

RJ GLOBUS SOLUTIONS INC.

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

PHILIPPINE PESO

RJ GLOBUS SOLUTIONS INC.**STATEMENT OF FINANCIAL POSITION**

As of March 31, 2021 and 2020

In Philippine Peso

ASSETS	2021	2020
Current Assets		
Cash and cash equivalents <i>(note 4)</i>	8,267,826	5,512,383
Accounts receivable <i>(note 5)</i>	64,764,548	32,763,533
Prepayment and other current assets <i>(note 6)</i>	25,462,457	8,608,912
	98,494,831	46,884,828
Noncurrent Assets		
Property and equipment- net <i>(note 7)</i>	59,624,594	60,422,759
Other non-current assets <i>(note 8)</i>	16,888,080	30,588,701
	76,512,674	91,011,461
TOTAL ASSETS	175,007,505	137,896,289
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables <i>(note 9)</i>	43,623,428	36,548,896
	43,623,428	36,548,896
Noncurrent Liabilities		
Loans payable <i>(note 10)</i>	84,040,176	5,455,577
Other noncurrent liability <i>(note 11)</i>	11,207,046	2,805,475
	95,247,222	8,261,052
Equity		
Share capital	250,000	250,000
Retained earnings <i>(note 12)</i>	35,886,855	18,664,984
	36,136,855	18,914,984
TOTAL LIABILITIES AND EQUITY	175,007,505	63,724,931

See accompanying notes to financial statements

RJ GLOBUS SOLUTIONS INC.**STATEMENT OF PROFIT AND LOSS AND RETAINED EARNINGS**

For the periods ended March 31, 2021 and 2020

In Philippine Peso

	2021	2020
REVENUE <i>(note 13)</i>	652,849,029	411,462,989
COST OF SERVICE <i>(note 14)</i>	550,688,084	344,061,604
GROSS PROFIT	102,160,945	67,401,385
OTHER INCOME <i>(note 15)</i>	838,269	1,166,301
OPERATING EXPENSES <i>(note 16)</i>	64,033,291	47,860,851
OTHER EXPENSES <i>(note 17)</i>	5,951,412	8,778,747
FINANCE COST <i>(note 18)</i>	4,848,467	4,947,633
PROFIT (LOSS) BEFORE TAX	28,166,044	6,980,455
INCOME TAX EXPENSE (BENEFIT)	~	~
NET PROFIT	28,166,044	6,980,455
RETAINED EARNINGS, BEGINNING	18,664,984	18,669,191
PRIOR PERIOD ADJUSTMENT	(10,944,172)	(6,984,662)
RETAINED EARNINGS, ENDING	35,886,855	18,664,984

See accompanying notes to financial statements

RJ GLOBUS SOLUTIONS INC.**STATEMENT OF CHANGES IN EQUITY**

As of March 31, 2021 and December 31, 2020

In Philippine Peso

COMMON STOCK	2021	2020
Capital stock subscribed and paid	250,000	250,000
Additional paid-in capital (APIC)	~	~
Increase in capital stock by conversion of advances from stockholders to equity	~	-
	250,000	250,000
RETAINED EARNINGS <i>(Note 12)</i>		
Balance at April 1	18,664,984	18,669,191
Net Profit (Loss)	28,166,044	6,980,455
Adjustment	(10,944,172)	(6,984,662)
Balance at March 31	35,886,855	18,664,984
Appropriated retained earnings	15,000,000	15,000,000
Unappropriated retained earnings	20,886,855	3,664,984
TOTAL EQUITY	36,136,855	18,914,984

See accompanying notes to financial statements

RJ GLOBUS SOLUTIONS INC.
NOTES TO FINANCIAL STATEMENTS

In Philippine Peso

1. COMPANY INFORMATION

RJ GLOBUS SOLUTIONS INC. was incorporated and duly registered with the Securities and Exchange Commission (SEC) on March 30, 2012.

The primary purpose of the corporation is to engage in the business of BPO services and call center, inbound and outbound and data processing.

The Company's registered office address which is also its principal place of business is at 3/F Tower 1 Rockwell Business Center, Blk. 4 Meralco Compound, Ortigas Ave., Pasig City, Philippines

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 **RJ GLOBUS SOLUTIONS INC.** 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.

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.

4. CASH AND CASH EQUIVALENT

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

	2021	2020
Unionbank (PHP)	1,288,281	5,512,015
Unionbank 1 (USD)	8,870	368
Unionbank 2 (USD)	23	-
Citibank (CNY)	6,878,840	-
Petty cash fund	91,811	-
Total	8,267,826	5,512,383

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.

5. ACCOUNTS RECEIVABLES

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

	2021	2020
Accounts receivables	63,231,464	32,763,533
Other receivables	1,533,084	-
Total	64,764,548	32,763,533

6. ADVANCES AND PREPAYMENTS

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

	2021	2020
Accrued revenue	7,752,724	-
Advances to officers and employees	1,723,390	820,826
Advances to shareholder	1,804,213	-
Advances to related party (investment in subsidiaries)	521,600	521,600
Prepaid expenses/VAT	13,660,531	6,782,103
Prepaid tax - MCIT	-	484,384
Total	25,462,457	8,608,912

7. PROPERTY AND EQUIPMENT

The compositions of and movements in this account follow:

	2020	Addition	Disposal	2021
At Cost:				
Leasehold equipment	70,036,194	2,127,000	~	15,791,244
Furniture and fixture Communication equipment	13,664,244	1,571,600	~	56,282,534
Computer software	54,710,934	550,000	~	70,586,194
	~	~	-	-
	138,411,372	4,248,600	~	142,659,972
Accumulated Depreciation				
Leasehold equipment	9,354,086	866,485	~	10,220,571
Furniture and fixture Communication equipment	26,049,850	2,966,412	~	29,016,262
Computer software	40,187,085	3,611,459	~	43,798,544
	~	~	-	-
	75,591,021	7,444,356	~	83,035,377
Carrying Amount	62,820,351	(7,444,356)	~	59,624,595

8. OTHER NON-CURRENT ASSETS

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

	2021	2020
Refundable deposits	16,537,317	19,563,746
Deferred tax assets	350,763	~
Deferred charges - MCIT	~	11,024,956
Total	16,888,080	30,588,701

9. ACCOUNTS AND OTHER CURRENT LIABILITIES

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

	2021	2020
Accounts payable	6,066,523	16,637,394
Accrued expense	21,844,130	10,243,440
SSS/PHIC/HDMF payable	4,316,137	2,127,187
Accrued 13th month pay	6,808,473	4,366,461
Accrued 14th month pay	1,214,125	~

Withholding tax on compensation	2,712,908	2,087,311
Withholding tax expanded	656,062	-
Income Tax Payable	-	1,087,104
Other payables	5,070	-
Total	43,623,428	36,548,896

10. LOAN PAYABLE

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

	2021	2020
Loan payable - Datamatics	61,943,859	62,722,003
Loans payable - DGSE	22,096,317	31,770,000
Total	4,040,176	94,492,003

11. OTHER NONCURRENT LIABILITY

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

	2021	2020
Unearned revenue	3,691,396	2,805,475
Refundable deposits to client	7,515,650	5,455,577
Total	11,207,046	8,261,052

12. RETAINED EARNINGS

The compositions of and movements in this account follow:

	2021	2020
Balance at April 1	18,664,984	18,669,191
Net profit	28,166,044	6,980,455
Prior period adjustment	(10,944,172)	(6,984,662)
Balance at March 31	35,886,855	18,664,984

13. REVENUE

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

	2021	2020
Revenue from rental properties	652,849,029	411,462,989
Total	652,849,029	411,462,989

14. COST OF SERVICE

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

	2021	2020
Short-term employee benefits <i>(note 14.1)</i>	435,743,951	254,198,047
Rental	44,780,899	40,315,966
Communication, light and water	30,524,135	27,854,815
Depreciation	26,947,513	18,146,120
Association dues	3,868,785	3,546,656
Commission	8,822,801	-
Total	550,688,084	344,061,604

SUB Note: 14.1 SHORT TERM EMPLOYEE BENEFITS

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

	2021	2020
Salaries and wages	289,119,847	163,773,489
Allowance, and other de-minimis benefits	70,957,536	46,287,571
13th month and other bonuses	25,412,121	14,201,141
14th month and other bonuses	1,214,125	-
HMO, incentives and other training costs	27,647,462	16,697,370
SSS, PHIC and HDMF contribution	21,360,767	13,238,476
Total	435,711,858	254,198,047

15. OTHER INCOME

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

	2021	2020
Miscellaneous income	838,269	1,166,301
Total	838,269	1,166,301

16. OPERATING EXPENSES

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

	2021	2020
Short-term employee benefits <i>(note 16.1)</i>	39,738,611	26,236,445
Security services	3,791,946	3,956,585
Medical	1,788,866	2,044,573
Professional fees	1,452,213	1,448,054
Commission		1,999,569
Office supplies	1,177,480	1,096,322
Taxes and licenses	603,703	2,135,650
Fines and penalties	50,000	113,815
Bank charges	326,878	536,067
Transportation and travel	6,285,374	-
Repairs and maintenance	1,016,054	-
Meals and representation	1,388,755	175,242
Insurance	451,589	337,870
Recruitment	5,512,080	865,451
Miscellaneous	449,742	6,915,208
Total	64,033,291	47,860,851

SUB Note: 16.1 SHORT-TERM EMPLOYEE BENEFITS

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

	2021	2020
Salaries and wages	28,436,168	17,516,563
Allowance, and other de-minimis benefits	7,634,559	6,512,223
13th month and other bonuses	1,878,753	1,306,065
HMO, incentives and other training costs	440,382	-
SSS, PHIC and HDMF contribution	1,348,749	901,594
Total	39,738,611	26,236,445

17. OTHER EXPENSES

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

	2021	2020
Realized Forex Loss (Gain)	2,241,211	-
Provision for doubtful account	495,080	8,778,747
Loss on disposal of assets	855,316	-
Write-off of security deposits - OCC	2,359,805	-

Total	5,951,412	8,778,747
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18. FINANCE COST

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

	2021	2020
Interest expense	4,858,829	4,947,633
Interest income	(10,362)	-
Total	4,848,467	4,947,633

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.

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.