COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	2	0	6	3	3	8

COMPANY NAME

RJ GLOBUS SOLUTIONS INC.

PRINCIPAL OFFICE *(No./Street/Barangay/City/Town)Province)*

3RD FLOOR TOWER 1 ROCKWELL
BUSINESS CENTER, BLK. 4
MERALCO COMPOUND, ORTIGAS
AVENUE, PASIG CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	8374-1482	

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
6	October 15	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
REYNATO M. DIRECTO		8840-0535	

CONTACT PERSON'S ADDRESS

1807 CITYLAND CONDOMINIUM 10 TOWER 1, HV DELA COSTA ST. COR.AYALA AVE., MAKATI CITY

Note 1 *: In case of death, resignation 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.*

2 *: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's record 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.*

RJ Globus Solutions
(A Datamatics Company)
Regd. Office
3rd Floor, Tower 1, Rockwell Business Center,
Ortigas Ave, Pasig City, 1600 Metro Manila, PHILIPPINES
Tel.:+ 632-239-7685
Website: www.datamatics.com

DATAMATICS®
Data to Intelligence

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **RJ GLOBUS SOLUTIONS INC.** is responsible for the preparation and fair presentation of the financial statements, including the schedule attached therein, for the years ended December 31, 2019 and 2018, in accordance with the Philippine Financial Reporting Standards for Small and Medium-sized Entities, 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.

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

NAVIN GUPTA
Chairman of the Board

PEPITO G. PO
President

ANN SHERROL DELOS SANTOS
Treasurer

Signed this 7th day of May 2020.

UNION BANK OF THE PHILS.
EMERALD BR./043-208
RDO CODE/ 43 A
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RJ Globus Solutions
(A Datamatics Company)

Regd. Office
3rd Floor, Tower 1, Rockwell Business Center,
Ortigas Ave, Pasig City, 1600 Metro Manila, PHILIPPINES
Tel.:+ **632-239-7685**
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Gerardo S. Teofilo, the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in his report to the stockholders, has expressed his opinion on the fairness of presentation upon completion of such audit.

NAVIN GUPTA
Chairman of the Board

PEPITO G. PO
President

ANN SHERROL DELOS SANTOS
Treasurer

Signed this 7th day of May 2020.

UNION BANK OF THE PHILS.
EMERALD BR. 043-208
RDO CODE: 43A
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GERARDO S. TEOFILO JR.
Certified Public Accountant
C.P.A. Registration No.: 0135700
B.O.A. Accreditation No.: 6285
B.I.R. Accreditation No.: 08-006606-001-2016

Office address: Unit 425 Mayon Galleria Condomini
BNo. 33 N. Roxas cor. Mayon Sts., Brgy. Lourdes, Quezon (
Telephone No. 518 8:
Mobile No.: 09167421(
Email Add.: audit.gerardoteofilojr@yahoo.c

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
RJ GLOBUS SOLUTIONS INC.
3rd Floor Tower 1 Rockwell Business Center
Blk. 4 Meralco Compound, Ortigas Avenue, Pasig City

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of **RJ GLOBUS SOLUTIONS INC.** ("the Company"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).

Basis for Opinion

I conducted my audits in accordance with Philippine Standards on Auditing (PSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am 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 my audits of the financial statements in Philippines, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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SSA 1 | SSA INITIAL | DATE

15 JUN 2020

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

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

Those charged with governance are responsible for overseeing the 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am 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. My 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.

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

Report on Other Legal and Regulatory Requirements

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 and 19-2011 in Notes 27 and 28, respectively, to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the Management of **RJ GLOBUS SOLUTIONS INC.** The information has been subjected to the auditing procedures applied in my audit of the basic financial statements. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

GERARDO S. TEOFILO JR.
CPA Certificate No. 0135700
BOA Accreditation No. 6285
Valid form October 19 2018, to August 17, 2021
BIR Accreditation No. 08-006606-001-2020
Valid from February 27, 2020 to February 28, 2022
Tax Identification No. 403-564-142-000
PTR No. 8126072
Issued on January 7, 2020 at Makati City

May 7, 2020

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RDO CODE: 43A
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GERARDO S. TEOFILO JR.
Certified Public Accountant
C.P.A. Registration No.: 0135700
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Office address: Unit 425 Mayon Galleria Condomini
BNo. 33 N. Roxas cor. Mayon Sts., Brgy. Lourdes, Quezon (
Mobile No.: 09167421(
Email Add.: audit.gerardoteofilojr@yahoo.c

SUPPLEMENTAL INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
RJ GLOBUS SOLUTIONS INC.
3rd Floor Tower 1 Rockwell Business Center
Blk. 4 Meralco Compound, Ortigas Avenue, Pasig City

I have examined the financial statements of **RJ GLOBUS SOLUTIONS INC.** for the years ended December 31, 2019 and 2018 on which we have rendered the attached report dated May 7, 2020.

In compliance with Revenue Regulation V-20, I am 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 Securities Regulation Code Rule 68, I am stating that the above Company has a total number of two (2) stockholders owning one hundred (100) or more shares each.

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Valid form October 19 2018, to August 17, 2021
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Issued on January 7, 2020 at Makati City

May 7, 2020

RJ GLOBUS SOLUTIONS INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

(In Philippine Peso)

	NOTES	2019	2018
ASSETS			
Current Assets			
Cash	7	**2,007,908**	5,526,490
Trade receivables	8	**38,546,289**	20,332,203
Due from related parties	15	**379,618**	26,897,765
Prepayments and other current assets	9	**7,447,474**	3,970,856
		48,381,289	56,727,314
Non-current Assets			
Property and equipment – net	10	**56,323,010**	47,827,016
Computer software – net	11	**46,937**	33,537
Other non-current assets	12	**19,011,318**	13,536,695
Deferred tax assets – net	25	**11,509,339**	484,384
		86,890,604	61,881,632
TOTAL ASSETS		**135,271,893**	118,608,946
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Current Liabilities			
Trade and other payables	13	**23,293,141**	26,691,135
Loans payable	15	**74,171,356**	84,358,400
Income tax payable	24	**876,907**	739,916
		98,341,404	111,789,451
Non-current Liability			
Refundable deposits	14	**5,455,577**	5,676,968
TOTAL LIABILITIES		**103,796,981**	117,466,419
STOCKHOLDERS' EQUITY			
Capital Stock	16	**250,000**	250,000
Appropriated Retained Earnings	17	**15,000,000**	-
Unappropriated Retained Earnings		**16,224,912**	892,527
TOTAL STOCKHOLDERS' EQUITY		**31,474,912**	1,142,527
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**135,271,893**	118,608,946

(See Notes to Financial Statements)

RJ GLOBUS SOLUTIONS INC.

STATEMENTS OF INCOME

For the Years Ended December 31, 2019 and 2018

(In Philippine Peso)

	NOTES	2019	2018
REVENUE	17	**358,942,149**	275,643,379
COST OF SERVICES	18	**287,163,160**	214,050,815
GROSS PROFIT		**71,778,989**	61,592,564
OTHER INCOME	19	**2,716,828**	1,654,075
		74,495,817	63,246,639
OPERATING EXPENSES	20	**46,834,995**	37,482,875
FINANCE COSTS	15	**4,776,356**	19,597,868
OTHER EXPENSES	21	**2,700,130**	896,764
PROFIT BEFORE TAX		**20,184,336**	5,269,132
INCOME TAX EXPENSE (BENEFIT)	24	**(10,148,049)**	1,503,538
PROFIT		**30,332,385**	3,765,594

(See Notes to Financial Statements)

RJ GLOBUS SOLUTIONS INC.
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2019 and 2018

(In Philippine Peso)

		Capital Stock	Appropriated Retained Earnings	Unappropriated Retained Earnings (Deficit)	Total
Balance at January 1, 2018		250,000	-	(2,873,067)	**(2,623,067)**
Profit			-	3,765,594	**3,765,594**
Balance at December 31, 2018		**250,000**		**892,527**	**1,142,527**
Appropriation	17		15,000,000	(15,000,000)	-
Profit				30,332,385	**30,332,385**
Balance at December 31, 2019		**250,000**	**15,000,000**	**16,224,912**	**31,474,912**

(See Notes to Financial Statements)

RJ GLOBUS SOLUTIONS INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

(In Philippine Peso)

	NOTES	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		20,184,336	5,269,132
Adjustments for:			
Depreciation	10,18	17,648,344	16,638,494
Finance cost	15	4,776,356	19,597,868
Loss on assets written off	8,9,15,21	1,800,000	736,614
Amortization	11	31,600	16,583
Finance income	7,19	(3,441)	(4,092)
Unrealized foreign exchange gain – net	19,21	(2,710,568)	(1,649,259)
Operating cash flows before changes in working capital		41,726,627	40,605,340
Increase in operating assets:			
Trade receivables		(18,214,086)	(9,185,786)
Prepayments and other current assets		(3,476,617)	(2,469,669)
Other non-current assets		(5,474,623)	(425,570)
Increase (Decrease) in operating liabilities:			
Trade and other payables		(8,174,350)	(8,452,953)
Refundable deposits		(221,391)	5,676,968
Cash generated from operations		6,165,560	25,748,330
Income tax paid		(739,916)	(999,733)
Net cash from operating activities		5,425,644	24,748,597
CASH FLOWS FROM INVESTING ACTIVITIES			
Collections received from related parties	15	24,718,147	-
Finance income received	7,19	3,441	4,092
Additions to computer software	11	(45,000)	(40,037)
Additions to property and equipment	10	(26,144,338)	(29,430,492)
Net cash used in investing activities		(1,467,750)	(29,466,437)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of loans	15	12,770,000	86,008,383
Payments of loan	15	(20,243,657)	(49,431,941)
Finance cost paid	15	-	(15,795,413)
Advances granted to related parties	15	-	(10,663,622)
Net cash from (used in) financing activities		(7,473,657)	10,117,407
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	7	(2,819)	(724)
NET INCREASE (DECREASE) IN CASH		(3,518,582)	5,398,842
CASH AT BEGINNING OF THE YEAR		5,526,490	127,648
CASH AT END OF THE YEAR		2,007,908	5,526,490

(See Notes to Financial Statements)

RJ GLOBUS SOLUTIONS INC.
RECONCILIATION OF RETAINED EARNINGS
December 31, 2019
(In Philippine Peso)

Unappropriated Retained Earnings, January 1, 2019, as adjusted	₱	892,527
Appropriation		(15,000,000)
Net income based on the face of audited financial statements		30,332,385
Total Retained Earnings Available for Stock Dividends, December 31, 2019	**₱**	**16,224,912**

- Exemption from payment of any and local government imposts, fees, licen... taxes except real estate tax; however, machinery installed and operated in th... ecozone for manufacturing, processing or for industrial purposes shall not be subject to payment of real estate taxes for the first three (3) years of operation of such machinery; production equipment not attached to real estate shall be exempt from real property taxes.

The Company is 75.00% owned by Datamatics Global Services, Corp., a domestic corporation, 12.36% owned by Datamatics Global Services Inc., an entity incorporated under the laws of United States of Amercia and 12.64% owned by Indian and Filipino individuals.

The Company's registered office address is located at 3rd Floor Tower 1 Rockwell Business Center, Blk. 4 Meralco Compound, Ortigas Avenue, Pasig City.

The Company is currently operating in three (3) locations: 3rd Floor Tower 1 Rockwell Business Center, Blk. 4 Meralco Compound, Ortigas Avenue, Pasig City; 8th and 9th Floor Hanston Building F. Ortigas Jr. Road, Ortigas Center Pasig City and 29th Floor One Corporate Center J. Vargas cor. Meralco Avenue, Ortigas Center, Pasig City.

Share Purchase Agreement

The Company's exisiting stockholders and Datamatics Global Services, Corp. (DGSC) entered into a Share Purchase Agreement on April 6, 2018 wherein the latter has agreed to acquire one hundred percent (100%) shares of the Company on such terms and conditions mutually agreed between by the parties. In 2018, 75% shareholdings of the existing shareholders are already acquired by DGSC resulting to gaining control over the operations of the Company. As December 31, 2019, DGSC's ownership remained to 75%.

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 would meet this second criterion.

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 FINANCIAL STATEMENTS

3.01 Statements of Compliance

The 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.

3.02 Functional and Presentation Currency

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.01 Financial Assets

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 statements of financial position comprise of cash, trade receivables, due from related parties and security deposits presented under "other non-current assets".

4.01.02 Cash

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

- 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 Prepayments and Other Current Assets

4.02.01 Prepayments

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

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

4.02.02 Advances to Officers and Employees

Advances to officers and employees are initially recorded as asset and is measured at the amount of cash paid and subsequently reclassified to a particular expense or asset account to which the related cash advance was disbursed.

4.02.03 Input VAT

Input VAT is recognized when the Company pays all vatable transactions. This is initially recorded as an asset and measured at the amount of cash paid. Subsequently, this may be offset to output VAT.

An item of intangible asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount, as discussed in Note 4.06.

4.05 Advance Rental

Advance rental is recognized when the Company pays rent in advance. This is initially recorded as non-current asset and measured at the amount of cash paid. Subsequently, this is reclassified to rent expense after the month in which it is intended for.

4.06 Impairment of Assets

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

4.07 Borrowing Costs

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

4.08 Financial Liabilities and Equity Instruments

4.08.01 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.

4.08.02 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.

4.08.03 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 include trade and other payables (excluding due to government agencies and unearned revenue), loans payable and refundable deposits.

4.08.04 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.

4.08.05 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.

4.09 Employee Benefits

4.09.01 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. Short-term benefits given by the Company to its employees include salaries and wages, 13th month and other bonuses, allowances and other de-minimis benefits, SSS, PHIC and HDMF contributions and HMO, incentives and training costs.

4.10 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.

4.11 Revenue Recognition

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 and represents amounts receivable for services provided in the normal course of business.

4.11.01 Rendering of Services

Revenue from rendering of services is recognized when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company;
- the stage of completion of the transaction can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Rendering of services encompasses call center in bound and out bound selling services.

4.11.02 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.

4.12 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 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.

4.13 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

4.13.01 The Company as a Lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4.14 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.

4.15 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.

4.16 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 dates.

The carrying amount of deferred tax assets are reviewed at 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.

4.17 Events after the Reporting Period

The Company identifies subsequent events as events that occurred after the reporting period but before the date when the 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 financial statements, while subsequent events that do not require adjustments, non-adjusting events, are disclosed in the notes to 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 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 Judgment in Applying Accounting Policies

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

5.01.01 Distinction Between Operating and Finance Leases

The Company determines whether a lease is finance or operating. In making its judgments, the Company considers whether the lease transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

In both years, Management assessed that the lease agreements are operating lease because the risks and rewards attributable to the office spaces are not transferred to the lessee.

Accordingly, the rental expense recognized from operating leases amounted to ₱37,424,471 and ₱36,095,500 in 2019 and 2018, respectively, as disclosed in Notes 19 and 24.

5.02. Key Sources of Estimation Uncertainties

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty 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 year.

5.02.01 Estimating Allowances for Doubtful Accounts

The Company estimates the allowance for doubtful accounts related to its trade receivables and due from related parties based on assessment of specific accounts where the Company has information that certain counterparties are unable to meet their financial obligations. In these cases, judgment used was based on the best available facts and circumstances including but not limited to, the length of relationship with the counterparty and the counterparty's current credit status based on third party credit reports and known market factors. The Company used judgment to record specific allowance for counterparties against amounts due to reduce the expected collectible amounts. These specific allowances are re-evaluated and adjusted as additional information received impacts the amounts estimated.

The amounts and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in the allowance for doubtful accounts would increase the recognized operating expenses and decrease current assets.

In 2019, Management believes that the collectability of its trade receivables is certain, thus, no provisions for doubtful accounts were recognized. However, in 2018, the Company wrote-off trade receivables amounting to ₱395,281 due to high uncertainty of collection, as disclosed in Notes 8 and 22.

In 2019, Management wrote-off advances amounting to ₱1,800,000 while in 2018, collectability of due from related parties is certain, thus no provision for doubtful accounts was recognized by the Company, as disclosed in Notes 16 and 22. As of December 31, 2019 and 2018, the aggregate carrying value of aforementioned assets amounted to ₱38,925,907 and ₱47,229,968, respectively, as disclosed in Notes 8 and 16.

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

The residual values, useful lives and depreciation method of the Company's property and equipment 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. In determining the useful life of the property and equipment, the Company considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Company's assets. 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 the Company expects to consume an asset's future economic benefits, the Company shall review its present depreciation method and, if current expectations differ, it shall change the depreciation method to reflect the new pattern.

In both years, Management assessed that there were no changes from the previous estimates since the last annual reporting period. As of December 31, 2019 and 2018, the carrying amount of property and equipment amounted to ₱56,323,010 and ₱47,827,016, respectively, as disclosed in Note 10.

5.02.03 Reviewing Residual Value, Useful Life and Amortization Method of Computer Software

The residual value, useful life and amortization method of the Company's computer software are reviewed at least annually, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; technological advancement; and changes in market prices since the most recent annual reporting date. Amortization begins when computer software is available for use, i.e. when it is in the location and condition necessary for it to be usable in the manner intended by management. Amortization ceases when the asset is derecognized. The Company uses a straight-line method of amortization since it cannot determine reliably the pattern in which it expects to consume the asset's future economic benefits.

In both years, Management assessed that there were no changes from the previous estimates since the last annual reporting period. As of December 31, 2019 and 2018, the carrying amount of computer software amounted ₱46,937 and ₱33,537, respectively, as disclosed in Note 11.

5.02.04 Asset Impairment

The Company performs an impairment review when certain impairment indicators are present. Determining the fair value of prepayments and other current assets, property and equipment, computer software and advance rental presented under other non-current 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 prepayments and other current assets, property and equipment, computer software and advance rental presented under other non-current 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 PFRS for SMEs.

In both years, Management assessed that no impairment indicators exist on its prepayments and other current assets, property and equipment, computer software and advance rental presented under 'other non-current assets'. As of December 31, 2019 and 2018, the aggregate carrying amounts of the aforementioned assets amounted to ₱73,930,756 and ₱56,761,032, respectively, as disclosed in Notes 9, 10, 11 and 12.

5.02.05 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 expiration.

As of December 31, 2019 and 2018, Management believes that the Company would be able to generate future taxable profit that would allow its deferred tax assets to be fully utilized prior to expiration. As of December 31, 2019 and 2018, the carrying amounts of deferred tax assets are ₱12,323,356 and ₱979,379, respectively, as disclosed in Note 26.

6. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of:

	2019	2018
Financial Assets		
Financial assets measured at amortized cost less impairment (Notes 7, 8, 12 and 16)	₱ **49,831,798**	₱ 61,363,529
Financial Liabilities		
Financial liabilities measured at amortized cost (Notes 13, 14 and 15)	₱ **97,933,019**	₱ 102,791,377

Financial assets measured at amortized cost less impairment comprise of cash, trade receivables, due from related parties and security deposits presented under 'other non-current assets'.

Financial liabilities measured at amortized cost include trade and other payables (excluding due to government agencies and unearned revenue), loans payable and refundable deposits.

7. CASH

For the purpose of the statements of cash flows, cash pertains to cash in banks only. As of December 31, 2019 and 2018, the Company's cash amounted to ₱2,007,908 and ₱5,526,490, respectively.

Cash in banks bear interest at floating rates based on daily bank deposits rates. Finance income earned on this account amounted to ₱3,441 and ₱4,092, in 2019 and 2018, respectively, as disclosed in Note 20.

Unrealized foreign exchange loss on its dollar denominated account amounted to ₱2,819 and ₱724, in 2019 and 2018, respectively, as disclosed in Note 22.

8. TRADE RECEIVABLES

The Company's trade receivables amounted to ₱38,546,289 and ₱20,332,203 as of December 31, 2019 and 2018, respectively.

The average credit period on sales of services is thirty (30) to ninety (90) days. No interest is charged on outstanding balance on the first thirty (30) or ninety (90) days from the date of invoice. Thereafter, interest is charged at one percent (1%) to ten percent (10%) per annum on the outstanding balance.

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of a trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

In 2019 and 2018, the Company wrote-off trade receivables amounting to nil and ₱395,281, respectively, due to high uncertainty of collection, as disclosed in Note 22.

9. PREPAYMENTS AND OTHER CURRENT ASSETS

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

		2019		2018
Prepaid expenses	₱	**1,545,395**	₱	380,737
Input VAT		**5,294,655**		2,223,381
Advances to officers and employees		**607,424**		1,366,738
	₱	**7,447,474**	₱	3,970,856

Prepaid expenses include prepaid subscriptions and prepaid insurance.

Input VAT pertains to VAT from purchase of goods and services under the regular tax regime.

Advances to officers and employees pertain to amount advanced subject for liquidation. The Company wrote-off portion of the account in 2019 and 2018 amounting to nil and ₱341,333, respectively due to high uncertainty that these amounts will be liquidated, as disclosed in Note 22.