

# **DATAMATICS GLOBAL SERVICES CORP.**

**(A Wholly-owned Subsidiary of  
Datamatics Global Services Inc. ~ USA)**

**AUDITED  
FINANCIAL STATEMENTS  
AS OF MARCH 31, 2021 AND 2020**

**PHILIPPINE PESO**

**DATAMATICS GLOBAL SERVICES CORP.***(A Wholly-owned Subsidiary of Datamatics Global Services Inc. ~ USA)***STATEMENT OF FINANCIAL POSITION**

As of March 31, 2021 and 2020

In Philippine Peso

<b>ASSETS</b>	<b>2021</b>	<b>2020</b>
<b>Current Assets</b>		
Cash and cash equivalents <i>(note 4)</i>	771,373	973,772
Due from related party <i>(note 5)</i>	60,690,788	64,513,891
Interest receivable <i>(note 6)</i>	10,586,290	8,851,841
Prepayment and other current assets <i>(note 7)</i>	969,134	493,956
	<b>73,017,585</b>	<b>74,833,460</b>
<b>Noncurrent Assets</b>		
Investment in subsidiary <i>(note 8)</i>	2,452,865	2,633,816
	<b>2,452,865</b>	<b>2,633,816</b>
<b>TOTAL ASSETS</b>	<b>75,470,450</b>	<b>77,467,276</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accrued and other payables <i>(note 9)</i>	716,215	759,137
Due to related party <i>(note 10)</i>	59,421,363	61,763,240
Interest payable <i>(note 11)</i>	8,005,910	6,866,259
Income tax payable <i>(note 18)</i>	~	1,004,637
	<b>68,143,488</b>	<b>70,393,273</b>
<b>Noncurrent Liabilities</b>		
Deferred tax liability <i>(note 12)</i>	43,578	43,578
	<b>43,578</b>	<b>43,578</b>
<b>Equity</b>		
Share capital	10,000,000	10,000,000
Retained earnings <i>(note 13)</i>	(2,716,616)	(2,969,575)
	<b>7,283,384</b>	<b>7,030,425</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>75,470,450</b>	<b>77,467,276</b>

*See accompanying notes to financial statements*

**DATAMATICS GLOBAL SERVICES CORP.***(A Wholly-owned Subsidiary of Datamatics Global Services Inc. ~ USA)***STATEMENT OF PROFIT AND LOSS AND RETAINED EARNINGS**

For the periods ended March 31, 2021 and 2020

In Philippine Peso

	2021	2020
<b>OPERATING EXPENSES</b> <i>(note 14)</i>	<b>343,390</b>	600,513
<b>FINANCE INCOME</b> <i>(note 15)</i>	<b>2,347,863</b>	3,820,700
<b>FINANCE COST</b> <i>(note 16)</i>	<b>656,864</b>	2,912,735
<b>FOREIGN EXCHANGE LOSS/GAIN</b> <i>(note 17)</i>	<b>631,281</b>	143,018
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>716,328</b>	450,470
<b>INCOME TAX</b> <i>(note 18)</i>	~	1,007,914
<b>LOSS</b>	<b>716,328</b>	(557,444)
<b>RETAINED EARNINGS, BEGINNING</b> <i>(Note 13)</i>	<b>(2,969,575)</b>	(2,412,131)
<b>ADJUSTMENTS</b>	<b>(463,369)</b>	~
<b>RETAINED EARNINGS, ENDING</b> <i>(Note 13)</i>	<b>(2,716,616)</b>	(2,969,575)

*See accompanying notes to financial statements*

**DATAMATICS GLOBAL SERVICES CORP.***(A Wholly-owned Subsidiary of Datamatics Global Services Inc. ~ USA)***STATEMENT OF CHANGES IN EQUITY**

As of March 31, 2021 and 2020

In Philippine Peso

<b>COMMON STOCK</b>	<b>2021</b>	<b>2020</b>
Capital stock subscribed and paid	10,000,000	10,000,000
Additional paid-in capital (APIC)	~	~
Increase in capital stock by conversion of advances from stockholders to equity	~	~
	10,000,000	10,000,000
<b>RETAINED EARNINGS (Note 10)</b>		
Balance at January 1	(2,969,575)	(2,412,131)
Net profit (Loss)	716,328	(557,444)
Adjustments	(463,369)	~
<b>Balance at December 31</b>	<b>(2,716,616)</b>	<b>(2,969,575)</b>
<b>TOTAL EQUITY</b>	<b>7,283,384</b>	<b>7,030,425</b>

*See accompanying notes to financial statements*

**DATAMATICS GLOBAL SERVICES CORP.***(A Wholly-owned Subsidiary of Datamatics Global Services Inc. ~ USA)***STATEMENT OF CASH FLOWS**

For the period ended March 31, 2021

In Philippine Peso

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2020</b>
<b>Profit (Loss) before Income Tax</b>	<b>716,328</b>
Adjustments for:	
Non-cash Income Tax Expense	
Prior period adjustment to Retained Earnings	(463,369)
Finance income	(1,734,449)
Finance cost	1,139,651
Adjustment for income tax	(1,004,637)
<b>Changes in Operating Assets and Liabilities</b>	<b>(1,346,476)</b>
Decrease (Increase) in prepayment and other current assets <i>(note 7)</i>	(475,178)
Increase (Decrease) in accrued and other payables <i>(note 9)</i>	(42,922)
<b>Net Cash from Operating Activities</b>	<b>(1,864,576)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Cash received from related party <i>(note 5)</i>	3,823,103
Cash paid to related party <i>(note 10)</i>	(2,341,877)
Addition to investment in subsidiary <i>(note 8)</i>	180,951
<b>Net Cash from Investing Activities</b>	<b>1,662,177</b>
<b>NET INCREASE / DECREASE IN CASH FOR THE PERIOD</b>	<b>(202,399)</b>
<b>CASH AT THE BEGINNING OF THE YEAR <i>(Note 4)</i></b>	<b>973,772</b>
<b>CASH AT THE END OF THE YEAR <i>(Note 4)</i></b>	<b>771,373</b>

*See accompanying notes to financial statements*

## **DATAMATICS GLOBAL SERVICES CORP.**

*(A Wholly-owned Subsidiary of Datamatics Global Services Inc. - USA)*

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### **NOTES TO FINANCIAL STATEMENTS**

In Philippine Peso

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#### **1. COMPANY INFORMATION**

**DATAMATICS GLOBAL SERVICES CORP.** is a *Wholly-owned Subsidiary of Datamatics Global Services Inc. – USA* was incorporated and duly registered with the Securities and Exchange Commission (SEC) on February 10, 2017 with SEC Reg. No. CS201704984.

The primary purpose of the corporation is to operate as a global provider of consulting, information technology (IT) and business process outsourcing (BPO) services, and to serve across section of industries, including banking and finance, healthcare insurance, publishing, manufacturing, market research, retail and international organization;

The Company is a wholly-owned Subsidiary of Datamatics Global Services Inc. – USA, a company incorporated under the laws of United States of America.

The Company is registered office address which is also its principal place of business is at 6815 Ayala Avenue Cor. H.V. Dela Costa Sts., Makati City, Philippines - 1200

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#### **2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

##### *a) Basis of preparation of Financial Statements*

##### *Statement of Compliance with Philippine Financial Reporting Standards for Small and Medium-sized Entities*

The financial statements of **DATAMATICS GLOBAL SERVICES CORP.** have been prepared in accordance with *Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs)*. The *PFRS for SMEs* were adopted on 13 October 2009 by the Philippine Financial Reporting Standards Council from International Financial Reporting Standards (IFRS) for Small and Medium Entities issued by the International Accounting Standards Board. The Securities and Exchange Commission thereon resolved to adopt *PFRS for SMEs* as part of its rules and regulations on 03 December 2009.

The preparation of financial statements in conformity with *PFRS for SMEs* requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies without involving undue cost or effort.

##### *Functional currency*

The Board of Directors considers the Philippine peso as the currency that most faithfully represents the economic effect of the underlying transactions, events

and conditions. The Philippine peso is the currency of the primary economic environment in which the Company operates. It is the currency in which the Company measures its performance and reports its results.

#### ***b) Accounting Policies***

The principal accounting policies applied in the preparation of these financial statements are set out below:

##### ***Cash and cash equivalents***

Cash and cash equivalents are defined as cash on hand, demand deposits and short term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Cash and cash equivalents includes the cash on hand (petty cash) and peso deposits held with the bank.

##### ***Inventories***

Inventories are stated at the lower of cost and selling price less costs to complete and sell. Cost, which includes all cost attributable to acquisition, is determined using the first-in, first-out method.

##### ***Prepayments and Other Current Assets***

Prepaid expenses comprised of excess input value-added tax (VAT) and prepaid income tax. These are expenses that are paid on advance. These are amortized over the period it will benefit the Company.

##### ***Property, Plant and Equipment***

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

When assets are sold or retired, the cost and related accumulated depreciation are eliminated from the accounts. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized within other gains / (losses) – net, in the statement of income.

Fully depreciated and fully amortized assets are retained in accounts until they are no longer in use and no further change in depreciation is made with respect to those assets.

##### ***Impairment of Assets***

At each reporting date, property, plant and equipment and intangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

Similarly, inventories are assessed for impairment by comparing the carrying amount of each item of inventory with its selling price less costs to complete and sell. If an item of inventory is impaired, its carrying amount is reduced to selling price less costs to complete and sell, and an impairment loss is recognized immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

### ***Deferred Tax Asset / Liabilities***

Deferred tax, if recognized is the tax expected to be recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

The carrying cost of deferred tax assets is reviewed at each statements of financial position date and is adjusted 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.

Deferred tax assets and liabilities are measured at the tax rates that apply to the year when the asset is realized or the liability is settled, based on the tax rates and tax laws that are in force at statements of financial position date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

### ***Trade and other payables***

Trade payables are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the company is established. These are recognized initially at fair value.

Other payables include statutory obligations to various government agencies and entities. Other payables are not interest bearing and are recognized at their nominal valued less settlement payments.



### ***Current tax liability***

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statements of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

### ***Provisions***

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statements of income net of any reimbursement. If the effect of the time value for money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specifically to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

### ***Revenue Recognition***

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The company recognizes revenue when the amount of revenue can be reliably measured, it is possible that future economic benefits will flow into the entity and specific criteria have been met for each of the company's activities. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### ***Dividend income***

The company recognizes dividend income at the date of declaration.

#### ***Interest income***

Interest income is recognized as the interest accrues (taking into consideration the effective yield on the asset)

### ***Borrowing Costs***

All borrowing costs are recognized in profit and loss in the period in which they are incurred.

### ***Related Party Transactions***

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and

operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Transactions between related parties are accounted for at arms' length prices or on terms similar to those offered to non-related entities in an economically comparable market

Transactions between related parties are based on terms similar to those offered to non-related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

#### ***Employee Benefits***

After considering the relentless turnover of employees, it's very seldom for an employee to stay for at least five (5) periods, the Company believed it impracticable to have a formal retirement plan.

The Company have opted to treat the coverage of the PAG-IBIG FUND as a substitute retirement benefit for employees covered under Republic Act (RA) 7641, The Retirement Pay Law; and if said scheme provides less than what the employee is entitled, the Company will pay the difference as it occur.

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### **3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS**

The preparation of financial statements in accordance with *PFRS for SMEs* requires management to make estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and disclosure of contingent assets and liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates will be recorded in the financial statements when reasonably determinable.

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### ***Allowance for doubtful accounts***

The Company maintains allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance for doubtful accounts is evaluated by the management on the basis of factors that affect the collectability of the accounts. These factors include, but not limited to, the age and status of receivable, the length of relationship with the lessees, the lessees payment behavior and known market factors. The company reviews the allowance on a continuous basis. Accounts that are specifically

identified as potentially uncollectible are provided with adequate allowance through charges to statement of comprehensive income in the form of provision for doubtful accounts. A provision is also established as a certain percentage of receivables not provided with specific reserves. This percentage is based on a collective assessment of historical collection, current economic trends, and changes in lessee's payment terms and other factors that may affect the Company's ability to collect payment.

#### ***Impairment of Assets***

*PFRS for SMEs* requires that an impairment review be performed when certain impairment indicators are present. Determining the value of property and equipment requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the company to conclude that the property and equipment are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and financial performance.

#### ***Allowance for probable losses***

The Company provides an allowance for probable losses on input value-added-tax (VAT) based on amount recoverable from taxation authority. The allowance account is reviewed on an annual basis. An increase in the allowance for probable losses would increase the recorded expenses and decrease current assets.

#### ***Estimated useful lives of property and equipment***

The useful life of each of the Company's property and equipment is estimated based on the period over which asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible; however that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any property and equipment would increase the recorded operating expenses and decrease noncurrent assets.

#### ***Deferred tax assets***

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced 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. Management expects future operations will generate sufficient taxable income that will allow all or part of the deferred tax assets to be utilized.

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#### 4. CASH AND CASH EQUIVALENT

The details of the account for the periods ended March 31, 2021 and 2020 are as follows:

	2021	2020
Cash (PHP)	703,378	902,610
Cash (USD)	67,995	71,162
Total	771,373	973,772

Petty cash fund was intended for transportation expenses, periodicals, notary, gasoline and other miscellaneous expenses.

Cash equivalents, if any, are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risk of change in value.

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#### 5. DUE FROM RELATED PARTY

The details of the account for the periods ended March 31, 2021 and 2020 are as follows:

	2021	2020
Due from related party	60,690,788	64,513,891
Total	60,690,788	64,513,891

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#### 6. INTEREST RECEIVABLES

The details of the account for the periods ended March 31, 2021 and 2020 are as follows:

	2021	2020
Interest receivables	10,586,290	8,851,841
Total	10,586,290	8,851,841

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#### 7. ADVANCES AND PREPAYMENTS

The details of the account for the periods ended March 31, 2021 and 2020 are as follows:

	2021	2020
Prepaid VAT	311,260	303,670
Advances to suppliers	~	190,285

Deferred tax credit	<b>657,875</b>	~
<b>Total</b>	<b>969,135</b>	493,956

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## 8. INVESTMENT IN SUBSIDIARIES

The details of the account for the periods ended March 31, 2021 and 2020 are as follows:

	2021	2020
Investment in subsidiary	<b>2,452,865</b>	2,633,816
<b>Total</b>	<b>2,452,865</b>	2,633,816

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## 9. ACCRUED AND OTHER PAYABLES

The details of the account for the periods ended March 31, 2021 and 2020 are as follows:

	2021	2020
Accrued expenses	<b>707,965</b>	734,434
Advances from suppliers	~	17,203
Due to government agencies	<b>8,250</b>	7,500
<b>Total</b>	<b>716,215</b>	759,137

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## 10. DUE TO A RELATED PARTY

The details of the account for the periods ended March 31, 2021 and 2020 are as follows:

	2021	2020
Advances from a related party - DGS (Parent)	<b>59,421,363</b>	61,763,240
<b>Total</b>	<b>59,421,363</b>	61,763,240

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## 11. INTEREST PAYABLE

The details of the account for the periods ended March 31, 2021 and 2020 are as follows:

	2021	2020
Interest payable	<b>8,005,910</b>	6,866,259
<b>Total</b>	<b>8,005,910</b>	6,866,259

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## 12. DEFERRED TAX LIABILITY

The details of the account for the periods ended March 31, 2021 and 2020 are as follows:

	2021	2020
Deferred taxes - net	43,578	43,578
Total	43,578	43,578

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## 13. RETAINED EARNINGS

The compositions of and movements in this account follow:

	2021	2020
Balance at April 1	(2,969,575)	(2,412,131)
Net profit	716,328	(557,444)
Prior period adjustment	(463,369)	-
Balance at March 31	(2,716,616)	(2,969,575)

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## 14. OPERATING EXPENSES

The details of the account for the periods ended March 31 are as follows:

	2021	2020
Professional fees	~	222,610
Director's fees	180,000	180,000
Audit fees	15,990	~
Insurance	~	170,557
Legal fees	147,400	~
Taxes and licenses	~	24,977
Bank charge	~	2,369
Total	343,390	600,513

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## 15. FINANCE INCOME

The details of the account for the periods ended March 31 are as follows:

	2021	2020
Interest income	2,347,863	3,820,700
Total	2,347,863	3,820,700

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**16. FINANCE COST**

The details of the account for the periods ended March 31 are as follows:

	2021	2020
Interest expense ( <i>note 16.1</i> )	656,864	2,912,735
Total	656,864	2,912,735

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**SUB NOTE: 16.1 RECONCILIATION OF FINANCE COST**

The details of the account for the periods ended March 31 are as follows:

	2021
Interest income	2,347,863
Reduced by 42%	42%
	986,102
Actual interest expense	1,642,966
Interest expense allowed by government	656,864

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The company can only claim 656,864 as interest expense in the financial statements as a rule by the Bureau of Internal Revenue (BIR) of the Philippines.

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**17. FOREIGN EXCHANGE LOSS - net**

The details of the account for the periods ended March 31 are as follows:

	2021	2020
Unrealized foreign exchange gain	(631,281)	1,699,849
Realized forex gain	-	(2,240)
Unrealized foreign exchange loss	-	(1,554,591)
Total	(631,281)	143,018

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**18. PROVISION FOR INCOME TAX**

PROVISION FOR INCOME TAX	2021	2020
Accounting profit	716,328	450,470
Income tax rate	30%	30%
<b>Provision for income tax</b>	<b>214,898</b>	135,141
Prior year tax credit	872,773	-
Tax paid for the year	-	1,007,914

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<b>Income tax benefit</b>	<b>(657,875)</b>	<b>(872,773)</b>
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## **19. EVENTS AFTER THE END OF THE REPORTING PERIOD**

There were no subsequent events that occurred between the balance sheet date and the date when the financial statements were authorized for issue.

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## **20 RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial and operating decisions.

There were no related party relationships or transactions nor any outstanding balances between the company and another party.