DATAMATICS GLOBAL SERVICES CORP.

(A Wholly-owned Subsidiary of Datamatics Global Services Inc. - U.S.A.)

SEPARATE STATEMENTS OF FINANCIAL POSITION

March 31, 2020 and 2019

(In Philippine Peso)

	NOTES	**2020**	2019
A S S E T S			
Current Assets			
Cash	7	**973,772**	2,325,793
Due from related parties	11	**64,513,891**	86,495,145
Interest receivable	11	**8,851,841**	5,034,633
Other current assets	8	**493,955**	377,245
		74,833,459	94,232,816
Non-current Asset			
Investment in a subsidiary	9	**2,633,816**	2,633,816
TOTAL ASSETS		**77,467,275**	96,866,632
LIABILITIES AND STOCKHOLDERS' EQUITY			
L I A B I L I T I E S			
Current Liabilities			
Accrued and other payables	10	**759,137**	784,292
Due to a related party	11	**61,763,240**	83,891,600
Interest payable	11	**6,866,259**	3,953,524
Income tax payable		**1,004,637**	609,046
		70,393,273	89,238,462
Non-current Liability			
Deferred tax liability — net	15	**43,578**	40,301
TOTAL LIABILITIES		**70,436,851**	89,278,763
S T O C K H O L D E R S ' E Q U I T Y			
Capital Stock	12	**10,000,000**	10,000,000
Deficit		**(2,969,576)**	(2,412,131)
TOTAL STOCKHOLDERS' EQUITY		**7,030,424**	7,587,869
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**77,467,275**	96,866,632

(See Notes to Separate Financial Statements)

DATAMATICS GLOBAL SERVICES CORP.

(A Wholly-owned Subsidiary of Datamatics Global Services Inc. - U.S.A.)

SEPARATE STATEMENTS OF INCOME

For the Years Ended March 31, 2020 and 2019

(In Philippine Peso)

	NOTES	**2020**	2019
EXPENSES			
Professional fees		**222,610**	957,252
Directors' fees	11	**180,000**	180,000
Insurance		**170,557**	95,986
Taxes and licenses		**24,977**	500
Miscellaneous		**2,370**	69,622
		600,514	1,303,360
FINANCE INCOME	7,11	**3,820,700**	5,040,943
FINANCE COST	11	**2,912,735**	3,953,524
FOREIGN EXCHANGE GAINS – net	13	**143,018**	297,440
PROFIT BEFORE TAX		**450,469**	81,499
INCOME TAX	14	**1,007,914**	1,208,614
LOSS		**(557,445)**	(1,127,115)

(See Notes to Separate Financial Statements)

DATAMATICS GLOBAL SERVICES CORP.
(A Wholly-owned Subsidiary of Datamatics Global Services Inc. - U.S.A.)
SEPARATE STATEMENTS OF CHANGES IN EQUITY
For the Years Ended March 31, 2020 and 2019
(In Philippine Peso)

	Note	Capital Stock	Deficit	Total
Balance at April 1, 2019	12	10,000,000	(1,285,016)	**8,714,984**
Loss			(1,127,115)	**(1,127,115)**
Balance at March 31, 2019	12	**10,000,000**	**(2,412,131)**	**7,587,869**
Loss			(557,445)	**(557,445)**
Balance at March 31, 2020	12	**10,000,000**	**(2,969,576)**	**7,030,424**

(See Notes to Separate Financial Statements)

DATAMATICS GLOBAL SERVICES CORP.

(A Wholly-owned Subsidiary of Datamatics Global Services Inc. - U.S.A.)

SEPARATE STATEMENTS OF CASH FLOWS

For the Years Ended March 31, 2020 and 2019

(In Philippine Peso)

	NOTES	**2020**	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**450,469**	81,499
Adjustments for:			
Finance cost	11	**2,912,735**	3,953,524
Finance income from bank deposits	7	**(3,492)**	(6,310)
Unrealized foreign exchange gains — net	7,11,13	**(145,258)**	(134,337)
Finance income from loans	11	**(3,817,208)**	(5,034,633)
Operating cash flows before changes in working capital		**(602,754)**	(1,140,257)
Increase in other current assets		**(116,710)**	(57,183)
Increase (Decrease) in accrued and other payables		**(25,155)**	718,413
Cash used in operating activities		**(744,619)**	(479,027)
Income taxes paid		**(609,046)**	-
Net cash used in operating activities		**(1,353,665)**	(479,027)
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection received from related parties	11	**20,426,663**	241,400
Finance income received	7	**3,492**	6,310
Acquisition of investment in a subsidiary	9	**-**	(2,633,816)
Loans granted to a subsidiary	11	**-**	(86,029,949)
Net cash from (used in) investing activities		**20,430,155**	(88,416,055)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans received from a related party	11	**-**	83,241,600
Payment made to a related party	11	**(20,448,578)**	-
Net cash from (used in) financing activities		**(20,448,578)**	83,241,600
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH	7,13	**20,067**	31,454
NET DECREASE IN CASH		**(1,352,021)**	(5,622,028)
CASH AT BEGINNING OF YEAR		**2,325,793**	7,947,821
CASH AT END OF YEAR		**973,772**	2,325,793

(See Notes to Separate Financial Statements)

DATAMATICS GLOBAL SERVICES CORP.

(A Wholly-owned Subsidiary of Datamatics Global Services Inc. – U.S.A.)

NOTES TO SEPARATE FINANCIAL STATEMENTS

March 31, 2020 and 2019

(All amounts given are shown in Philippine Peso unless otherwise stated)

1. CORPORATE INFORMATION AND STATUS OF OPERATIONS

Datamatics Global Services Corp. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 10, 2017. The primary purpose for which the Company was organized is to operate as a global provider of consulting, information technology (IT) and business process outsourcing (BPO) services, and to serve a cross section of industries including banking and finance, healthcare insurance, publishing, manufacturing, market research, retail and international organizations; and to offer and sell services in fields such as F&A, Enterprise Document Management, Enterprise Content Management, Collaboration and Portals, BIDW & Analytics, Big Data, Application Development, Support & Testing, Engineering & Embedded Solutions and Mobility.

The Company has not been significantly exposed to risks and uncertainties brought about by the outbreak of the novel coronavirus disease since commercial operations have not started yet as of reporting dates.

The Company is wholly-owned by Datamatics Global Services Inc. - U.S.A., a Company incorporated under the laws of United States of America.

The Company's registered office is located at 1807 Cityland Condominium 10 Tower 1, H. V. Dela Costa St., Barangay Bel-Air, Ayala Avenue, Makati City.

2. ADOPTION OF PHILIPPINE FINANCIAL REPORTING STANDARDS FOR SMALL AND MEDIUM-SIZED ENTITIES (PFRS for SMEs)

The Philippine Financial Reporting Standards Council (FRSC) approved the issuance of Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs). The PFRS for SMEs defines 'Small and Medium-sized Entities' as entities that:

- do not have public accountability; and
- publish general purpose financial statements for external users.

An entity has public accountability if:

- it files, or it is in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market; or
- it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. Most banks, credit unions, insurance brokers or dealers, mutual funds and investment banks.

The SEC requires entities to use PFRS for SMEs if all of the following criteria are met, except when they meet certain criteria in which case they have an option to use PFRS:

- have total assets of more than ₱100 Million to ₱350 Million or total liabilities of more than ₱100 Million to ₱250 Million. If the entity is a parent company, the said amounts shall be based on the consolidated figures;
- are not required to file financial statements under Part II of Revised SRC Rule 68;
- are not in the process of filing their financial statements for the purpose of issuing any class of instruments in a public market; and
- are not holders of secondary licenses issued by regulatory agencies.

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

3.01 Statement of Compliance

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

The Company falls within the definition of Small Entities (SEs) based on the criteria set by SEC. The consolidated assets and liabilities of the Company and its subsidiary fall under the criteria for Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).

3.02 Functional and Presentation Currency

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

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

3.03 Basis of Preparation

The reporting date of the separate financial statements of the Company and its subsidiary is March 31 and December 31, respectively. These separate financial statements are based from the Company's own transactions, exclusive of transactions of the Company's subsidiary. The latter's transactions will be used in the preparation of the consolidated financial statements, which will likewise be available for public use.

3.04 Consolidation Policy

As provided for under Philippine Financial Reporting Standards (PFRS10), a Parent Company is required to present consolidated financial statements in which it consolidates its investments in subsidiaries – except in one circumstance: a Parent is not required to (but may) present consolidated financial statements if and only if all the following four conditions are met (all of which are met by the Company):

- the Parent is itself a wholly-owned subsidiary or is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements;

- the parent's debt or equity instruments are not traded in a public market;

- the parent did not file, nor it is in the process of filing its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market and

- the ultimate or any intermediate parent of the parent produces consolidated financial statements available for public use that comply with the Philippine Financial Reporting Standards (PFRS)

Since the Company is a wholly-owned subsidiary of Datamatics Global Services, Inc., USA, which prepares consolidated financial statements in accordance with PFRS 10, it is exempted from preparing consolidated financial statements covering its financial statements and that of its subsidiary mentioned in Note 9.

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.01 Financial Assets

Financial assets are classified as either 'basic financial assets' or 'other financial assets'.

4.01.01 Basic Financial Assets

The Company recognizes basic financial assets only when the entity becomes a party to the contractual provisions of the instrument. The Company shall measure it at the transaction price including transaction costs. Subsequent to initial recognition, basic financial assets are measured at amortized cost.

The Company's basic financial assets as presented in the separate statements of financial position include cash, loans receivable under 'due from related parties' and interest receivable.

4.01.02 Cash

Cash pertains 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.

4.01.03 Due from Related Parties

Due from related parties are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of due from related parties is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the loans and advances.

4.01.04 Amortized Cost

The amortized cost of a financial instrument at each reporting date is the net of the following amounts:

- the amount at which the financial instrument is measured at initial recognition,
- minus any repayments of the principal,
- plus or minus the cumulative amortization using the effective interest method of any difference between the amount at initial recognition and the maturity amount,
- minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

4.01.05 Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the finance income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the carrying amount of the financial asset. The effective interest rate is determined on the basis of the carrying amount of the financial asset at initial recognition.

4.01.06 Impairment of Financial Instruments Measured at Amortized Cost

At the end of each reporting period, the Company assesses whether there is objective evidence of impairment of any financial assets that are measured at amortized cost. If there is objective evidence of impairment, the Company recognizes an impairment loss in profit or loss immediately.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the creditor, for economic or legal reasons relating to the debtor’s financial difficulty, granting to the debtor a concession that the creditor would not otherwise consider;
- it has become probable that the debtor will enter bankruptcy or other financial reorganization; and
- observable data indicating that there has been a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, even though the decrease cannot yet be identified with the individual financial assets in the group, such as adverse national or local economic conditions or adverse changes in industry conditions.

Other factors may also be evidence of impairment, including significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates.

The impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If such a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

4.01.07 Derecognition of Financial Assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or are settled, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

4.02 Other Current Assets

4.02.01 Input VAT

Input VAT is recognized when the Company purchases vatable goods and services. This is initially recorded as an asset and measured at 12% of the cost of goods purchased or services availed. Subsequently, this may be offset against output VAT.

4.02.02 Advances to Suppliers

Advances to suppliers are recognized when the Company made payments in advance to reputable suppliers for goods or services which are about to be delivered or rendered. They are already paid but not yet incurred. This is initially measured at cost and subsequently recognized as expense or asset upon delivery of goods or completion of service.

4.03 Investment in a Subsidiary

A subsidiary is an entity, including an unincorporated entity such as a partnership, which is controlled by another entity known as parent. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Investment in a subsidiary is accounted under the cost method. Under the cost method, the Company recognizes as income the dividends received that are distributed from net accumulated earnings of the investee since the date of acquisition by the investor. Dividends received that are in excess of the earnings subsequent to the date of acquisition are not income and therefore considered as return or reduction of investment.

If the Company loses control of a subsidiary, the Company recognizes any investment retained in the former subsidiary at its fair value at the date when control is lost or recognizes any resulting difference as a gain or loss in profit or loss attributable to the Company.

4.04 Impairment of Assets

At each reporting date, the Company assesses whether there is any indication that any of its assets other than basic financial assets and deferred tax assets 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.

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

4.05 Borrowing Costs

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

4.06 Financial Liabilities and Equity Instruments

4.06.01 Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

4.06.02 Financial Liabilities

The Company shall recognize a financial liability only when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at the transaction price including transaction costs.

Financial liabilities are classified either at FVTPL or at amortized cost.

4.06.03 Financial Liabilities at Amortized Cost

Financial liabilities are subsequently measured at amortized cost using the effective interest method, with finance cost recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating finance cost over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

The Company's financial liabilities at amortized cost as presented in the separate statements of financial position include accrued and other payables (except due to government agencies), due to a related party and interest payable.

4.06.04 Derecognition of Financial Liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

Any difference between the carrying amount of the 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.

4.06.05 Equity Instruments

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

Ordinary shares are classified as equity.

4.07 Employee Benefits

4.07.01 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. Said benefits are measured at the undiscounted amount expected to be paid in exchange for services rendered. As of reporting period, the Company has no employees. The short-term benefits that may be given to the future employees of the Company include, but not limited to, salaries and allowances, SSS, Philhealth and HDMF contributions.

4.08 Provisions

Provisions are recognized when the Company has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.09 Revenue Recogniition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable.

4.09.01 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.

4.10 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 separate statements of 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.

4.11 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. Transactions between related parties are accounted for at arm's-length prices or on terms similarly offered to non-related entities in an economically comparable market.

4.12 Foreign Currency Transactions

In preparing the separate 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.

4.13 Current and Deferred Income Taxes

The tax expense for the period comprises current and deferred taxes. Tax is recognized in profit or loss, except that a change attributable to an item of income or expense recognized as other comprehensive income is also recognized directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the country where the Company operates and generates taxable income.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at the end of each reporting date. An entity shall reduce the carrying amount of deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that recognized deferred tax asset to be utilized. Any reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

An entity shall offset current tax assets and current tax liabilities, or offset deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off the amounts and the entity can demonstrate without undue cost or effort that it plans either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.14 Events after the Reporting Period

The Company identifies subsequent events as events that occurred after the reporting period but before the date when the separate financial statements were authorized for issue. Any subsequent events that provide additional information about the Company's position at the reporting period, adjusting events, are reflected in the separate financial statements, while subsequent events that do not require adjustments, non-adjusting events, are disclosed in the notes to separate financial statements when material.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Company's accounting policies, which are disclosed 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 the 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 the 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 Judgment in Applying Accounting Policies

Below is the critical judgment, apart from those involving estimations, that Management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in financial statements:

5.01.01 Assessment of Control

The Company determines whether an entity qualifies as a subsidiary when it has control over an entity. The Company controls an entity when it has the power to govern the financial and operating policies of an entity so as to obtain benefits from activities. In making its judgments, the Company considers all facts and circumstances when assessing control over an investee.

The Company, having 75% ownership and voting interest, assessed that it has control since it has the power to govern the financial and operating policies of an entity so as to obtain benefits from activities. In both years, the carrying amount of investment in a subsidiary is ₱2,633,816, as disclosed in Note 9.

5.02 Key Source 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 period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial periods.

5.02.01 Impairment of Non-financial Assets

Determining the fair value of other current assets, investment in a subsidiary and advances to stockholders, 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 separate financial statements. Future events could cause the Company to conclude that advances to stockholders, other current assets and investment in a subsidiary 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 PFRS for SMEs.

In both years, Management believes that no impairment had existed on its other current assets, investment in a subsidiary and advances to stockholders. As of March 31, 2020 and 2019, the aggregate carrying amounts of the aforementioned assets amounted to ₱3,202,771 and ₱3,086,061, respectively, as disclosed in Notes 8, 9 and 11.

5.02.02 Recoverability of Deferred Tax Assets

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

In 2019, Management believed that the Company will be able to generate future taxable income against which the balance of current Net Operating Loss Carry-over (NOLCO) will be applied. As of March 31, 2020 and 2019, the carrying amounts of the Company's deferred tax assets amounted to ₱466,377 and ₱86,194, respectively, as disclosed in Note 15.

6. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of:

	2020	2019
Financial Assets:		
Financial assets measured at amortized cost less impairment (Notes 7 and 11)	₱ **74,264,504**	₱ 93,780,571
Financial Liabilities:		
Financial liabilities measured at amortized cost (Notes 10 and 11)	₱ **69,381,136**	₱ 88,610,213

Financial assets measured at amortized cost less impairment pertain to cash, loans receivable under 'due from related parties' and interest receivable.

Financial liabilities measured at amortized cost include accrued and other payables (except due to government agencies), due to a related party and interest payable.

7. CASH

For the purpose of the separate statements of cash flows, cash pertains to cash in bank amounting to ₱973,772 and ₱2,325,793 as of March 31, 2020 and 2019, respectively. Cash in bank earns interest based on bank daily floating rates. Finance income earned amounted to ₱3,492 and ₱6,310 for the years ended March 31, 2020 and 2019, respectively.

In 2020 and 2019, the Company recognized realized foreign exchange gain related to cash amounting to nil and ₱163,103, respectively, as disclosed in Note 13.

In 2020 and 2019, the Company also recognized unrealized foreign exchange gain on cash amounting to ₱20,067 and ₱31,454, respectively, as disclosed in Note 13.

8. OTHER CURRENT ASSETS

The details of the Company's other current assets are shown below:

		2020		2019
Input VAT	₱	**303,670**	₱	265,375
Advances to suppliers		**190,285**		111,870
	₱	**493,955**	₱	377,245

Advances to suppliers pertain to amounts paid for the incorporation and other pre-operating costs of the Company.

9. INVESTMENT IN A SUBSIDIARY

The investment in subsidiary represents the Company's investment in 1,875 shares of RJ Globus Solutions, Inc. (RGSI) for ₱2,633,816 representing seventy-five percent (75%) of its outstanding shares. RGSI is a corporation duly organized and existing under the laws of the Philippines on which its primary purpose is to engage in inbound and outbound, data processing, call center and Business Process Outsourcing (BPO) services.

In both years, the carrying amount of investment in a subsidiary is ₱2,633,816.

No dividends were received in both years.

10. ACCRUED AND OTHER PAYABLES

The components of the account are as follows:

		2020		2019
Accrued expenses	₱	**734,434**	₱	765,089
Advances from suppliers		**17,203**		17,203
Due to government agencies		**7,500**		2,000
	₱	**759,137**	₱	784,292

Accrued expenses pertain to accrual of professional fees.

11. RELATED PARTY TRANSACTIONS

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

Related parties	**Nature of Relationship**
Datamatics Global Services Inc. – U.S.A. (DGSI)	Parent
RJ Globus Solutions, Inc. (RGSI)	Subsidiary
Stockholders and Directors	Key management personnel

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

11.01 Due from Related Parties

Balances of due from related parties presented in the separate statements of financial position are summarized per category as follows:

		2020		2019
Subsidiary	₱	**64,438,891**	₱	86,420,145
Key management personnel		**75,000**		75,000
	₱	**64,513,891**	₱	86,495,145

11.01.01 Subsidiary

Transactions with a subsidiary are detailed as follows:

		March 31, 2020				March 31, 2019		
		Amounts/ Volume		**Outstanding Balances**		Amounts/ Volume		Outstanding Balances
RGSI								
Loans receivable	₱	-	₱	**64,438,891**	₱	86,029,949	₱	86,420,145
Unrealized foreign exchange gain (loss) (Note 13)		**(1,554,591)**		**-**		390,196		-
Interest		**3,817,208**		**8,851,841**		5,034,633		5,034,633
	₱	**2,262,617**	₱	**73,290,732**	₱	91,454,778	₱	91,454,778

In 2020 and 2019, the payment received by the Company from its subsidiary amounted to ₱20,426,663 and nil, respectively. Realized foreign exchange loss amounted to ₱141,567 and nil, respectively, as disclosed in Note 13.

Loans receivable pertain to amounts extended by the Company to its subsidiary mainly for the latter's working capital requirements.

These are collectible upon notice of demand or termination of the loan. The loan shall be terminated one (1) year after April 2018 but may be subjected to renewal upon mutual agreement of the parties. No guarantees have been received. No provisions have been made for doubtful accounts in respect of the amounts owed by the subsidiary.

Interest on these loans receivable is equal to London Interbank Offered Rate (LIBOR) plus 3.5% per annum and collectible upon maturity or termination of the loan.

11.01.02 Key Management Personnel

Transactions with key management personnel are detailed as follows:

	March 31, 2020		March 31, 2019	
	Amount/ Volume	**Outstanding Balance**	Amount/ Volume	Outstanding Balance
Stockholders				
Advances	**₱ -**	**₱ 75,000**	₱ -	₱ 75,000

In 2020 and 2019, payment received amounted to nil and ₱241,400, respectively.

Advances to stockholders pertain to amount given by the Company subject for liquidation.

Transaction with key management personnel is non-interest bearing, unsecured and will be settled through liquidation. No guarantees have been received. No provisions have been made for doubtful accounts in respect of the amounts owed by the related party.

11.02 Due to a Related Party

Transactions with parent company are detailed as follows:

	March 31, 2020		March 31, 2019	
	Amounts/ Volume	**Outstanding Balances**	Amounts/ Volume	Outstanding Balances
DGSI				
Loans payable	**₱ -**	**₱ 61,763,240**	₱ 83,241,600	₱ 83,891,600
Unrealized foreign exchange loss (gain) (Note 13)	**(1,679,782)**	**-**	287,313	-
Interest	**2,912,735**	**6,866,259**	3,953,524	3,953,524
	₱ 1,232,953	**₱ 68,629,499**	₱ 87,482,437	₱ 87,845,124

In 2020 and 2019, the Company paid its parent company amounted to ₱20,448,578 and nil, respectively. Realized foreign exchange gain amounted to ₱139,327 and nil, respectively, as disclosed in Note 13.

Loans payable are used for the business transactions related to the Company.

These are payable upon notice of demand or termination of the loan. The loan shall be terminated one (1) year after April 2018 date but may be subjected to renewal upon mutual agreement of the parties. No guarantees have been given in respect of the amount owed to the parent company.

Interest on these loans payable is equal to London Interbank Offered Rate (LIBOR) plus 3.0% per annum and payable upon maturity or termination of the loan.

11.03 Remuneration of Key Management Personnel

The Company provided remuneration to its directors amounting to ₱180,000 in both years.

12. CAPITAL STOCK

The capital stock of the Company in both years is as follows:

	Shares		Amount
Authorized:			
₱100 par value per share	**400,000**	**₱**	**40,000,000**
Issued and outstanding shares	**100,000**	**₱**	**10,000,000**

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

13. FOREIGN EXCHANGE GAINS – net

Components of foreign exchange gain on cash and related party transactions are as follows:

		2020		2019
Unrealized foreign exchange gain (Notes 7 and 11)	**₱**	**1,699,849**	₱	421,650
Realized foreign exchange gain (loss) – net (Notes 7 and 11)		**(2,240)**		163,103
Unrealized foreign exchange loss (Note 11)		**(1,554,591)**		(287,313)
	₱	**143,018**	₱	297,440

14. INCOME TAXES

14.01 Income Tax Recognized in Profit or Loss

Components of income tax expense are as follows:

		2020		2019
Current tax expense	**₱**	**1,004,637**	₱	609,046
Deferred tax expense (Note 15)		**3,277**		599,568
	₱	**1,007,914**	₱	1,208,614

A numerical reconciliation between tax expense and the product of accounting income multiplied by the tax rate in 2020 and 2019 is as follows:

		2020		2019
Accounting profit	₱	**450,469**	₱	81,499
Tax benefit at 30%		**135,141**		24,450
Tax effects of:				
Non-deductible finance cost		**873,821**		1,186,057
Finance income subjected to final tax		**(1,048)**		(1,893)
	₱	**1,007,914**	₱	1,208,614

Details of NOLCO are as follows:

Year Incurred		Amount		Applied Previous Year		Applied Current Year		Expired		Unapplied	Expiry Date
2017	₱	179,610	₱	179,610	₱	-	₱	-	₱	-	2020
2018		1,684,612		1,684,612		-		-		-	2021
	₱	**1,864,222**	**₱**	**1,864,222**	**₱**	**-**	**₱**	**-**	**₱**	**-**	

15. DEFERRED TAXES – net

The breakdown of deferred taxes as presented in the separate statements of financial position is as follows:

		2020		2019
Deferred tax assets (Note 15.01)	₱	**466,377**	₱	86,194
Deferred tax liability (Note 15.02)		**(509,955)**		(126,495)
	₱	**(43,578)**	₱	(40,301)

15.01 Deferred Tax Assets

The movements of the Company's deferred tax assets are as follows:

Year Incurred		NOLCO		Unrealized Foreign Exchange Loss		Total
Balance, April 1, 2018	₱	559,267	₱	-	₱	**559,267**
Recognized in profit or loss		(559,267)		86,194		**(473,073)**
Balance, March 31, 2019		-		**86,194**		**86,194**
Recognized in profit or loss		-		380,183		**380,183**
Balance, March 31, 2020	**₱**	**-**	**₱**	**466,377**	**₱**	**466,377**

15.02 Deferred Tax Liability

The movement of the Company's deferred tax liability from unrealized foreign exchange gain is as follows:

Balance, April 1, 2018	₱	-
Recognized in profit or loss		126,495
Balance, March 31, 2019		**126,495**
Recognized in profit or loss		383,460
Balance, March 31, 2020	**₱**	**509,955**

16. APPROVAL OF SEPARATE FINANCIAL STATEMENTS

These separate financial statements were approved and authorized for issuance by the Board of Directors on ____________.

17. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION 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:

17.01 Taxes and Licenses Paid or Accrued

The details of the Company's taxes and licenses fees paid or accrued in 2020 are as follows:

17.01.01 Input VAT

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

Balance, March 31, 2019	₱	265,375
Current year's domestic purchases/payments for:		
Services lodged under other accounts		38,295
Balance, March 31, 2020	**₱**	**303,670**

17.01.02 Documentary Stamp Tax

The Company's documentary stamp tax paid during the year amounting to ₱23,477 is related to commercial general liability insurance.

17.01.03 Other Taxes and Licenses

The Company's other taxes and licenses pertaining to permit fees accrued during the year amounted to ₱1,500.

17.01.04 Withholding Taxes

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

Expanded withholding taxes	₱	9,000
Final withholding tax on interest income from cash		283
	₱	**9,283**

Expanded withholding tax was paid for director's fees.

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

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

18.01 Non-operating and Taxable Other Income

The following is an analysis of the Company's other income for the taxable year:

Finance income from loan	₱	3,817,208
Reversal of prior year unrealized foreign exchange gain		421,650
	₱	**4,238,858**

18.02 Itemized Deductions

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

Reversal of prior year unrealized foreign exchange loss	₱	287,313
Professional fees		222,610
Directors' fees		180,000
Insurance		170,557
Taxes and licenses		24,977
Realized foreign exchange loss – net		2,240
Miscellaneous		2,370
	₱	**890,067**