,268,699
Non-current Liabilities Retirement benefit obligation Lease liabilities – net of current portion	24 16	1,585,134,491 15,641,570 738,768,753 46,117,443	17,210,379 51,685,453 1,643,003,362 24,739,089 929,268,699 42,012,435
Non-current Liabilities Retirement benefit obligation Lease liabilities – net of current portion Deferred tax liabilities	24 16	1,585,134,491 15,641,570 738,768,753 46,117,443 800,527,766	17,210,379 51,685,453 1,643,003,362 24,739,089 929,268,699 42,012,435 996,020,223
Non-current Liabilities Retirement benefit obligation Lease liabilities – net of current portion Deferred tax liabilities  TOTAL LIABILITIES	24 16	1,585,134,491 15,641,570 738,768,753 46,117,443 800,527,766	17,210,379 51,685,453 1,643,003,362 24,739,089 929,268,699 42,012,435 996,020,223
Non-current Liabilities Retirement benefit obligation Lease liabilities – net of current portion Deferred tax liabilities  TOTAL LIABILITIES STOCKHOLDERS' EQUITY	24 16 27	1,585,134,491 15,641,570 738,768,753 46,117,443 800,527,766 2,385,662,257	17,210,379 51,685,453 1,643,003,362 24,739,089 929,268,699 42,012,435 996,020,223 2,639,023,585
Non-current Liabilities Retirement benefit obligation Lease liabilities – net of current portion Deferred tax liabilities  TOTAL LIABILITIES STOCKHOLDERS' EQUITY Capital Stock	24 16 27	1,585,134,491 15,641,570 738,768,753 46,117,443 800,527,766 2,385,662,257 188,914,700	17,210,379 51,685,453 1,643,003,362 24,739,089 929,268,699 42,012,435 996,020,223 2,639,023,585
Non-current Liabilities Retirement benefit obligation Lease liabilities – net of current portion Deferred tax liabilities  TOTAL LIABILITIES STOCKHOLDERS'EQUITY Capital Stock Remeasurement – net	24 16 27	1,585,134,491 15,641,570 738,768,753 46,117,443 800,527,766 2,385,662,257 188,914,700 9,137,195	17,210,379 51,685,453 1,643,003,362 24,739,089 929,268,699 42,012,435 996,020,223 2,639,023,585 188,914,700 (2,816,557)

### (A Wholly-owned Subsidiary of Wipro Limited, India)

### STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended March 31, 2025 and 2024 (In Philippine Peso)

	NOTES	2025	2024
SERVICE REVENUE	19	8,380,178,009	9,619,607,660
OTHER FEES	20	369,600	690,825
TOTAL REVENUE		8,380,547,609	9,620,298,485
COST OF SERVICES	21	5,533,501,369	5,966,577,483
GROSS PROFIT		2,847,046,240	3,653,721,002
OPERATING EXPENSES	23	414,457,488	285,176,966
OTHER INCOME – net	22	389,537,844	254,526,631
FINANCE COSTS	16	78,841,711	90,738,394
PROFIT BEFORE TAX		2,743,284,885	3,532,332,273
INCOME TAX EXPENSE	26	120,591,569	165,040,385
PROFIT		2,622,693,316	3,367,291,888
OTHER COMPREHENSIVE INCOME (LOSS)			
ITEM THAT WILL NOT BE RECLASSIFIED			
SUBSEQUENTLY TO PROFIT OR LOSS:			
Remeasurement – net	24	11,953,752	(5,443,378)
TOTAL COMPREHENSIVE INCOME		2,634,647,068	3,361,848,510
Basic Earnings per Share		1,388.29	1,782.44

# (A Wholly-owned Subsidiary of Wipro Limited, India) STATEMENTS OF CHANGES IN EQUITY

For the Years Ended March 31, 2025 and 2024 (In Philippine Peso)

	Notes	Capital Stock	Remeasurement – net	Retained Earnings	Total
Balance at April 1, 2023		188,914,700	2,626,821	6,427,192,002	6,618,733,523
Profit				3,367,291,888	3,367,291,888
Other comprehensive loss	24		(5,443,378)		(5,443,378)
Balance at March 31, 2024	18,24	188,914,700	(2,816,557)	9,794,483,890	9,980,582,033
Profit				2,622,693,316	2,622,693,316
Other comprehensive income	24		11,953,752		11,953,752
Balance at March 31, 2025	18,24	188,914,700	9,137,195	12,417,177,206	12,615,229,101

## (A Wholly-owned Subsidiary of Wipro Limited, India) STATEMENTS OF CASH FLOWS

For the Years Ended March 31, 2025 and 2024

(In Philippine Peso)

	NOTES	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,743,284,885	3,532,332,273
Adjustments for:			
Depreciation	13,14,21,23	794,932,763	752,081,265
Finance cost	16	78,841,711	90,738,394
Retirement benefits	24	4,280,648	3,534,493
Provision for expected credit losses	9,23	-	619,803
Gain on lease termination	14,22	-	(14,942,002)
Reversal of allowance for expected credit losses	9,22	(396,699)	-
Unrealized foreign exhange gain – net	22	(122,719,416)	(70,498,823)
Finance income	7,8,17,22	(354,556,749)	(169,085,806)
Operating cash flows before changes in working capital Decrease (Increase) in operating assets:		3,143,667,143	4,124,779,597
Trade and other receivables		988,429,045	(182,194,359)
Short-term investments		(7,972,901,172)	-
Unbilled service fees		1,148,675	(56,313,862)
Prepayments		(51,211,090)	67,890,216
Refundable deposits		(3,362,705)	(14,433,250)
Increase in trade and other payables		48,289,014	296,725,461
Cash generated from (used in) operations		(3,845,941,090)	4,236,453,803
Retirement benefits paid	24	(1,303,233)	(135,503)
ncome taxes paid		(152,483,334)	(73,402,884)
Net cash from (used in) operating activities		(3,999,727,657)	4,162,915,416
CASH FLOWS FROM INVESTING ACTIVITIES			
Collections from related parties	17	3,625,579,224	3,985,102,288
Finance income received	22	356,581,604	158,093,236
Proceeds from disposal of property and equipment	13	119,632,878	194,354,199
Additions to property and equipment	13	(1,246,259,285)	(699,239,203)
Advances granted to related parties	17	(4,002,264,788)	(4,094,472,145)
Net cash used in investing activities		(1,146,730,367)	(456,161,625)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances received from related parties	17	9,190,440	6,061,306
Payment to related parties	17	(9,727,375)	(5,250,331)
Finance cost paid	16	(78,841,711)	(90,738,394)
Payment of lease liabilities	16	(312,508,094)	(345,805,317)
Net cash used in financing activities		(391,886,740)	(435,732,736)
EFFECTS OF FOREIGN EXCHANGE RATE			
CHANGES ON CASH AND CASH EQUIVALENTS	7,22	12,403,169	15,857,286
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(5,525,941,595)	3,286,878,341
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		5,830,338,893	2,543,460,552
CASH AND CASH EQUIVALENTS AT END OF YEAR		304,397,298	5,830,338,893

# (A Wholly-owned Subsidiary of Wipro Limited, India) NOTES TO FINANCIAL STATEMENTS

March 31, 2025 and 2024

#### 1. CORPORATE INFORMATION

Wipro Philippines, Inc. (the "Company") is domiciled in the Philippines and was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) with SEC Registration No. CS200716308 on October 16, 2007 and with Bureau of Internal Revenue (BIR) in Revenue District Office (RDO) No. 123 with Tax Identification No. (TIN) 006-897-563. The Company was organized primarily to undertake and carry on the business of providing all kinds of information technology based and enabled services, electronic remote processing services, eService, including all types of internet-based/web enabled services, transaction processing, fulfillment services, business support services including but not limited to providing billing services, processing services, database services, data entry business-marketing services, business information and management services, training and consultancy services to the businesses, organizations, firms, corporations, trusts, local bodies, states, governments and other entities; to establish and operate service processing centers for providing services for back office and processing requirements, contacting and communicating to and on behalf of the customers by voice, data image, letters and to handle business process management, remote held desk management, remote management, remote customer interaction, customer relationship management and customer servicing through call centers, email based activities and letter/fax based communication, knowledge storage and management, data management, warehousing, search, integration and analysis for financial and non-financial data; as well as to act as information technology consultants and to operate a high technology data processing center for providing information processing, analysis development accounting and business information and data to customers; to carry on the business of gathering, collating, compiling, processing, analyzing, distributing, selling, publishing data and information and including conduct of studies and research, and marketing of information and services and providing access to information regarding financial operations and management, financial services, investment services business and commercial operations, financial status, customer responses and management of businesses.

The Company is a 99.99% owned subsidiary of Wipro Limited, India (the "Parent Company"), an entity incorporated and domiciled in India. Wipro Limited, India is an entity domiciled in Bangalore, India and is a publicly listed company in the Bombay Stock Exchange and National Stock Exchange in India and the New York Stock Exchange in the United States of America.

In 2007, the Company registered with the Philippine Economic Zone Authority (PEZA) as an enterprise engaged in call center and business process outsourcing services. In line with the PEZA registration, the Company is entitled to a four-year Income Tax Holiday (ITH) incentive from the start of the commercial operation for each qualified location with a two-year extension period, subject to PEZA approval. As of March 31, 2025, the Company has four (4) operating offices registered with PEZA.

During the year, the Company moved to its newly registered office located at Cebu Central Bloc Corporate Center Tower 2, Block 10, Geonzon St., Cebu I.T. Park, Brgy. Apas, Cebu.

#### 2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

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

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

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

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

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

The amendments to PAS 1 are the following:

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

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

• Amendments to PAS 7 and PFRS 7, Supplier Finance Arrangements

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

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

#### • Amendments to PAS 1, Non-current Liabilities with Covenants

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

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

#### • Amendments to PFRS 16, Lease Liability in a Sale and Leaseback

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

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

#### 2.02 New and Revised PFRSs in Issue but Not Yet Effective

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

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

#### • PFRS 17, Insurance Contracts

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

PFRS 17 is effective for annual periods beginning on or after January 1, 2027. However, all Mutual Benefits Associations (MBAs) doing business in the Philippines is effective beginning on or after January 1, 2030. Early application is permitted for entities that apply PFRS 9, *Financial Instruments* and PFRS 15, *Revenue from Contracts with Customers* on or before the date of initial application of PFRS 17.

An entity shall apply PFRS 17 retrospectively unless impracticable, except that an entity is not required to present the quantitative information required by paragraph 28(f) of PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* and an entity shall not apply the option in paragraph B115 for periods before the date of initial application of PFRS 17. If, and only if, it is impracticable, an entity shall apply either the modified retrospective approach or the fair value approach.

• Amendments to PFRS 17, Insurance Contracts

The amendments cover the following areas:

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

The amendments are effective to annual reporting periods beginning on or after January 1, 2027. However, all Mutual Benefits Associations (MBAs) doing business in the Philippines is effective beginning on or after January 1, 2030.

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

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

PFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after January 1, 2027. However, all Mutual Benefits Associations (MBAs) doing business in the Philippines is effective beginning on or after January 1, 2030.

• Amendments to PAS 21, Lack of Exchangeability

The amendments contains guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

The amendments cover the following areas:

- Specify when a currency is exchangeable into another currency and when it is not — a currency is exchangeable if it can be exchanged for another currency through markets or mechanisms that establish enforceable rights and obligations without delay, while it is not exchangeable if an entity can only obtain a small amount of the other currency.
- Specify how an entity determines the exchange rate to apply when a currency is not exchangeable — when a currency isn't exchangeable at a measurement date, an entity estimates the spot exchange rate as the rate that would have applied in an orderly transaction.

➤ Require the disclosure of additional information when a currency is not exchangeable – when a currency is not exchangeable, an entity discloses information to its financial statements, allowing users to assess its financial performance, position, and cash flows.

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

 Amendments to PFRS 9 and PFRS 7, Amendments to the Classification and Measurement of Financial Instruments

The amendments cover the following areas:

- Derecognition of a financial liability settled through electronic transfer the amendments allow entities to discharge a financial liability settled in cash using an electronic payment system if specific criteria are met, and apply the derecognition option to all settlements made through the same system.
- Classification of financial assets:
  - Contractual terms that are consistent with a basic lending arrangement

     the amendments outline how entities can evaluate whether contractual cash flows of a financial asset align with a basic lending arrangement, illustrating this through examples of financial assets with or without principal and interest payments.
  - Assets with non-recourse features the term 'non-recourse' is enhanced, defining a financial asset has non-recourse features if an entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets.
  - Contractually linked instruments the amendments clarify that not all transactions with multiple debt instruments meet classification criteria, and that instruments in the underlying pool can include financial instruments not covered by classification requirements.
- There are amendments in the required disclosure for financial assets and liabilities with contractual terms that reference a contingent event and equity instruments classified at fair value through other comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Earlier application of either all the amendments at the same time or only the amendments to the classification of financial assets is permitted.

An entity is required to apply the amendments retrospectively. An entity is not required to restate prior periods to reflect the application of the amendments, but may do so if, and only if, it is possible to do so without the use of hindsight.

Annual Improvements to PFRS Accounting Standards - Volume 11

The International Accounting Standards Board (IASB) has published proposed narrow-scope amendments to PFRS Accounting Standards and accompanying guidance as part of its periodic maintenance of the Accounting Standards.

The proposed amendments included in the Exposure Draft *Annual Improvements to PFRS Accounting Standards—Volume 11* relate to:

PFRS 1, First-time Adoption of International Financial Reporting Standards, Hedge Accounting by a First-Time Adopter – the amendment addresses a potential confusion arising from an inconsistency in wording between paragraph B6 of PFRS 1 and requirements for hedge accounting in PFRS 9, Financial Instruments.

#### PFRS 7, Financial Instruments: Disclosures

- Gain or Loss on Derecognition the amendment addresses a potential confusion in paragraph B38 of PFRS 7 arising from an obsolete reference to a paragraph that was deleted from the standard when PFRS 13, Fair Value Measurement was issued.
- Disclosure of Deferred Difference Between Fair Value and Transaction Price – the amendment addresses an inconsistency between paragraph 28 of PFRS 7 and its accompanying implementation guidance that arose when a consequential amendment resulting from the issuance of PFRS 13 was made to paragraph 28, but not to the corresponding paragraph in the implementation guidance.
- Introduction and Credit Risk Disclosures the amendment addresses a
  potential confusion by clarifying in paragraph IG1 that the guidance
  does not necessarily illustrate all the requirements in the referenced
  paragraphs of PFRS 7 and by simplifying some explanations.

#### > PFRS 9, Financial Instruments

- Lessee derecognition of lease liabilities the amendment addresses a
  potential lack of clarity in the application of the requirements in PFRS 9
  to account for an extinguishment of a lessee's lease liability that arises
  because paragraph 2.1(b)(ii) of PFRS 9 includes a cross-reference to
  paragraph 3.3.1, but not also to paragraph 3.3.3 of PFRS 9.
- Transaction price the amendment addresses a potential confusion arising from a reference in Appendix A to PFRS 9 to the definition of 'transaction price' in PFRS 15, Revenue from Contracts with Customers while term 'transaction price' is used in particular paragraphs of PFRS 9 with a meaning that is not necessarily consistent with the definition of that term in PFRS 15.
- ➤ PFRS 10, Consolidated Financial Statements, Determination of a 'de facto agent' the amendment addresses a potential confusion arising from an inconsistency between paragraphs B73 and B74 of PFRS 10 related to an investor determining whether another party is acting on its behalf by aligning the language in both paragraphs.
- ▶ PAS 7, Statement of Cash Flows, Cost Method the amendment addresses a potential confusion in applying paragraph 37 of PAS 7 that arises from the use of the term 'cost method' that is no longer defined in PFRS Accounting Standards.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026 with earlier application permitted.

PFRS 18. Presentation and Disclosure in Financial Statements

PFRS 18 supersedes PAS 1, *Presentation and Disclosure in Financial Statements*. This new standard is a result of IASB's Primary Financial Statements project, which aimed at improving comparability and transparency of communication in financial statements.

While several sections from PAS 1 have been retained with minimal changes in wording, PFRS 18 introduces new requirements for the presentation and disclosures in financial statements.

The new requirements include:

- Improved comparability in the statement of profit or loss (income statement);
- Enhanced transparency of management-defined performance measures; and
- More useful grouping of information in the financial statements.

Retrospective application is required in both annual and interim financial statements. PFRS 18 is effective beginning on or after January 1, 2027, with early application permitted.

• PFRS 19, Subsidiaries without Public Accountability: Disclosures

PFRS 19 allows eligible entities to provide reduced disclosures compared to the requirements in other PFRS accounting standards. Entities that elect PFRS 19 are still required to apply the recognition, measurement and presentation requirements of other PFRS accounting standards.

An entity may elect to apply the PFRS 19 if at the end of reporting period:

- It is a subsidiary as defined in PFRS 10, Consolidated Financial Statements;
- > It does not have public accountability; and
- It has a parent (either ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with PFRS accounting standards.

An eligible entity (including an intermediate parent) can apply PFRS 19 in its consolidated, separate or individual financial statements. PFRS 19 is applicable for both annual and interim reporting.

PFRS 19 is effective beginning on or after January 1, 2027, with early application permitted.

#### 2.02.02 Deferred

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

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

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

#### 3. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

#### 3.01 Statement of Compliance

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

#### 3.02 Functional and Presentation Currency

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

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

#### 3.03 Current and Non-current Presentation

The Company classifies an asset as current when:

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

The Company classifies all other assets as non-current.

The Company classifies a liability as current when:

- It expects to settle the liability in its normal operating cycle;
- It holds the liability primarily for the purpose of trading;

- The liability is due to be settled within twelve (12) months after the reporting period; or
- It does not have an unconditional right to defer settlement of the liability for at least twelve (12) months after the reporting period.

The Company classifies all other liabilities as non-current.

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

#### 4. MATERIAL ACCOUNTING POLICIES

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

#### 4.01 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value the Company takes into consideration the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement assumes that the transaction to sell the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. In addition, it assumes that the transaction takes place either: (a) in the principal market; or (b) in the absence of a principal market, in the most advantageous market.

The Company considers the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement assumes that a financial or non-financial liability or an entity's own equity instruments (e.g. equity interests issued as consideration in a business combination) is transferred to a market participant at the measurement date. The transfer of a liability or an entity's own equity instrument assumes the following:

- A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date.
- An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient date are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

#### 4.02 Segment Information

An operating segment is a component of the Company: (a) that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Company; (b) whose operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

The Company reports separately, information about an operating segment that meets any of the following quantitative thresholds: (a) its reported revenue, including both sales to external customers and inter-segment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments, provided that; (b) the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of the combined reported profit of all operating segments that did not report a loss and the combined reported loss of all operating segments that reported a loss; and (c) its assets are 10% or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if management believes that information about the segment would be useful to users of the financial statements.

For management purposes, the Company is currently organized into two business segments: Information Technology Enabled Service (ITES)/Business Processing Outsourcing (BPO) Service and Corporate Service. These divisions are the basis on which the Company reports its primary segment information.

#### 4.03 Financial Assets

### 4.03.01 Initial Recognition and Measurement

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

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

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

#### 4.03.02 Classification

#### Financial Asset at Amortized Cost

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

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

The Company's financial assets measured at amortized cost include cash and cash equivalents, short-term investments, trade receivables, interest receivables and due from related parties presented under 'trade and other receivables', and refundable deposits.

#### a) Cash and Cash Equivalents

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

Cash equivalents is a short-term, highly liquid investment that is readily convertible to known amount of cash with maturity of three (3) months or less from the date of acquisition and that are subject to an insignificant risk of change in value. This shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

#### b) Short-term investments

Short-term investments are placements in time deposits and other money market instruments with original maturities of more than three (3) months but less than one year and which are not restricted as to use. These short-term investments are measured initially at cost and subsequently measured at amortized cost.

### c) Receivables

Receivables include trade receivables, interest receivables and due from related parties. These are measured at amortized cost using effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### d) Refundable Deposits

Refundable deposits serve as a guarantee on the operating lease entered by the Company as a lessee. The amount shall be refunded to the Company after the end of the lease term. These are initially recorded as asset and measured at the amount of cash paid. Subsequently, it is measured at amortized cost less any impairment.

#### Financial Asset at Fair Value through Profit or Loss (FVTPL)

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

The Company's financial assets measured at fair value through profit or loss pertain to foreign currency forward contracts in both years.

The Company does not have financial assets measured at fair value through other comprehensive income in both years.

#### 4.03.03 Effective Interest Method

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

#### 4.03.04 Impairment

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

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

The Company adopted the following approaches in accounting for impairment:

#### General Approach

The Company applies general approach to cash in banks, cash equivalents, short-term investments, interest receivables, due from related parties, and refundable deposits. At each reporting date, the Company measures the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. However, if the credit risk has not increased significantly, the Company measures the loss allowance equal to 12-month expected credit losses.

The Company compares the risk of default occurring as at the reporting date with the risk of default occurring as at the date of initial recognition and consider the macro-economic factors such as GDP, interest, and inflation rates, the performance of the counterparties' industry, and the available financial information of each counterparty to determine whether there is a significant increase in credit risk or not since initial recognition.

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

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

The Company did not apply the 30 days past due rebuttable presumption because the Company determines that there have been no significant increases in credit risk even the amounts are past due for more than 30 days.

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

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

The Company performs the assessment of significant increases in credit risk on collective basis for financial assets with collateral otherwise it is assessed on an individual basis.

The Company did not apply the 90 days past due rebuttable presumption in determining whether a financial asset is credit-impaired or not since based on the Company's historical experience and aging schedules, past due amounts even over 90 days are still collectible.

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

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

#### Simplified Approach

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

- Significant financial difficulty of the counterparty;
- · A breach of contract, such as a default or past due event;
- The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; and

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

#### 4.03.05 Derecognition

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

#### 4.03.06 Write-off

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

#### 4.04 Unbilled Service Fees

The Company's right to consideration in exchange for goods or services that the Company has transferred to a customer when that right is conditioned on something other than the passage of time. The Company assesses an unbilled service fees for impairment in accordance with PFRS 9 under simplified approach.

#### 4.05 Prepayments

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

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

#### 4.06 Derivative Financial Instruments

The Company enters into a variety of derivative financial instruments to manage its foreign exchange rate risk, primarily foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than twelve (12) months and it is not expected to be realized or settled within twelve (12) months. Other derivatives are presented as current assets or current liabilities.

#### 4.06.01 Forward Contracts

Forward contract is a derivative financial contract between a buyer and a seller in which the buyer has the right and obligation to buy a specified asset on a specified future date and at a specified price.

The seller is also under an obligation to perform as per the terms of the contract. The underlying asset can be a stock, a commodity, or a bond. The basis of the Company in valuing its forward contract transactions is Market Rate, which is the current or prevailing average exchange rate in the financial market for the foreign currency to be traded.

Forward contract is initially recognized at fair value using market rate at the date a forward contract is entered. Subsequently, it will be measured to its fair value at the end of each reporting period and at value date which pertains to completion of the contract. Resulting unrealized gain or loss is recognized in profit or loss at the end of each reporting period, while realization of gain or loss is recognized in profit or loss at value date.

#### 4.07 Property and Equipment

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

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

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

Office fixtures 4 to 7 years
Transportation equipment 4 years
IT equipment 3 to 4 years

Leasehold improvements are depreciated over the shorter between the improvements' useful life of six (6) years or the lease term.

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

Properties in the course of construction for production or administrative purposes, are carried at cost, less any recognized impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

#### 4.08 Impairment of Assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

#### 4.09 Borrowing Cost

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

#### 4.10 Financial Liabilities

#### 4.10.01 Initial Recognition and Measurement

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

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

#### 4.10.02 Classification

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

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts;

- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in a business combination.

The Company's financial liabilities measured at amortized cost include trade and other payables (except due to government agencies and advances from customers), due to related parties and lease liabilities.

The Company's financial liability measured at fair value through profit or loss pertain to foreign currency forward contracts in 2024.

#### 4.10.03 Derecognition

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

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

#### 4.11 Equity Instruments

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

Ordinary shares are classified as equity.

#### 4.12 Employee Benefits

#### 4.12.01 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 salaries and wages, contractual staff, SSS, PHIC and HDMF contributions and other employee benefits.

#### 4.12.02 Post-employment Benefits

The Company has an unfunded and non-contributory defined benefit retirement plan. This benefit defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The cost of providing benefits is determined using the Projected Unit Credit Method (PUCM) which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Post-employment expenses include current service cost and net interest on defined benefit liability. Remeasurements which include cumulative actuarial gains and losses, and changes in the effects of asset ceiling are recognized directly in other comprehensive income and is also presented under equity in the statements of financial position.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in profit or loss.

The retirement benefit obligation recognized in the statements of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated by an independent actuary using the PUCM. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of market rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement obligation.

#### 4.13 Revenue Recognition

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

#### 4.13.01 Performance Obligations Satisfied Over Time

The Company's service revenue from sale of services to entities outside the domestic territory of the Philippines is recognized over time and, therefore, satisfies a performance obligation and recognizes revenue over time when the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.

The Company derives revenue from the sale of services to entities outside the domestic territory of the Philippines. These services include handling of inbound calls, outbound calls and data entry among other business support services.

#### 4.13.02 Finance Income

Finance income is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Finance income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### 4.14 Expense Recognition

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

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

#### 4.15 Leases

#### 4.15.01 The Company as a Lessee

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

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

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

#### Right-of-Use (ROU) Assets

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

- initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any incentives received;
- any initial direct costs incurred by the Company; and
- an estimate of costs to be incurred by the lessee in dismantling and removing
  the underlying asset, restoring the site on which it is located or restoring the
  underlying asset to the condition required by the terms and conditions of the
  lease, unless those costs are incurred to produce inventories. The Company
  incurs the obligation for those costs either at the commencement date or as a
  consequence of having used the underlying asset during a particular period.

Subsequent to initial recognition, ROU assets are carried at cost less accumulated depreciation and accumulated impairment losses. The Company recognizes the amount of remeasurement of the lease liability as an adjustment to the ROU asset. However, if the carrying amount of the ROU assets is reduced to zero and there is further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the remeasurement in profit or loss.

ROU assets are presented as a separate line item on the statements of financial position.

#### Lease Liability

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

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

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

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

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

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

Lease liabilities is presented as a separate line item on the statements of financial position.

#### 4.16 Foreign Currency Transactions

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

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

#### 4.17 Related Parties and Related Party Transactions

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

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

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

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

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

#### 4.18 Taxation

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

#### 4.18.01 Current Tax

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

#### 4.18.02 Deferred Taxes

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

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

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

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

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

#### 4.18.03 Current and Deferred Taxes for the Period

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

#### 4.19 Earnings per Share

The Company computes its basic earnings per share by dividing net income or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

#### 4.20 Changes in Accounting Policies

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

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

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

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

#### 5.01 Critical Judgments in Applying Accounting Policies

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

#### 5.01.01 Determining Functional Currency

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

- the currency that mainly influences cost of providing services for financial instruments and services (this will often be the currency in which cost of providing services for its financial instruments and services are denominated and settled);
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

Functional currency is the currency of the primary economic environment in which the Company operates. The Company has determined that its functional currency is the Philippine Peso. The Company's functional currency is evidenced by its costs of providing services which are denominated and settled in Philippine Peso, funds from financing activities are generated, and receipts from operating activities are usually retained.

#### 5.01.02 Assessment of Contractual Terms of a Financial Asset

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

Management assessed that the contractual terms of its financial assets (except financial assets at FVTPL) are solely payments of principal and interest and consistent with the basic lending arrangement. As of March 31, 2025 and 2024, the aggregate carrying amounts of financial assets measured at amortized cost amounted to P11,729,570,267 and P9,964,019,012, respectively, as disclosed in Note 29.02.

#### 5.01.03 Assessment of Timing of Satisfaction of Performance Obligations

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

Management assessed that performance obligation is satisfied overtime for its revenue from sale of services to entities outside the domestic territory of the Philippines. These services include handling of inbound calls, outbound calls and data entry among other business support services. This is when the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.

In 2025 and 2024, revenue from rendering of services amounted to \$\mathbb{P}8,380,178,009\$ and \$\mathbb{P}9,619,607,660\$, respectively, as disclosed in Note 19.

## <u>5.01.04 Assessment of the Transaction Price and the Amounts Allocated to Performance Obligations</u>

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

Management assessed that the allocation of transaction price to performance obligations is not applicable since there is only one (1) performance obligation, which is the sale of services to entities outside the domestic territory of the Philippines.

### 5.01.05 Assessment of 30 days Rebuttable Presumption

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

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

### 5.01.06 Assessment of 90 days Rebuttable Presumption

An entity determines when a default occurs on its financial assets based on the credit Management practice of the entity.

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

#### 5.01.07 Determining whether or not a Contract Contains a Lease

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

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

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

Management assessed that the Company cannot extend the lease term beyond the non-cancellable lease period because the renewal is subject to mutual consent by both parties, such is not enforceable under the Philippine law. The Company uses the lease term stated in the contract which ranges from three (3) years to six (6) years, respectively.

#### 5.01.09 Aggregation of Operating Segments

In accordance with the provisions of PFRS 8, *Operating Segments*, the Company's reporting segment is based on the management approach with regard to the segment identification, under which information regularly provided to the chief operating decision maker for decision-making purposes is considered as decisive. The segments are also evaluated under the management approach.

The Company reports its segment based on geographic areas. The Management identifies its operating segments as generally based on nature and location of its customers. The Company has two (2) reportable segments: ITES/BPO Service and Corporate Service. The accounting policies of the reportable segments are the same as the Company's accounting policies. Segment profit represents the profit earned by each segment without allocation of net trading gains (losses), other income, equity in net earnings, operating expenses and income tax.

#### 5.02 Key Sources of Estimation Uncertainties

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

#### 5.02.01 Estimating Allowances for Expected Credit Losses

The Company measured expected credit losses of its financial assets using an unbiased and probability-weighted amount and reasonable and supportable assumption that is available without undue cost or effort. The Company assessed the past events, current conditions, and forecast economic conditions that may affect the counterparties' capacity to settle its obligation. The Company assessed the external credit ratings, industry performance, and available financial information of counterparties.

The Company determined that counterparty banks have low credit risk. Hence, the probability of default is immaterial.

The Company determined that the effect of refundable deposits is immaterial as it only represents 0.96% and 1.10% of the total financial assets in 2025 and 2024, respectively. Hence, the Company did not recognize provision of expected credit losses.

The Company determined that the effect of unbilled service fees is immaterial as it only represents 3.27% and 3.82% of the total financial assets in 2025 and 2024, respectively. Hence, the Company did not recognize provision of expected credit losses.

In 2025 and 2024, Management believed that certain receivables were uncollectible, thus, allowance for expected credit losses is recognized. Provision for expected credit losses amounted to nil and P619,803 in 2025 and 2024, respectively, as disclosed in Notes 9 and 23. Reversal of allowance for expected credit losses amounted to P396,699 and nil for the years ended March 31, 2025 and 2024, respectively, as disclosed in Notes 9 and 22. Allowance for expected credit losses amounted to P238,872 and P685,276 as of March 31, 2025 and 2024, respectively, as disclosed in Note 9. In 2025 and 2024, loss on write-off of receivables amounted to P489,812 and nil, as disclosed in Notes 9 and 23.

Accordingly, financial assets measured at amortized cost and unbilled services amounted to P12,126,474,350 and P10,359,254,059, as of March 31, 2025 and 2024, respectively, as disclosed in Note 29.02. Management believes that the allowance provided is sufficient to cover future losses.

## 5.02.02 Reviewing Residual Value, Useful Lives, and Depreciation Method of Property and Equipment

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

The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Company's property and equipment. In addition, the estimation of the useful lives is based on Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

A reduction in the estimated useful lives of property and equipment would increase the recognized operating expenses and decrease non-current assets. The Company uses a depreciation method that reflects the pattern in which it expects to consume the asset's future economic benefits.

If there is an indication that there has been a significant change in the pattern used by which a Company expects to consume an asset's future economic benefits, the Company shall review its present depreciation method and, if current expectations differ, shall change the depreciation method to reflect the new pattern.

Management assessed that there were no changes from the previous estimates since the most recent annual reporting period. As of March 31, 2025 and 2024, the carrying value of depreciable property and equipment are P1,600,791,612 and P937,074,408, respectively, as disclosed in Note 13.

# 5.02.03 Asset Impairment

The Company performs an impairment review when certain impairment indicators are present. Determining the recoverable amount of advances to officers and employees, due from government agencies and advances to suppliers under 'trade and other receivables', prepayments, property and equipment, and right-of-use assets which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that the foregoing assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

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

In both years, Management assessed that there are no indications of impairment on its advances to officers and employees, due from government agencies and advances to suppliers under 'trade and other receivables', prepayments, property and equipment, and right-of-use assets. As of March 31, 2025 and 2024, the aggregate carrying value of the foregoing assets amounted to P2,727,263,169 and P2,250,419,047, respectively, as disclosed in Notes 9, 11, 13 and 14.

#### 5.02.04 Deferred Tax Assets

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

In both years, Management assessed not to recognize deferred tax assets.

# 5.02.05 Estimating the Appropriate Discount Rate to Use

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

Management used its incremental borrowing rate ranging from 4.23% to 7.40% to measure the present value of its lease liability since the implicit rate was not readily available.

## 5.02.06 Post-employment Benefit

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

As of March 31, 2025 and 2024, the carrying amounts of retirement benefit obligation amounted to P15,641,570 and P24,739,089, respectively, as disclosed in Note 24. In 2025 and 2024, the Company recognized retirement benefit expense amounting to P4,280,648 and P3,534,493, respectively, as disclosed in Note 24.

In 2025 and 2024, the Company recognized in other comprehensive income, net of related tax effect, remeasurement gain and loss amounting to P11,953,752 and P5,443,378, respectively, as disclosed in Note 24.

# 5.02.07 Estimating Fair Value of Financial Assets and Liabilities measured at FVTPL

The fair value of financial assets and liabilities measured at FVTPL is determined based on observable market inputs including currency spot and forward rate, currency volatility and etc.

The Company used Level 2 which is inputs other than quoted prices to value its financial assets and liabilities at FVTPL. As of March 31, 2025 and 2024, the fair value of the financial assets at FVTPL amounted to P147,153,839 and P9,932,512, respectively, as disclosed in Note 28.02. While financial liability at FVTPL amounted to nil and P17,210,379, respectively, as disclosed in Note 28.02.

### 6. SEGMENT INFORMATION

The Company is organized into the following operating segments:

# 6.01 ITES/BPO Service Segment

The ITES/BPO Service Segment primarily consists of BPO Service offerings to customers.

# 6.02 Corporate Service Segment

This segment is consist of central activities being undertaken in nature of business support activities like HR support services, Finance and treasury services and overall corporate related expenses.

The Country Head of the Company has been identified as the Chief Operating Decision Maker ("CODM") as defined by PFRS 8, *Operating Segments*. The Country Head of the Company evaluates the segments based on their revenue growth and operating income.

Assets and liabilities used in the Company's business are not identified to any of the operating segments, as these are used interchangeably between segments. Management believes that it is currently not practicable to provide segment disclosures relating to total assets and liabilities since a meaningful segregation of the available data is onerous.

Information on reportable segment for the year ended March 31, 2025 is as follows:

				In Million		
	•	ITES/BPO		Corporate		
		Services		Services		Total
Revenue						
Third parties	P	5,103	P	-	P	5,103
Related parties		3,277		-		3,277
Other income		-		346		346
Profit before tax		2,397		346		2,743
Income tax expense		-		-		(120)
Profit after tax		-		-		2,623
Depreciation and amortization		-		-		795

Information on reportable segment for the year ended March 31, 2024 is as follows:

				In Million	
	_	ITES/BPO		Corporate	
		Services		Services	Total
Revenue					
Third parties	P	5,705	P	- <del>P</del>	5,705
Related parties		3,915		-	3,915
Other income		157		12	169
Profit before tax		3,520		12	3,532
Income tax expense		-		-	(165)
Profit after tax		-		-	3,367
Depreciation and amortization		-		-	749

The revenue generated from three (3) customers is more than ten percent (10%) of the Company's total revenue. Management believes that it is currently not practicable to provide disclosure of geographical location wise assets, since the meaningful segregation of the available information is onerous.

#### 7. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents include cash in banks, cash equivalents and short-term investments.

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

		2025		2024
Cash in banks	P	304,397,298	₽	373,104,189
Cash equivalents		-		7,774,592
Short-term investments		-		5,449,460,112
	₽	304,397,298	P	5,830,338,893

Cash in banks earn interest at the prevailing bank interest rates ranging from 0.01% to 0.45% per annum.

Cash equivalents are short-term deposits which have maturity dates from one (1) to three (3) months with an interest rates ranging from 4.70% to 4.80%.

Short-term investments are fixed deposits with 90 days maturity and earn interest at the prevailing bank interest rates ranging from 4.21% to 5.30% in 2024. These investments are denominated in foreign currency.

Finance income earned from cash and cash equivalents amounted to P937,245 and P157,496,303 in 2025 and 2024, respectively, as disclosed in Note 22. As of March 31, 2025 and 2024, interest receivables from short-term investments amounted to nil and P10,992,570, respectively, as disclosed in Note 9.

Unrealized foreign exchange gain amounted to P12,403,169 and P15,857,286 in 2025 and 2024, respectively, as disclosed in Note 22.01.

#### 8. SHORT-TERM INVESTMENTS

Short-term investments consist of money market placements made for varying periods of more than three (3) months to twelve (12) months and earn interest of 5.00% in 2025. As of March 31, 2025 and 2024, short-term investments amounted to P7,972,901,172 and nil, respectively.

In 2025 and 2024, finance income earned from short-term investments amounted to P334,678,991 and nil, respectively, as disclosed in Note 22. As of March 31, 2025 and 2024, interest receivables from short-term investments amounted to P8,697,715 and nil, respectively, as disclosed in Note 9.

#### 9. TRADE AND OTHER RECEIVABLES – net

The Company's trade and other receivables consist of:

		2025		2024
Trade receivables	P	623,892,660	P	706,654,752
Less: Allowance for expected credit losses		238,872		685,276
		623,653,788		705,969,476
Due from related parties (Note 17)		2,707,255,744		3,307,416,228
Due from government agencies		111,039,281		60,756,869
Advances to suppliers		19,801,677		14,448,878
Advances to officers and employees		9,905,033		22,504,638
Interest receivables (Notes 7 and 8)		8,697,715		10,992,570
	₽	3,480,353,238	P	4,122,088,659

Trade receivables represent non-interest-bearing receivables arising from the Company's main source of business. The average credit period on sale of goods is 30 to 120 days.

Movements in the allowance for expected credit losses are as follows:

	2025	2024
Balance, April 1	<b>685,276</b> ₽	276,059
Provision for expected credit losses (Note 23)	-	619,803
Reversal of previously recognized effect of		
currency translation	(49,705)	(210,586)
Reversal of allowance for expected credit		
losses (Note 22)	(396,699)	-
Balance, March 31	238,872 ₽	685,276

Trade receivables disclosed above include amounts which are past due at the end of the reporting period. The Company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Company to the counterparty.

Management believes that the outstanding balance of trade receivables are certain to be collected and recovered. Accordingly, Management believed that there is no additional credit provision required for the allowance for expected credit losses during the year.

In 2025 and 2024, loss on write-off of receivables amounted to P489,812 and nil, as disclosed in Note 23.

Input VAT lodged in due from government agencies amounted to P73,713,746 and P26,361,153 as of March 31, 2025 and 2024, respectively.

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

		2025		2024
1 – 30 days	P	366,791,482 ·	P	522,566,085
31 – 60 days		180,516,302		145,530,215
61 – 90 days		83,613,115		69,235,108
91 – 120 days		36,548,596		43,816,661
Over 120 days but within one (1) year		8,828,064		33,524,361
Above one (1) year		96,799,935		
	₽	773,097,494	P	814,672,430

#### 10. UNBILLED SERVICE FEES

Unbilled service fees pertain to revenues recognized to date which are not yet billable to the customers pursuant to the contractual terms of the project. As of March 31, 2025 and 2024, unbilled service fees amounted to P396,904,083 and P395,235,047, respectively.

Unrealized foreign exchange gain recognized from unbilled service fees amounted to P2,817,711 and P3,933,575 as of March 31, 2025 and 2024, respectively, as disclosed in Note 22.01.

#### 11. PREPAYMENTS

As of March 31, 2025 and 2024, prepayments amounted to P120,734,689 and P69,523,599, respectively, which pertains to advance payment to employees' medical insurances, professional fees and licenses fees.

# 12. FINANCIAL ASSET (LIABILITY) AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

The details of the Company's financial asset (liability) at FVTPL are shown below:

		2025		2024
Foreign currency forward contracts receivable Foreign currency forward contracts	P	147,153,839	P	9,932,512
payables		-		(17,210,379)
	₽	147,153,839	P	(7,277,867)

The Company monitors and manages the financial risk relating to its operation by analyzing its foreign exchange exposure due to its probable future sales in US dollars. As such, the Company entered into various non-deliverable forward contracts to mitigate the effects of foreign currency fluctuation because the Company's revenue is denominated in foreign currency in US dollars while substantial costs are in Philippine Peso.

As of March 31, 2025, the Company has (7) outstanding non-deliverable forward contracts to sell US\$197,454,264 for P11,481,080,000 where unrealized foreign exchange gain from the forward transaction amounted to P147,153,839.

As of March 31, 2024, the Company has six (6) outstanding non-deliverable forward contracts to sell US\$166,689,080 for \$\text{P9}\$,362,080,000 where unrealized foreign exchange loss from the forward transaction amounted to \$\text{P7}\$,277,867.

Unrealized foreign exchange gain recognized from financial asset at FVTPL amounted to P108,857,543 and P49,738,308 in 2025 and 2024, respectively, as disclosed in Note 22.01.

# **13. PROPERTY AND EQUIPMENT** – net

The carrying amounts of the Company's property and equipment are as follows:

-		•	Transportation		Leasehold	Construction-	
		Office Fixtures	Equipment	IT Equipment	Improvements	in-progress	Total
April 1, 2023							
Cost	P	726,194,552 <del>P</del>	900,000 <del>P</del>	1,973,464,760 P	211,556,247 P	-	P 2,912,115,559
Accumulated depreciation		(398,056,014)	(900,000)	(1,519,384,656)	(176,332,192)	-	(2,094,672,862)
Carrying amount		328,138,538	-	454,080,104	35,224,055	-	817,442,697
Movements during 2023 and 2024	ļ						
Balance, April 1		328,138,538	-	454,080,104	35,224,055	-	817,442,697
Additions		226,177,619	-	285,458,418	-	187,603,166	699,239,203
Disposals							
Cost		(180,399,239)	(900,000)	(139,672,264)	-	-	(320,971,503)
Accumulated depreciation		369,051	900,000	125,348,253	-	-	126,617,304
Depreciation		(104,025,934)	-	(263,439,128)	(17,788,231)	-	(385,253,293)
Balance, March 31, 2024		270,260,035	-	461,775,383	17,435,824	187,603,166	937,074,408
March 31, 2024							
Cost		771,972,932	-	2,119,250,914	211,556,247	187,603,166	3,290,383,259
Accumulated depreciation		(501,712,897)	-	(1,657,475,531)	(194,120,423)	-	(2,353,308,851)
Carrying amount	P	270,260,035 P	- Р	461,775,383 P	17,435,824 P	187,603,166	P 937,074,408

[Balance forwarded]

#### [Balance continued]

						Leasehold	Cor	nstruction-in	
		Office Fixtures	IT Equi	ment		Improvements		progress	Total
April 1, 2024									
Cost	P	771,972,932 <del>P</del>	2,119	250,914	P	211,556,247 ·	2	187,603,166 <b>P</b>	3,290,383,259
Accumulated depreciation		(501,712,897)	(1,657	475,531)		(194,120,423)		-	(2,353,308,851)
Carrying amount		270,260,035	461	775,383		17,435,824		187,603,166	937,074,408
Movements during 2024 and 2025									
Balance, April 1		270,260,035	461	775,383		17,435,824		187,603,166	937,074,408
Additions		502,095,268	190	169,481		553,994,536		-	1,246,259,285
Disposals									
Cost		(304,586,604)	(954	216,115)		(46,032,549)		-	(1,304,835,268)
Accumulated depreciation		225,669,851	913	528,129		46,004,410		-	1,185,202,390
Depreciation		(138,668,853)	(229	733,137)		(94,507,213)		-	(462,909,203)
Reclassification		-		-		187,603,166		(187,603,166)	-
Balance, March 31, 2025		554,769,697	381	523,741		664,498,174		-	1,600,791,612
March 31, 2025									
Cost		969,481,596	1,355	204,280		907,121,400		-	3,231,807,276
Accumulated depreciation		(414,711,899)	(973	680,539)		(242,623,226)		-	(1,631,015,664)
Carrying amount	P	554,769,697 P	381	523,741	₽	664,498,174	P	- Р	1,600,791,612

In both years, all additions were paid in cash.

As of March 31, 2025 and 2024, the Company's fully depreciated property and equipment are still in use.

In 2025 and 2024, proceeds from the disposal of property and equipment amounted to P119,632,878 and P194,354,199, respectively.

In both years, there are no items of property and equipment used as collateral for liabilities and the Company does not have any contractual commitments to purchase or construct items of property and equipment.

In both years, the Company determined that there is no indication that impairment occurred on its property and equipment.

The allocation of depreciation is as follows:

		2025		2024
Cost of services (Note 21)	P	373,278,596	P	367,647,201
Operating expenses (Note 23)		89,630,607		17,606,092
	P	462,909,203	₽	385,253,293

# 14. RIGHT-OF-USE ASSETS - net

The carrying amounts of the Company's right-of-use assets are as follows:

		Building
April 1, 2023		
Cost	P	1,190,180,212
Accumulated depreciation		(642,586,796)
Carrying Amount		547,593,416
Movement during 2023 and 2024		
Balance, April 1		547,593,416
Additions		1,115,166,546
Derecognition		
Cost		(562,205,938)
Accumulated depreciation		412,384,604
Depreciation		(366,827,973)
Balance, March 31, 2024		1,146,110,655
March 31, 2024		
Cost		1,743,140,820
Accumulated depreciation		(597,030,165)
Carrying Amount		1,146,110,655
Movement during 2024 and 2025		
Balance, April 1		1,146,110,655
Additions		50,903,782
Derecognition		
Cost		(340,560,353)
Accumulated depreciation		340,560,353
Depreciation		(332,023,560)
Balance, March 31, 2025		864,990,877
March 31, 2025		
Cost		1,453,484,249
Accumulated depreciation		(588,493,372)
Carrying Amount	P	864,990,877

In 2025 and 2024, derecognition of ROU assets pertains to terminated lease contracts, as disclosed in Note 25. In 2025 and 2024, gain on lease termination amounted to nil and P14,942,002, respectively, as disclosed in Note 22.

As of March 31, 2025 and 2024, lease liabilities related to right-of-use assets amounted to P978,380,894 and P1,239,985,206, respectively, as disclosed in Note 16.

The allocation of depreciation is as follows:

		2025	2024
Cost of services (Note 21)	P	319,418,991 P	357,728,237
Operating expenses (Note 23)		12,604,569	9,099,735
	P	332,023,560 P	366,827,972

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

#### 15. TRADE AND OTHER PAYABLES

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

		2025		2024
Trade payables	P	223,783,592	P	231,294,646
Accrued expenses		942,280,326		889,122,466
Due to government agencies		75,962,699		70,160,375
Advances from customers		3,897,038		5,977,250
Payable to officers and employees		859,900		6,307,167
Others		83,692,518		59,537,960
	P	1,330,476,073	₽	1,262,399,864

The average credit period on trade payables is 60 to 90 days. No interest is charged on the trade payables for payments beyond the average credit period. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Accrued expenses account consists of the following:

		2025		2024
General expenses	P	591,887,891	P	526,145,913
Salaries payable		260,447,964		256,446,073
Leave encashment		72,341,858		83,954,807
Bonus payable		17,602,613		22,575,673
	P	942,280,326	P	889,122,466

General expenses are provisions for certain expenses such as electricity, repairs, communication and other expenses.

Due to government agencies pertain to statutory liabilities such as withholding payables, SSS, PhilHealth and HDMF contributions.

Advances from customers represent amounts received for services that are still to be rendered by the Company. These are non-interest-bearing and expected to be rendered within the next 12 months.

Others include liabilities to hardware vendors.

Unrealized foreign exchange loss and gain recognized from trade and other payables amounted to £1,359,007 and £969,654 in 2025 and 2024, respectively, as disclosed in Note 22.01.

## 16. LEASE LIABILITIES

The Company, as lessee, entered into various leasing arrangements as disclosed in Note 25. The following are the amounts of lease liabilities:

		Minimum Lea	se F	Payments	Present Value of Minimum Lease Payments			
		March 31, 2025		March 31, 2024		March 31, 2025		March 31, 2024
Not later than one (1) year Later than one (1) year but not later than five (5)	₽	304,314,717	P	281,469,616	P	369,017,317	P	310,716,507
years		674,066,177		1,130,625,608		609,363,577		929,268,699
		978,380,894		1,412,095,224		978,380,894		1,239,985,206
Discount		-		(172,110,018)		-		-
Present value of minimum lease payments		978,380,894		1,239,985,206		978,380,894		1,239,985,206
Current lease liabilities		239,612,141		310,716,507		239,612,141		310,716,507
Non-current lease liabilities	P	738,768,753	P	929,268,699	P	738,768,753	₽	929,268,699

Movement in the lease liabilities is as follows:

		2025	2024
Balance, April 1	P	<b>1,239,985,206</b> ₽	620,445,311
Additions		50,903,782	1,115,166,546
Finance costs incurred		78,841,711	90,738,394
Derecognition		-	(149,821,334)
Lease payments		(391,349,805)	(436,543,711)
Balance, March 31	P	978,380,894 P	1,239,985,206

The payment above includes finance cost paid amounting to P78,841,711 and P90,738,394 and lease liabilities amounting to P312,508,094 and P345,805,317 in 2025 and 2024, respectively.

The Management used its incremental borrowing rate ranging from 4.23% to 7.40% to measure the present value of its lease liabilities since implicit rate was not readily available. In both years, the Company is compliant with the terms and conditions of lease contracts.

## 17. RELATED PARTY TRANSACTIONS

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

Related Parties	Nature of Relationship
Wipro Limited, India	Parent Company
Wipro IT Services UK Societas	Under common control
Wipro LLC	Under common control
Wipro Dalian Ltd.	Under common control
Wipro Technologies SRL	Under common control
Health Plan Services Ltd.	Under common control
Wipro Travel Services Ltd.	Under common control
Wipro Solutions Canada Ltd.	Under common control
Wipro do Brasil Technologia Ltd.	Under common control
Wipro Technologies SA DE CV	Under common control
Wipro Insurance Solutions LLC	Under common control
Rizing Philippines Inc.	Under common control
Stockholders	Members of Key Management Personnel

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

## 17.01 Due from Related Parties

Balance of due from related parties are summarized as per category as follows:

		2025	2024
Parent Company (Note 17.01.01)	P	2,438,374,795 <del>P</del>	2,728,308,302
Under Common Control (Note 17.01.02)		268,880,949	579,107,926
	P	<b>2,707,255,744</b> ₽	3,307,416,228

# 17.01.01 Parent Company

Transactions with Parent Company are detailed as follows:

		March	31,	2025		March 31, 2024			
		Amounts/ Volume		Outstanding Balance		Amounts/ Volume		Outstanding Balance	
Wipro Limited, India									
Service revenue									
(Note 19)	P	2,211,316,181	P	-	P	2,740,015,794	P	-	
Advances (Note 9)		2,197,753,350		2,438,374,795		2,454,219,529		2,728,308,302	
Reimbursements									
(Note 9)		365,921,428		-		-		-	
	P	4,774,990,959	P	2,438,374,795	P	5,194,235,323	P	2,728,308,302	

Advances are used to finance the working capital requirements of the Company.

Reimbursements pertain to reimbursable payment by the related party for the expenditures and expenses utilized in the normal course of business.

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

17.01.02 Under Common Control

Transactions with related parties under common control are detailed as follows:

		March	31, 2	2025		March 31, 2024			
		Amounts/		Outstanding		Amounts/		Outstanding	
		Volume		Balances		Volume		Balances	
Wipro LLC									
Service revenue									
(Note 19)	P	523,641,954	P	-	P	762,891,123	P	-	
Advances and									
reimbursements									
(Note 9)		778,603,482		36,092,079		1,136,599,177		295,252,91	
Health Plan Services Ltd	ı.								
Service revenue									
(Note 19)		526,170,500		-		408,393,160		-	
Advances and									
reimbursements									
(Note 9)		600,758,850		38,582,863		494,797,118		110,246,89	
Rizing Philippines Inc.									
Service revenue									
(Notes 9 and 19)		15,568,664		18,960,941		3,392,277		3,392,27	
Reimbursements									
(Note 9)		1,875,473		-		407,073		407,07	
Advances (Note 9)		12,373,777		2,282,547		8,449,248		-	
Loan (Note 9)		-		168,771,398		2,841,731		169,808,77	
Finance income									
(Note 22)		11,336,405		-		11,589,503		-	
Wipro Insurance									
Solutions LLC									
Loan (Note 9)		200,000,000		-		-		-	
Finance income									
(Note 22)		7,604,108		-		-		-	
Advances (Note 9)		36,089,193		4,191,121		-		-	
Reimbursements									
(Note 9)		8,889,235		-		-		-	
Sale of property and									
equipment		23,841,402		-		-			
	P	2,746,753,043	P	268,880,949	D	2,829,360,410	₽	579,107,92	

Advances are used to finance the working capital requirements of the related parties under common control. In 2025 and 2024, advances collected from related parties amounted to P3,625,579,224 and P3,985,102,288, respectively.

Reimbursements pertain to reimbursable payment by the related party for the expenditures and expenses utilized in the normal course of business.

Loan receivables pertain to short-term loan granted to Rizing Philippines Inc. on September 21, 2022 amounting to P166,000,000 which will mature on September 20, 2026. Interest rate is equal to PH BVAL+85 basis points payable on maturity date or together with any capital amount repaid prior to the expiration of the loan.

In 2024, the Company provide loan to Wipro Insurance Solutions LLC for a period of 18 months. Interest rate is equal to USD SOFR rate+85 basis points. The short-term loan granted to Wipro Insurance Solutions LLC amounted to P200,000,000 was already settled during the year. The finance earned for short term loan amounted to P7,604,108 was also settled during the year.

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

### 17.02 Due to Related Parties

#### 17.02.01 Under Common Control

Transactions with related parties under common control are detailed as follows:

		March	, 2025		Marc	, 2024		
		Amounts/ Volume		Outstanding Balances		Amounts/ Volume		Outstanding Balances
Wipro Travel								
Services Ltd. Advances and	_		_		_		_	
reimbursements	P	3,098,575	P	108,339	₽	319,568	P	1,348
Wipro Technologies SA DE CV Purchase of								
service		6,091,865		345,885		3,414,414		989,811
Wipro do Brasil								
Technologia Ltd.								
Advances and								
reimbursements		-		-		2,327,324		-
	P	9,190,440	P	454,224	₽	6,061,306	P	991,159

Advances are mainly to support the working capital requirements of the Company.

Reimbursements pertain to reimbursable payments made by the Company for the expenditure and expenses utilized in the normal course of business.

The amounts outstanding are unsecured, non-interest bearing, payable on demand and will be settled in cash. No guarantees have been given in respect of the amounts owed to related parties.

Payment of advances from related parties amounted to \$\frac{1}{2}9,727,375\$ and \$\frac{1}{2}50,331\$ in 2025 and 2024, respectively.

# 17.03 Significant Contract Agreement

In January 2023, the Company entered into an agreement with Wipro Technologies SA DE CV to provide information technology services to their respective clients. Both parties acknowledge that, on occasion, it may be advantageous for either party to offer consulting services to their clients. Accordingly, the Company may seek to engage Wipro Technologies SA DE CV as a subcontractor to perform specific services for the Company's clients, and Wipro Technologies SA DE CV may receive appropriate compensation for such services.

Furthermore, both parties recognize that there may be instances where it is essential for either party to supply technical personnel to support the provision of these services. Therefore, the Company may also elect to engage Wipro Technologies SA DE CV to furnish technical personnel as needed.

### 17.04 Remuneration of Key Management Personnel

The remuneration of the directors and other members of key management personnel of the Company amounted to P15,247,333 and P17,761,280 in 2025 and 2024, respectively.

#### 18. CAPITAL STOCK

The capital stock of the Company as of March 31, 2025 and 2024 is as follows:

	Shares	Amount
Authorized:		
P100 par value per share	2,250,000 <del>P</del>	225,000,000
Issued, outstanding, and fully paid:		
P100 par value per share	1,889,147 <del>P</del>	188,914,700

Ordinary shares carry one (1) vote per share and a right to dividends.

#### 19. SERVICE REVENUE

The following is an analysis of the Company's revenue classified under ITES/BPO services:

		2025	2024
Third parties Related parties (Note 17)	P	5,103,480,710 P 3,276,697,299	5,704,915,306 3,914,692,354
nerated parties (Note 17)	P	8,380,178,009 <del>P</del>	9,619,607,660

Service revenue pertains to the sale of services to entities outside the domestic territory of the Philippines. These services include handling of inbound calls, outbound calls and data entry among other business support services.

# 20. OTHER FEES

The Company's other fees classified under ITES/BPO services which pertains to charges for the Company's internet service provider and telephone bills related to its operations amounted to a gain of P369,600 and P690,825 in 2025 and 2024, respectively.

# 21. COST OF SERVICES

This account consists of the following:

		2025		2024
Direct labor (Note 24)	P	3,698,216,566	P	4,057,606,956
Service overheads:				
Depreciation (Notes 13 and 14)		692,697,587		725,375,438
Communication		246,039,943		419,746,755
Contractual staff (Note 24)		159,460,575		105,964,805
Power, light and water		142,733,157		121,615,691
Technical, support and maintenance		116,174,463		165,765,652
Travel		7,767,600		2,439,717
Rental (Note 25)		3,028,875		1,248,000
Other service overhead		467,382,603		366,814,469
		1,835,284,803		1,908,970,527
	P	5,533,501,369	P	5,966,577,483

# Allocation of depreciation is as follows:

		2025	2024
Property and equipment (Note 13) Right-of-use assets (Note 14)	P	373,278,596 P 319,418,991	367,647,201 357,728,237
	P	692,697,587 ₽	725,375,438

Other service overhead includes recruitment expenses, legal and professional fees and other miscellaneous expenses.

# 22. OTHER INCOME - net

Components of other income are as follows:

		2025	2024
Finance income (Notes 7 and 8)	P	335,616,236 ₽	157,496,303
Unrealized foreign exchange gain – net			
(Note 22.01)		122,719,416	70,498,823
Finance income on Ioan (Note 17.01.02)		18,940,513	11,589,503
Reversal of allowance for expected credit			
losses (Note 9)		396,699	-
Gain on lease termination (Note 14)		-	14,942,002
Realized foreign exchange loss		(88,135,020)	_
	P	389,537,844 P	254,526,631

In 2025 and 2024, finance income received amounted to P356,581,604 and P158,093,236, respectively.

# 22.01 Unrealized Foreign Exchange Gain – net

Unrealized foreign exchange gains and losses include:

		2025	2024
Unrealized foreign exchange gain (loss) from:			
Financial asset at FVTPL (Note 12)	₽	108,857,543 ₽	49,738,308
Cash and cash equivalents (Note 7)		12,403,169	15,857,286
Unbilled service fees (Note 10)		2,817,711	3,933,575
Trade and other payables (Note 15)		(1,359,007)	969,654
	P	122,719,416 P	70,498,823

# 23. OPERATING EXPENSES

The account is composed of the following expenses:

		2025		2024
Depreciation (Notes 13 and 14)	P	102,235,176	P	26,705,827
Professional fees		89,086,757		55,728,445
Salaries and wages (Note 24)		74,613,549		78,645,548
Repairs and maintenance		40,703,294		7,979,632
Penalties		30,476,864		-
Stationery and office supplies		19,169,333		21,895,909
Other employee benefits (Note 24)		15,350,603		20,443,909
Outside services		6,889,435		3,424,596
Travel and transportation		6,677,366		5,876,030
Insurance		6,588,649		4,214,996
Bank charges		5,707,439		6,905,498
SSS, PHIC and HDMF contributions				
(Note 24)		4,884,400		5,212,489
Power, light and water		2,993,598		2,003,269
Rental (Note 25)		2,402,558		26,743,409
Taxes and licenses		2,396,329		5,901,139
Loss on write-off (Note 9)		489,812		-
Communication		-		3,093,897
Provision for expected credit losses				
(Note 9)		-		619,803
Miscellaneous		3,792,326		9,782,570
	₽	414,457,488	₽	285,176,966

# Allocation of depreciation is as follows:

		2025	2024
Property and equipment (Note 13)	P	89,630,607 P	17,606,092
Right-of-use asset (Note 14)		12,604,569	9,099,735
	₽	102,235,176 P	26,705,827

Professional fees pertain to legal, consultancy and audit fees.

Repairs and maintenance pertain to maintenance of office spaces.

Penalties pertain to provision for potential penalties with PEZA for the movement of goods without prior approval.

Miscellaneous expense associated with the operations and upkeep of the office, hiring related expenses and others.

#### 24. EMPLOYEE BENEFITS

Aggregate employee benefits expense, as disclosed in Notes 21 and 23, comprised:

	2025	2024
Short-term benefits (Note 24.01)	P 3,948,245,045 P	4,264,339,214
Retirement benefits (Note 24.02)	4,280,648	3,534,493
	P 3,952,525,693 P	4,267,873,707

## 24.01 Short-term Employee Benefits

Details of short-term employee benefits disclosed in Notes 21 and 23 are as follows:

		2025	2024
Salaries and wages	P	2,579,198,202 P	2,781,786,763
Contractual staff		159,460,575	105,964,805
SSS, PHIC and HDMF contributions		320,184,729	329,055,870
Other employee benefits		889,401,539	1,047,531,776
	P	3,948,245,045 ₽	4,264,339,214

SSS, PHIC and HDMF contributions pertain to Philippine statutory benefits which purpose is to offer employees and their families housing loans and to provide protection against their disability, sickness, old age and death.

Other employee benefits include de-minimis fringe benefit, sick and vacation leaves, training and development and 13<sup>th</sup> month pay.

# 24.02 Retirement Benefits

The Company has unfunded and non-contributory defined benefit plan for qualified employees. The Bank has a single retirement plan under the regulatory framework of the Philippines. Under R.A. 7641, the Bank is legally obliged to provide a minimum retirement pay for qualified employees upon retirement. The framework, however, does not have a minimum funding requirement. The Bank's benefit plan is aligned with this framework. Under the plan, the employees are entitled to retirement benefits equivalent to fifty percent (50%) of the plan salary for every year of credited service.

The most recent actuarial valuation of the present value of the defined benefit obligation (DBO) was carried out on April 2, 2025 by a registered actuary. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the PUCM.

There were no plan amendment, curtailment or settlement recognized for the years ended March 31, 2025 and 2024.

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

	2025	2024
Discount rate	5.96%	4.80%
Expected rate of salary increase	2.00%	2.00%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience. These assumptions translate into an average life expectancy in years for a pensioner retiring at age sixty (60).

The sensitivity analysis of the defined benefit obligation of changes in the weighted principal assumption is as follows:

	Impact on Defined Benefit Obligation					
	Change in Assumption	Increase in Assumption	Decrease in Assumption			
March 31, 2025						
Discount rate	100 bps	Decreased by 9.5%	Increased by 11%			
Salary increase rate	100 bps	Increased by 11.4%	Decreased by 9.9%			
March 31, 2024						
Discount rate	100 bps	Decreased by 10.4%	Increased by 12.2%			
Salary increase rate	100 bps	Increased by 12.4%	Decreased by 10.8%			

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the statements of financial position.

Assumed life expectancy is not applicable because under the Company's Retirement Plan, benefits are paid in full in a lump sum upon retirement or separation of an employee.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

Amounts recognized in profit or loss in respect of these defined benefit plans, as disclosed in Notes 21 and 23, are as follows:

		2025		2024
Current service cost	P	3,094,004	P	2,674,261
Interest on obligation		1,186,644		860,232
	P	4,280,648	P	3,534,493

Remeasurement loss and gain recognized in other comprehensive income which pertains to experience adjustment gain and loss amounted to P11,953,752 and P5,443,378, in 2025 and 2024, respectively. Accordingly, remeasurement gain and loss as of March 31, 2025 and 2024 amounted to P9,137,195 and P2,816,557, respectively.

As of March 31, 2025 and 2024, retirement benefit obligation included in the statements of financial position arising from the entity's obligation in respect of its defined benefit plans amounted to P15,641,570 and P24,739,089, respectively.

Movements in the present value of the defined benefit obligation in 2025 and 2024 were as follows:

		2025	2024
Balance, April 1	P	24,739,089 P	15,896,721
Current service cost		3,094,004	2,674,261
Interest cost		1,186,644	860,232
Transfer out		(121,182)	-
Benefits paid		(1,303,233)	(135,503)
Remeasurement loss (gain)		(11,953,752)	5,443,378
Balance, March 31	P	15,641,570 P	24,739,089

The Company operates an unfunded defined benefit plan wherein benefit payments are borne by the Company. Thus, the Company maintains appropriate level of liquidity to meet currently maturing defined benefit obligations and has established a level of solvency ratio aimed to pay for long term defined benefit obligations.

# Asset-Liability Matching Strategies to Manage Risks

The Company does not have a formal retirement plan. Therefore, it has no plan assets to match against the plan liabilities under the retirement obligation.

### Funding Arrangements

The Company does not have a formal retirement plan; benefit claims under the retirement obligation are paid directly by the Company when they become due.

The Company is exposed to a number of risks through its defined benefit plan.

The most significant risks are detailed below:

# Volatility Risk

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields.

As the plan matures, the Company intends to reduce the level of investment risk by investing in assets that will match the liabilities.

However, the Company believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing solvency is, for the meantime, an appropriate strategy to manage its future obligation.

# Inflation Risk

Inflation risk is the risk that the equivalent purchasing unfunded tailor to the plan be able to match the recorded liabilities.

Payments for the defined benefit plan of the Company are not link to inflation, thus, the exposure to this risk is immaterial. To cope-up with inflation, the plan has designed a versatile policy of having an appropriate mix of debt and equity securities in the portfolio of investments during high inflation rates.

## Life Expectancy Risk

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This risk is closely associated with inflation risk wherein inflationary increases result in higher sensitivity to changes in life expectancy. The plan possesses a minimal exposure to this risk since inflationary risk, which is directly associated to the plan's sensitivity to life expectancy risk, is immaterial.

#### 25. LEASE AGREEMENT

#### 25.01 The Company as a Lessee

The Company entered into several lease agreements with third party for the lease of its office spaces in Cebu and Manila.

## 25.01.01 AREIT Inc.

The company entered into lease agreement with AREIT Inc. to lease four (4) office condominium unit located in Block 325, LT. 3 Ground & 8F-10F Tech Tower, Cebu Business Park Hipodromo, Philippines consisting of monthly rent and floor area of the following premises:

Floors	Monthly Rent	Gross Leasable Area (in sqm.)	Common Hallway	Net Usable Area (in sqm.)
GF	<del>P</del> 450 per sqm	539.73	-	539.73
8 <sup>th</sup>	<del>P</del> 450 per sqm	2,175.49	143.33	2,032.16
9 <sup>th</sup>	<del>P</del> 450 per sqm	2,175.49	143.33	2,032.16
10 <sup>th</sup>	<del>P</del> 450 per sqm	2,175.49	143.33	2,032.16
Total		7,066.20	429.99	6,636.21

The leases have term of five (5) years from June 15, 2018 to June 14, 2023, renewable by mutual agreement of the parties under such terms and conditions as agreed upon. Monthly rental is computed based on the above, excluding VAT and subject to five percent (5%) annual escalation rate which shall be applicable on the second (2<sup>nd</sup>) year of the lease term.

The lease term has been renewed for another five (5) years from June 15, 2023 to June 14, 2028, renewable by mutual agreement of the parties under such terms and conditions as agreed upon.

#### 25.01.02 GAGFA Estate Ventures, Inc.

The Company entered into lease agreement with GAGFA Estate Ventures, Inc. to lease three (3) office condominium unit, situated in 9th, 10th, 11th and 12th floor of GAGFA IT Center located in F. Cabahug Street Kasambagan, Cebu City.

The monthly rental shall be 21,126 square meters, computed at P370 per square meters excluding VAT and subject to withholding tax.

Floors	Monthly Rent	Net Usable Area (in sqm.)
9 <sup>th</sup> and 10 <sup>th</sup>	₽370.00 per sqm	3,925.42
11 <sup>th</sup> and 12 <sup>th</sup>	<del>P</del> 363.83 per sqm	3,925.42
14 <sup>th</sup> and 15 <sup>th</sup>	<del>P</del> 350.00 per sqm	3,925.42

The leases have terms of ranging from three (3) to five (5) years starting April 15, 2019 to January 31, 2027, renewable by mutual agreement of the parties under such terms and conditions as agreed upon. Monthly rental is computed based on the above, excluding VAT and subject to five percent (5%) annual escalation rate. In 2022, contracts for the use of office condominium unit for 14<sup>th</sup> and 15<sup>th</sup> floor have been renewed from February 1, 2022 and September 1, 2021 to January 31, 2027, respectively.

In 2024, lease agreements with GAGFA Estate Ventures, Inc. were terminated.

# 25.01.03 Loreta Realty & Development Corporation

The Company entered into lease agreement with Loreta Realty & Development Corporation to lease six (6) office condominium unit, situated in Lot 7, Block 2, Corner Archbishop Reyes Street and Mindanao Street, Cebu Business Park, Cebu City, consisting of a monthly rent and floor area of the following premises:

Floors	Monthly Rent	Gross Leasable Area (in sqm.)	Common Hallway	Net Usable Area (in sqm.)
GF	<del>P</del> 499 per sqm	229.64	-	229.64
9 <sup>th</sup> to 12 <sup>th</sup>	<del>P</del> 825 per sqm	1,431.75	95	1,336.75
16 <sup>th</sup>	<del>P</del> 825 per sqm	1,920.69	95	1,825.69

The leases have term of five (5) years from September 1, 2017 to August 31, 2022, renewable by mutual agreement of the parties under such terms and conditions as agreed upon. Monthly rental is computed based on the above, excluding VAT and subject to five percent (5%) annual escalation rate which shall be applicable on the second (2<sup>nd</sup>) year of the lease term. In September 2022, the Company renewed its contract for one (1) year from September 1, 2022 to August 31, 2023 under the same terms and conditions.

In both years, there is no further renewal for the lease agreements with Loreta Realty & Development Corporation.

#### 25.01.04 Eton Properties Philippines, Inc.

The Company entered into lease agreement with Eton Properties Philippines, Inc. to lease six (6) office condominium units, situated in Cyberpod Centris Five "Building" located along EDSA, Eton Centris Barangay Pinahan, Quezon City, consisting of a monthly rent and floor area of the following premises:

Floors	Monthly Rent	Gross Leasable Area (in sqm.)
Ground floor	₽1,300 per sqm	265.80
5 <sup>th</sup>	<del>P</del> 780 per sqm	2,000.15
6 <sup>th</sup>	<del>P</del> 780 per sqm	2,000.15
7 <sup>th</sup>	₽780 per sqm	2,000.15
9 <sup>th</sup>	<del>P</del> 744.19 per sqm	2,383.94
14 <sup>th</sup>	<del>P</del> 750.00 per sqm	2,333.82

The leases have term of five (5) years from January 1, 2022 to December 31, 2026 for ground floor, 5<sup>th</sup>, 6<sup>th</sup>, and 7<sup>th</sup> and February 1, 2022 to January 31, 2027 for 9<sup>th</sup> and 14<sup>th</sup> floor renewable by mutual agreement of the parties under such terms and conditions as agreed upon. Monthly rental is computed based on the above, excluding VAT and subject to five percent (5%) annual escalation rate.

### 25.01.05 Ayala Land, Inc.

The Company entered into lease agreement with Ayala Land, Inc. to lease office spaces and parking slot, situated in Phase 1, Central Bloc Corporate Center Tower 2, Block 10, Geonzon St. Cebu I.T. Park, Brgy. Apas, Cebu City, consisting of a monthly rent and floor area of the following premises:

		Gross Leasable Area (in
Floors	Monthly Rent	sqm.)
GF Main	<del>P</del> 750 per sqm	180.45
GF Mezzanine	<del>P</del> 375 per sqm	90.23
9 <sup>th</sup>	<del>P</del> 400 per sqm	2,109.02
10 <sup>th</sup>	<del>P</del> 400 per sqm	2,109.02
11 <sup>th</sup>	<del>P</del> 400 per sqm	2,109.02
12 <sup>th</sup>	<del>P</del> 400 per sqm	2,109.02
14 <sup>th</sup>	<del>P</del> 400 per sqm	2,109.02
15 <sup>th</sup>	<del>P</del> 420 per sqm	2,109.02
16 <sup>th</sup>	<del>P</del> 420 per sqm	2,077.77
17 <sup>th</sup>	<del>P</del> 400 per sqm	2,153.45
18 <sup>th</sup>	<del>P</del> 400 per sqm	2,144.31
19 <sup>th</sup>	<del>P</del> 400 per sqm	2,144.31
20 <sup>th</sup>	P400 per sqm	2,144.31
21 <sup>st</sup>	P400 per sqm	2,144.31

The leases have term of six (6) years and 15 days from December 30, 2022 to January 13, 2029 renewable by mutual agreement of the parties under such terms and conditions as agreed upon. Monthly rental is computed based on the above, excluding VAT and subject to five percent (5%) annual escalation rate starting year 3.

In 2025 and 2024, aggregate refundable deposits amounted to P112,664,550 and P109,301,845, respectively.

## 25.02 Lease Payments Not Recognized as a Liability

The Company has elected not to recognize a lease liability for short-term leases (leases of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liability and are expensed as incurred.

Aggregate rent expense amounted to P5,431,433 and P27,991,409 in 2025 and 2024, respectively, as disclosed in Notes 21 and 23.

#### 26. INCOME TAXES

# 26.01 Income Tax Recognized in Profit or Loss

As disclosed in Note 1, the Company has ITH for four (4) years from the start of commercial operation for its qualified locations with a two-year extension period, subject to PEZA approval. Hence, the Company has no taxable income for the PEZA registered activities until the expiry of each location's ITH incentive. As of March 31, 2025, the following locations are with ITH:

Location	Date of PEZA Approval	Start of Commercial Operations	Date of ITH Expiration
CBP – IT Park, Cebu City	August 2018	August 2018	July 2024
Eton 5, Manila	October 2019	December 2020	September 2025
Eton 5 14th floor , Manila	July 2022	July 2022	June 2025
GAGFA 14 floor, Cebu City	April 2022	April 2022	March 2025
9, 15 and 16th Floors, Cebu			
Central Bloc Corporate			
Tower 2	March 2024	Applied	March 2029

After the expiration of each location's ITH, the Company is subject to the preferential tax rate of 5%, except for income derived from unregistered activities which is subject to the regular corporate income tax (RCIT) of 25%, or the minimum corporate income tax of 2%. The 5% preferential income tax rate is applied on gross revenues net of certain deductions specifically provided under RA No. 7916, Special Economic Zone Act of 1995, in lieu of all national and local taxes.

The Company's income tax expense are as follows:

		2025		2024
Current tax expense Deferred tax expense	P	116,486,561 4,105,008	P	123,027,950 42,012,435
	₽	120,591,569	₽	165,040,385

A numerical reconciliation between income tax and the product of accounting profit multiplied by the tax rate in 2025 and 2024 are as follows:

		2025	2024
Accounting profit	P	<b>2,743,284,885</b> ₽	3,532,332,273
Income tax at a preferential tax rate of 5% Tax effects of:		137,164,244	176,616,614
Income subject to 25% tax		44,482,592	115,895
Non-deductible expenses		35,418,365	37,130,422
Other income subject to final tax		(436,936)	-
Prior period expense		(45,312,770)	-
Income subject to income tax holiday		(50,723,926)	(48,822,546)
	P	120,591,569 P	165,040,385

## 27. DEFERRED TAX LIABILITIES

The movements of the Company's deferred tax liabilities which arose from unrealized foreign exchange gain, retirement benefit obligation and the effect of PFRS 16 amounted to P46,117,443 and P42,012,435 as of March 31, 2025 and 2024, respectively.

## 28. FAIR VALUE MEASUREMENTS

## 28.01 Fair Value of Financial Assets and Liabilities

The carrying amounts and estimated fair values of the Company's financial assets and financial liabilities as of March 31, 2025 and 2024 are presented below:

	2025					2024			
	Carrying Amount Fair Value			Fair Value		Carrying Amount Fair Va			
Financial Assets:									
Cash and cash									
equivalents	P	304,397,298	P	304,397,298	P	5,830,338,893	P	5,830,338,893	
Short-term investments		7,972,901,172		7,972,901,172		-		-	
Trade and interest									
receivables		632,351,503		632,351,503		716,962,046		716,962,046	
Due from related									
parties		2,707,255,744		2,707,255,744		3,307,416,228		3,307,416,228	
Refundable deposits		112,664,550		112,664,550		109,301,845		109,301,845	
Financial assets at									
FVTPL		147,153,839		147,153,839		9,932,512		9,932,512	
	P	11,876,724,106	P	11,876,724,106	P	9,973,951,524	P	9,973,951,524	
Financial Liabilities:									
Trade and other									
payables	P	1,250,616,336	P	1,250,616,336	₽	1,186,262,239	P	1,186,262,239	
Due to related parties		454,224		454,224		991,159		991,159	
Lease liabilities		978,380,894		978,380,894		1,239,985,206		1,239,985,206	
Financial liability at									
FVTPL		-		-		17,210,379		17,210,379	
	P	2,229,451,454	P	2,229,451,454	P	2,444,448,983	₽	2,444,448,983	

Due to short-term maturities and demand feature, Management believes that the carrying amounts of cash and cash equivalents, short-term investments, trade and interest receivables, due from related parties, trade and other payables (except due to government agencies and advances from customers) and due to related parties approximate their fair values.

Refundable deposits are measured at amortized cost, which approximates the fair value.

The fair value of financial assets and liability measured at FVTPL are determined based on observable market inputs including currency spot and forward rate, currency volatility and etc.

Management believes that the carrying amount of lease liabilities approximates its fair value since this was discounted using the Company's incremental borrowing rate at the date of initial application.

# 28.02 Fair Value Measurements Recognized in the Statements of Financial Position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company used Level 2 to value its financial assets and liabilities at FVTPL. Accordingly, fair value of the financial assets at FVTPL amounted to P147,153,839 and P9,932,512, as of March 31, 2025 and 2024, respectively, while fair value of financial liability at FVTPL amounted to nil and P17,210,379, respectively.

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

Management monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, including currency risk, interest rate risk, credit risk and liquidity risk.

#### 29.01 Interest Rate Risk Management

The Company's exposure to interest rate risk arises from its cash deposits in banks which are subject to variable interest rates and lease liabilities were subject to fixed rates. The interest rate risk arising from deposits with banks are managed by means of effective investment planning and analysis and maximizing investment opportunities in various local banks and financial institutions.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A ten percent (10%) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents Management's assessment of the reasonably possible change in interest rates.

Profits for the years ended March 31, 2025 and 2024 would decrease/increase by \$\frac{1}{2}\$,622,693,316 and \$\frac{1}{2}\$3,367,291,888, respectively. This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

# 29.02 Credit Risk Management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risks from cash in banks, cash equivalents, short-term investments, trade and interest receivables, due from related parties, refundable deposits and unbilled service fees.

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

#### Banks

The Company assessed current and forecast information of banking industry, macro-economic information such as GDP rate, inflation rate, and interest rate, and available financial information. The Company transacts only to investment grade credit ratings.

## Trade Receivables and Due from Related Parties

The Company transacts only with creditworthy customers and counterparties. The Company assesses the current and forecast information of the clients' industry and the macro-economic factors such as GDP, interest, and inflation rates to determine the possible impact to customer.

#### Unbilled Service Fees

The Company transacts only with credit worthy customers. It is the Company's policy that transactions with these entities undergo Management's approval. The Company assesses the creditworthiness of each entity before entering into a transaction.

Financial assets measured at amortized cost and unbilled service fees are as follows:

		2025		2024
Cash in banks	P	304,397,298	P	373,104,189
Cash equivalents		-		7,774,592
Short-term investments		7,972,901,172		5,449,460,112
Trade and interest receivables – net		632,351,503		716,962,046
Due from related parties		2,707,255,744		3,307,416,228
Refundable deposits		112,664,550		109,301,845
		11,729,570,267		9,964,019,012
Unbilled service fees		396,904,083		395,235,047
	P	12,126,474,350	₽	10,359,254,059

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

# Probability of Default (PD)

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

# Loss Given Default (LGD)

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

## Exposure at Default (EAD)

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

Below is the summary of computation of allowance for expected credit losses in 2025:

	PD					ECL
	rate	LGD rate		EAD		
	а	b		C		d=a*b*c
		79.23% to				
Cash in banks	0.00%	99.48%	P	304,397,298	P	-
Short-term investments	0.00%	100.00%		7,972,901,172		-
Trade and interest	0.00% to					
receivables	0.04%	100.00%		632,590,375		238,872
Due from related parties	0.00%	100.00%		2,707,255,744		-
Refundable deposits	0.00%	100.00%		112,664,550		-
Unbilled service fees	0.00%	100.00%		396,904,083		-
			P	12,126,713,222	P	238,872

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

	PD					ECL
	rate	LGD rate		EAD		
	а	b		С		d=a*b*c
		90.01% to				
Cash in banks	0.00%	99.86%	P	373,104,189	P	-
Cash equivalents	0.00%	100.00%		7,774,592		-
Short-term investments	0.00%	100.00%		5,449,460,112		-
Trade and interest	0.00% to					
receivables	0.10%	100.00%		717,647,322		685,276
Due from related parties	0.00%	100.00%		3,307,416,228		-
Refundable deposits	0.00%	100.00%		109,301,845		-
Unbilled service fees	0.00%	100.00%		395,235,047		-
			P	10,359,939,335	P	685,276

### Cash in Banks, Cash Equivalents and Short-term Investments

The Company assessed current and forecast information of banking industry, macro-economic information such as GDP rate, inflation rate, and interest rate, and available financial information. The Company transacts only to investment grade credit ratings.

In both years, probability of default rate for cash in banks is nil.

In 2025 and 2024, loss given default rate for cash in banks is calculated by taking into consideration the amount of insured deposit and estimated it to be 79.23% to 99.48% and 90.01% to 99.86%, respectively.

In both years, probability of default rate for cash equivalents is nil, while loss given default rate is 100.00% for all clients because the Company does not obtain collateral for these transactions.

In 2025 and 2024, probability of default rate for short-term investments is nil while loss given default rate is 100.00% for all clients because the Company does not obtain collateral for these transactions.

Exposure at default is equal to the gross carrying amount of cash in banks, cash equivalents and short-term investments.

### Trade and Interest Receivables

Default rate is computed using the provision matrix approach; this is the amount of deemed uncollectible divided by the carrying amount of trade and interest receivables per aged group. Average default rate is computed based on four-year historical data from 2024 to 2025. Then, the average default rate is adjusted based on current and forecast unemployment rate using Pearson Correlation Coefficient Method.

In 2025 and 2024, probability of default rate is 0.00% to 0.04% and 0.00% to 0.10%, respectively, while loss given default rate is 100.00% for all clients because the Company does not obtain collateral for these transactions.

Exposure at default is equal to the gross carrying amounts of trade and interest receivables.

The amounts of allowance for expected credit losses as disclosed in Note 9 were sufficient to cover the above allowance, hence, no additional provisions for expected credit losses were recognized in both years.

#### Due from Related Parties

The Company determined the probability of default rate by considering the following: (1) historical experience with the counterparty; (2) current available financial information such credit ratings and (3) macro-economic factors such as GDP, interest, and inflation rates, the performance of the counterparties' industry, and the available financial information of each counterparty to determine whether there is a significant increase in credit risk or not since initial recognition. In 2025 and 2024, the Company estimated the probability of default to be nil for both years.

In both years, loss given default rate is 100.00% for all related parties because the Company does not obtain collateral for these transactions.

In both years, exposure to default is equal to the gross carrying amount of due from related parties.

### Refundable Deposits

Management assessed that the counterparties have minimal credit risk and the probability of default is nil.

In both years, loss given default rate is 100.00% for all counterparties because the Company does not obtain collateral for these transactions.

Exposure at default is equal to the gross carrying amounts of refundable deposits.

## Unbilled Service Fees

The Company determined the probability of default rate by considering the following: (1) historical experience with the counterparty; (2) current available financial information such credit ratings and (3) macro-economic factors such as GDP, interest, and inflation rates, the performance of the counterparties' industry, and the available financial information of each counterparty to determine whether there is a significant increase in credit risk or not since initial recognition. The Company estimated the probability of default to be nil in 2024.

In 2025 and 2024, loss given default rate is 100.00% for all clients because the Company does not obtain collateral for these transactions.

In 2025 and 2024, exposure to default is equal to the gross carrying amount of unbilled service fees.

### 29.03 Liquidity Risk Management

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

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are fixed rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Company may be required to pay.

	Weighted Average Effective Interest Rate		Within One (1) Year		One (1) – Five (5) Years		Total
March 31, 2025 Trade and other payables Due to related	-	P	1,250,616,336	P	-	P	1,250,616,336
parties	- 4.23% to		454,224		-		454,224
Lease liabilities	7.40%		304,314,717		674,066,177		978,380,894
		P	1,555,385,277	P	674,066,177	P	2,229,451,454
March 31, 2024 Trade and other							
payables  Due to related	-	₽	1,186,262,239	₽	-	₽	1,186,262,239
parties	- 4.23% to		991,159		-		991,159
Lease liabilities Financial liability	7.40%		281,469,616		1,130,625,608		1,412,095,224
at FVTPL	-		17,210,379		-		17,210,379
		₽	1,485,933,393	₽	1,130,625,608	₽	2,616,559,001

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

	Weighted Average Effective Interest Rate		On Demand	Within One (1) Year		One (1) – Five (5) Years	Total
March 31, 2025							
Cash in banks	0.01% to 0.45%	P	304,397,298 <del>P</del>	-	P	- P	304,397,298
Short-term							
investments	4.21% to 5.30%		-	7,972,901,172		-	7,972,901,172
Trade and interest							
receivables	-		-	632,351,503		-	632,351,503
Due from related							
parties	-		2,538,484,346	-		168,771,398	2,707,255,744
Refundable						440 004 550	440.004.550
deposits	-		-	-		112,664,550	112,664,550
Financial assets at FVTPL				147 152 020			147 152 020
FVIPL	-		-	147,153,839		-	147,153,839
		₽	2,842,881,644 P	8,752,406,514	P	281,435,948 P	11,876,724,106
March 31, 2024							
	0.01% to						
Cash in banks	0.45%	P	373,104,189 P	-	P	- P	373,104,189
Cash equivalents	4.70% to 4.80%		-	7,774,592		-	7,774,592
Short-term							
investments	4.21% to 5.30%		-	5,449,460,112		-	5,449,460,112
Trade and interest							
receivables	-		-	716,962,046		-	716,962,046
Due from related							
parties	-		3,137,607,458	-		169,808,770	3,307,416,228
Refundable							
deposits	-		-	-		109,301,845	109,301,845
Financial assets at FVTPL	-		-	9,932,512		_	9,932,512
		P	3,510,711,647 P	6,184,129,262	P	279,110,615 P	9,973,951,524

# 30. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

Management manages its capital to ensure that the Company will be able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2024.

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

In both years, the Company's retained earnings already exceeded its paid-in capital stock. This condition might expose the Company to penalties. The Company is currently assessing ways to resolve this matter.

Management reviews the capital structure of the Company on an annual basis. As part of this review, Management considers the cost of capital and the risks associated with each class of capital.

The debt-to-equity ratio at end of the reporting period was as follows:

		2025		2024
Debt	P	2,385,662,257	P	2,639,023,585
Equity		12,615,229,101		9,980,582,033
Debt-to-equity ratio		18.91:01		26.44:01

#### 31. NON-CASH TRANSACTIONS

In 2025 and 2024, the Company has non-cash investing and financing activities which were not reflected in the statements of cash flows pertaining to:

- Additions to right-of-use asset and lease liabilities amounting to P50,903,782 and P1,115,166,546, respectively, as disclosed in Notes 14 and 16.
- Reclassification of property and equipment amounting to P187,603,166 and nil, respectively, as disclosed in Note 13.
- Derecognition of ROU assets due to terminated lease contracts amounting to P340,560,353 and P562,205,938, respectively, as disclosed in Note 14.

# 32. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities is as follows:

		2025	2024
Balance, April 1	P	1,240,976,365 ₽	620,625,495
Changes from financing cash flows			
Effect of lease liabilities		50,903,782	1,115,166,546
Finance cost incurred		78,841,711	90,738,394
Advances received from related parties		9,190,440	6,061,306
Lease termination		-	(149,821,334)
Payment of advances to related parties		(9,727,375)	(5,250,331)
Finance cost paid		(78,841,711)	(90,738,394)
Payments of lease		(312,508,094)	(345,805,317)
Balance, March 31	P	<b>978,835,118</b> ₽	1,240,976,365

#### 33. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issuance by the Board of Directors on May 22, 2025.

#### 34. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATIONS

# 34.01 Revenue Regulations No. 15-2010

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

## 34.01.01 Taxes and Licenses Paid or Accrued

The details of the Company's taxes and licenses fees paid or accrued in 2025 are as follows:

# 34.01.01.01 Output VAT

Under Rule XIV of the Implementing Rules and Regulations of the Special Zone Act of 1995, the Company is VAT zero-rated on revenues arising from its registered activities amounting to P2,119,836.

## 34.01.01.02 Input VAT

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

Balance at April 1, 2024	₽	26,361,153
Current year's domestic purchases/payments for:		_
Domestic purchases of services		49,855,352
Total available input VAT	P	76,216,505
Claims for tax aradit/refund and other adjustments		(2,502,759)
Claims for tax credit/refund and other adjustments		1 / //

## 34.01.01.03 Other Taxes and Licenses

Other taxes and licenses paid by the Company amounting to P2,396,329 pertain to business permit, assessment and licenses.

# 34.01.01.04 Withholding Taxes

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

Fringe benefit taxes	P	11,383,464 <b>233,699,725</b>
Expanded withholding taxes		53,544,135
Withholding tax on compensation and benefits	P	168,772,126

# 34.02 Revenue Regulations No. 34-2020

Revenue Regulations (RR) No. 34-2020 prescribes the guidelines and procedures for the submission of BIR Form No. 1709, transfer pricing documentation and other supporting documents, amending for this purpose pertinent provisions of RR Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010.

The Company is covered by the requirements and procedures for related transactions provided in RR No. 34-2020.



R.S. Bernaldo & Associates

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# SUPPLEMENTAL INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
WIPRO PHILIPPINES, INC.
(A Wholly Owned Subsidiary of Wipro Limited, India)
Cebu Central Bloc Corporate Center Tower 2
Block 10, Geonzon St., Cebu I.T. Park, Brgy. Apas, Cebu

We have audited the financial statements of **WIPRO PHILIPPINES, INC.** for the years ended March 31, 2025 and 2024 on which we have rendered the attached report dated May 22, 2025.

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

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

#### **R.S. BERNALDO & ASSOCIATES**

BOA/PRC No. 0300

Valid until November 19, 2026

SEC Group A Accreditation No. 0300-SEC

Valid until 2024 audit period (extended until 2025 audit period)

BSP Group B Accreditation No. 0300-BSP

Valid until 2026 audit period

BIR Accreditation No. 08-007679-000-2023

Valid from/January 31, 2023 until January 30, 2026

IC Group A Acgreditation No. 0300-IC

Valid until 2026 audit period

GLENN∜J. MAØCAĽING

Partner!

CPA Certificate No. 98624

BOA/PRC No. 0300/P-005

Valid until November 19, 2026

SEC Group A Accreditation No. 98624-SEC

Valid until 2024 audit period (extended until 2025 audit period)

BIR Accreditation No. 08-007679-005-2024

Valid from February 19, 2024 until February 18, 2027

Tax Identification No. 198-646-943

PTR No. 10481165

Issued on January 15, 2025 at Makati City

May 22, 2025

BOA/PRC No. 0300 • BIR Accredited • SEC Group A Accredited • BSP Group B Accredited • IC Group A Accredited

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# REPORT ON THE RECONCILIATION OF RETAINED EARNINGS

The Board of Directors and the Stockholders WIPRO PHILIPPINES, INC. (A Wholly Owned Subsidiary of Wipro Limited, India) Cebu Central Bloc Corporate Center Tower 2 Block 10, Geonzon St., Cebu I.T. Park, Brgy. Apas, Cebu

We have issued our report dated May 22, 2025 on the basic financial statements of WIPRO PHILIPPINES, INC. as of and for the year ended March 31, 2025. Our audit was conducted for the purpose of forming an opinion on the basic financial statements of WIPRO PHILIPPINES, INC. taken as a whole. The information in the Schedule of Retained Earnings Available for Dividend Declaration as of and for the year ended March 31, 2025 which is not a required part of the financial statements, is required to be filed with the Securities and Exchange Commission (SEC). Such information is the responsibility of the Management of WIPRO 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.

## **R.S. BERNALDO & ASSOCIATES**

BOA/PRC No. 0300 Valid until November 19, 2026 SEC Group A Accreditation No. 0300-SEC Valid until 2024 audit period (extended until 2025 audit period) BSP Group B Accreditation No. 0300-BSP Valid until 2026 audit period BIR Accreditation No. 08-007679-000-2023 Valid from January 31, 2023 until January 30, 2026 IC Group A Agcreditation No. 0300-IC Valid until 2026 audit period

GLENN J. MAGCALING

Partner

CPA Certificate No. 98624 BOA/PRC No. 03Q0/P-005

Valid until November 19, 2026

SEC Group A Accreditation No. 98624-SEC

Valid until 2024 audit period (extended until 2025 audit period)

BIR Accreditation No. 08-007679-005-2024

Valid from February 19, 2024 until February 18, 2027

Tax Identification No. 198-646-943

PTR No. 10481165

Issued on January 15, 2025 at Makati City

May 22, 2025

BOA/PRC No. 0300 • BIR Accredited • SEC Group A Accredited • BSP Group B Accredited • IC Group A Accredited

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# **WIPRO PHILIPPINES, INC.**

# RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

As of March 31, 2025

Unappropriated Retained Earnings, beginning of reporting period (see Footnote 2)		9,781,854,788
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings		
Reversal of Retained Earnings Appropriation/s	-	
Effect of restatements of prior-period adjustments	-	
Others (Adjustment for 2024 RE Recon)	13,660,384	
Sub-total Sub-total	_	13,660,384
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	-	
Retained Earnings appropriated during the reporting period	-	
Effect of restatements of prior-period adjustments	-	
Others (describe nature)	-	
Sub-total Sub-total	_	-
Unappropriated Retained Earnings, as adjusted		9,795,515,172
Add/Less: Net Income (Loss) for the current year		2,622,693,316
,		, , , , , , , ,
Less: <u>Category C.1</u> : Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	-	
Unrealized foreign exchange gain, except those attributable to	2,113,283	
cash and cash equivalents		
Unrealized fair value adjustment (mark-to-market gains) of	81,643,157	
financial instruments at fair value through profit or loss (FVTPL)		
Unrealized fair value gain of investment property	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain	-	
transactions accounted for under the PFRS (describe nature) Sub-total		83,756,440
Sub-total	_	63,730,440
Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods		
but realized in the current reporting period (net of tax)		
Realized foreign exchange gain, except those attributable to cash and cash equivalents		
but realized in the current reporting period (net of tax)		
Realized fair value adjustment (mark-to-market gains) of financial instrumeths at	-	
fair value through profit or loss (FVTPL)		
Realized fair value gain of investment property  Other realized gains or adjustments to the retained earnings as a result of certain	-	
transactions accounted for under the PFRS (describe nature)		
Sub-total		-
	·	_
Add: Category C.3: Unrealized income recognized in profit or loss in prior periods		
but reversed in the current reporting period (net of tax)  Reversal of previously recorded foreign exchange gain, except those attributable to	3,677,422	
cash and cash equivalents	3,077,422	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of	37,303,731	
financial instruments at fair value through profit or loss (FVTPL)		
Reversal of previously recorded fair value gain of Investment Property	-	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of		
certain transactions accounted for under the PFRS, previously recorded (describe nature)	-	40.004.450
Sub-total	_	40,981,153
Adjusted Net Income/Loss	_	12,375,433,201
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax	)	
Depreciation on revaluation increment (after tax)	-	
Sub-total		<u>-</u>
	_	-

Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP (see Footnote 3)		
Amortization of the effect of reporting relief	-	
Total amount of reporting relief granted during the year	-	
Others (describe nature)	-	
Sub-total		-
Add/Less: Category F: Other items that should be excluded from the determination of the amount of		
available for dividends distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares)	-	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	-	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use asset and lease liability, set-up of asset and		
asset retirement obligation, and set-up of service concession asset and concession payable	4,105,008	
Adjustment due to deviation from PFRS/GAAP - gain (loss)	· -	
Others (describe nature)	-	
Sub-total		
	_	4,105,008
Total Retained Earnings, end of the reporting period available for dividend		12,379,538,209

#### FOOTNOTES

- (1) The amount of retained earnings of a company shouldbe based on its separate ("stand-alone") audited financial statements.
- (2) Unappropriated Retained Earnings, beginning of reporting period refers to the ending balance as reported in the "Reconciliation of Retained Earnings Available for Dividend Declation" of the immediatedly preceding period.
- (3) Adjustments related to the relief provided by the SEC and BSP pertan to accounting relief (e.g. losses that are reported on a staggered basis) granted by the regulators. However, these are actual losses sustained by the Company and must be adjusted in the reconciliation to reflect the actual distributable amount.
- (4) This Reconciliation of Retained Earnings Availble for Dividend Declaration in pursuant to Sec. 42 of the Revised Corporation Code, which prohibits stock corporations to retain surplus profits in excess of one hundred (100%) percent of their paid-in capital and their power to declare dividends. However, this Reconciliation of Retained Earnings should not be used by the REIT companies as a basis to determine the amount of its distributable income or dividends to its shareholders. The determination of its distributable income should be in accordance with the REIT Act and Implementing Rules and Regulations.