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AUDITED FINANCIAL  
STATEMENTS

**INTEGROSYS CORPORATION**

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FINANCIAL STATEMENTS

December 31, 2022 & 2021



# ROBELYN R. COLLADO

Certified Public Accountant

2510 GA Tower 2, Sierra Madre St.,  
Malamig, Mandaluyong City 1550

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## INDEPENDENT AUDITOR'S REPORT

The Shareholders and Board of Directors

**INTEGROSYS CORPORATION**

18F Philamlife Tower, 8767 Paseo de Roxas,  
Makati City

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

#### *Opinion*

I have audited the accompanying financial statements of **Integrosys Corporation**, (the "Company"), which comprise the statement of financial position as at December 31, 2022 and 2021 and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the year ended in accordance with Philippine Financial Reporting Standards (PFRS) for Small Entities.

#### *Basis for Opinion*

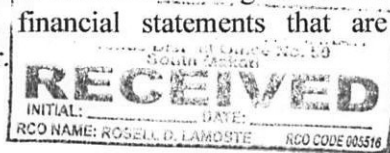
I conducted the audit in accordance with Philippine Standards on Auditing (PSAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report.

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 audits of the financial statements in the Philippines, and I have fulfilled 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.

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

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



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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.

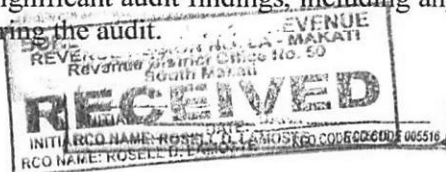
### *Auditor's Responsibilities for the Audit of the Financial Statements*

The objectives of my audit 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 auditor's report that includes my 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 my 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 my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of the auditor's 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 the audit.



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**Report on the Supplementary Information Required by the Bureau of Internal Revenue**

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and licenses in the Notes to Financial Statements is presented for purposes of filing with Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. 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.



**ROBELYN R. COLLADO**

T.I.N. 293-495-141-000

CPA License No. 0152064

BOA/PRC Reg. No. 7850

Valid until September 30, 2024

BIR Accreditation No. 07-100464-001-2017

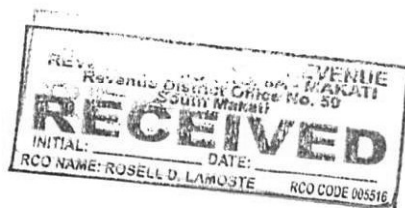
Issued on March 17, 2022

Valid until March 16, 2025

PTR No. 5203691

Issued on March 6, 2023

April 11, 2023  
Mandaluyong City



**MAY 02 2023**

# ROBELYN R. COLLADO

Certified Public Accountant

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## STATEMENT REQUIRED BY SECTION 8-A, REVENUE REGULATION NO. V-20

I have audited the financial statements of **Integrosys Corporation** for the year ended December 31, 2022, on which I have rendered the attached report dated April 11, 2023.

In compliance with Section 8-A, Revenue Regulation V-20, I am stating the following:

1. That the taxes paid or accrued by the above taxpayer for the year ended December 31, 2022 are shown in the schedule of taxes and licenses attached to the income tax return;
2. That I am not related by consanguinity or affinity to the Management and its owners; and
3. That I, as the External Auditor, have no financial interest to the taxpayer or any family relationships with its management.

  
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## INDEPENDENT AUDITOR'S REPORT TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Shareholders and Board of Directors  
**INTEGROSYS CORPORATION**  
18F Philamlife Tower, 8767 Paseo de Roxas,  
Makati City

I have audited the financial statements of **Integrosys Corporation** as at and for the year ended December 31, 2022, on which I have rendered my report dated April 11, 2023.

In compliance with Securities Regulation Code Rule 68, As Amended, and based on the certification received from the Company's corporate secretary and the results of my work done, I am stating that as at December 31, 2022, the said Company has five (5) shareholders owning more than one hundred (100) shares.

  
**ROBELYN R. COLLADO**

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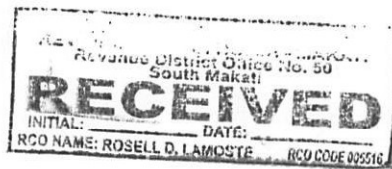
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**INTEGROSYS CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2022**

	2022	2021
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Note 4)	1,954,570	3,698,252
Receivables (Note 5)	44,500,373	39,203,571
Other Current Assets	-	2,370,822
<b>Total Current Assets</b>	<b>46,454,943</b>	<b>45,272,644</b>
<b>Non-current Assets</b>		
Deferred Tax Asset	463,090	-
	<b>463,090</b>	<b>-</b>
	<b>46,918,033</b>	<b>45,272,644</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts Payable and accrued expenses (Note 6)	24,315,293	24,645,579
Other Current Liabilities (Note 7)	2,916,584	3,355,547
<b>Total Current Liabilities</b>	<b>27,231,877</b>	<b>28,001,126</b>
<b>Noncurrent Liabilities</b>		
Deferred Revenue	5,911,066	5,171,174
<b>Total Noncurrent Liabilities</b>	<b>5,911,066</b>	<b>5,171,174</b>
<b>Equity</b>		
Share Capital (Note 8)	10,200,000	10,200,000
Retained Earnings	3,575,091	1,900,345
	<b>13,775,091</b>	<b>12,100,345</b>
	<b>46,918,033</b>	<b>45,272,644</b>

(The notes on pages 1 to 8 are an integral part of these financial statements)

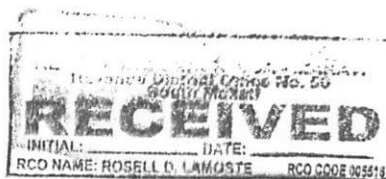


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**INTEGROSYS CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
For the year ended December 31, 2022

	2022	2021
REVENUE	12,115,196	17,459,764
DIRECT COST	4,179,519	14,672,991
GROSS PROFIT	7,935,677	2,786,773
OPERATING EXPENSES	3,980,907	1,485,538
INCOME (LOSS) FROM OPERATIONS	3,954,770	1,301,234
<b>OTHER INCOME (CHARGES)</b>		
Interest Income & Others	745	1,401
Forex gain (loss)	(1,398,054)	208,688
	(1,397,309)	210,089
INCOME (LOSS) BEFORE INCOME TAX	2,557,461	1,511,323
INCOME TAX EXPENSE	1,345,805	351,736
NET INCOME (LOSS) AFTER TAX	1,211,656	1,159,586

(The notes on pages 1 to 8 are an integral part of these financial statements)



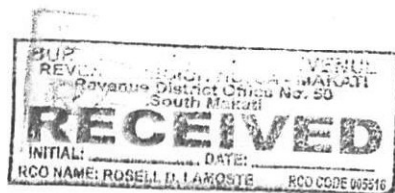
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**INTEGROSYS CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**For the year ended December 31, 2022**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income after income tax (loss)	1,211,656	1,159,586
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	-	-
Changes in assets and liabilities		
Decrease (Increase) in:		
Receivables	(5,296,801)	(6,379,639)
Other Current Assets	2,370,822	(1,695,750)
Increase (decrease) in:		
Accounts payable and accrued expenses	(330,286)	11,058,439
Other Current Liabilities	(438,964)	445,193
Deferred Revenue	739,892	(2,124,411)
<b>Net cash provided by operating activities</b>	<b>(1,743,682)</b>	<b>1,211,656</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net decrease (increase) in other assets	-	-
Office Furnitures & Equipment	-	-
<b>Net cash provided by (used in) investing activities</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends declared	-	-
Stockholder's Equity	-	-
Prior period Adjustment	-	(82,515)
<b>Net cash provided by (used in) financing activities</b>	<b>-</b>	<b>(82,515)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(1,743,682)</b>	<b>2,380,903</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>3,698,252</b>	<b>1,317,349</b>
<b>CASH AT END OF YEAR</b>	<b>1,954,570</b>	<b>3,698,252</b>

(The notes on pages 1 to 8 are an integral part of these financial statements)



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**INTEGROSYS CORPORATION**  
**STATEMENT OF CHANGES IN EQUITY**  
For the year ended December 31, 2022

	Share capital (Note 5)	Accumulated Income (Loss)	Total
Balance at January 1, 2021	10,200,000.00	823,274	9,629,797
Prior Period Adjustment		(82,515)	(82,515)
Total comprehensive loss for the period	-	1,159,586	1,159,586
<b>Balance at December 31, 2021</b>	<b>10,200,000</b>	<b>1,900,345</b>	<b>10,706,868</b>
Total comprehensive loss for the period	-	1,674,746	1,674,746
<b>Balance at December 31, 2022</b>	<b>10,200,000</b>	<b>3,575,091</b>	<b>12,381,615</b>

(The notes on pages 1 to 8 are an integral part of these financial statements)



MAY 02 2023

**INTEGROSYS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the period ended December 31, 2022**

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**1. CORPORATE INFORMATION**

INTEGROSYS CORPORATION (the “Company”) a wholly owned subsidiary of Integro Technologies Pte. Ltd , was incorporated under Philippine laws and registered with the Securities and Exchange Commission (SEC) on February 8, 2018 with registration number CS201800674. The Company is principally engaged in the business of information technology and information technology-enabled services including development, marketing, distribution and management of software application, packages, systems and modules and related technical consultancy and training services.

The Company’s registered office is located at 18F Philamlife Tower, 8767 Paseo de Roxas, Makati City

The financial statements of the Company as of and for the year ended December 31, 2022 (including the comparative reports for the year ended December 31, 2021) were approved and authorized for issuance by the Management on April 11, 2023.

**2. BASIS OF PREPARATION**

Statement of Compliance

The financial statements as at and for the year ended December 31, 2022 are prepared in accordance with the Philippine Financial Reporting Standard (PFRS) for Small Entities (the “Framework”) as approved by the Financial Reporting Standards Council, Board of Accountancy and SEC.

Basis of Measurement

The Company’s financial statements have been prepared under the historical cost convention.

Functional and Presentation Currency

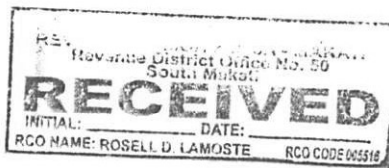
The financial statements are prepared in Philippine Peso, which is the presentation and functional currency of the Company. All financial information presented has been rounded off to the nearest peso unless otherwise stated.

Use of Estimates and Judgments

The preparation of the financial statements in conformity with PFRS for SEs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:



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## Critical Accounting Estimates and Assumptions

### *Useful lives of property and equipment*

The Company's management determines the estimated useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The Company annually reviews the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned.

### *Asset impairment*

The Company performs an impairment review when certain impairment indicators are present. Determining the fair value of property and equipment, which requires 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 property and equipment are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position 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. The Company considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the impairment of property and equipment.

## Critical Judgments in Applying Accounting Policies

### *Revenue recognition*

The Company's revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenues and receivables. Differences between the amounts initially recognized and actual settlements are taken up in the accounts upon reconciliation. However, there is no assurance that such use of estimates may not result in material adjustments in future periods.

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### **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

#### Cash

Cash includes cash on hand and in banks and are stated at face value. Cash in banks earns interest at the prevailing deposit interest rates.

#### Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at the transaction price. Subsequent to initial recognition, receivables are recognized and carried at amortized cost using the effective interest method, less any impairment losses.

Receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as noncurrent assets.

At the end of each reporting period, the carrying amounts of receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If there is objective evidence of impairment, an impairment loss is recognized immediately in profit or loss.

Receivables are derecognized only when the contractual rights to the cash flows from the financial asset have expired or are settled, or when the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset.

#### Prepayments

Prepayments are expenses paid in cash and recorded as assets before they are used or consumed, as the service or benefit will be received in the future. Prepayments expire and are recognized as expense either with the passage of time or through use or consumption.

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

#### Creditable Withholding Taxes

Creditable withholding taxes represent taxes withheld by the Company's customers in accordance with the tax regulations, which remained unutilized as of the end of the reporting period. These can be utilized by the Company as a deduction from future tax obligations or refunded from the BIR.

#### Input Value-Added Tax

Input value-added tax (VAT) is stated at historical cost less provision for impairment, if any. Provision for unrecoverable input VAT, if any, is maintained by the Company at a level considered adequate to provide for potential uncollectible portions of the input VAT. The Company, on a continuing basis, makes a review of the status of the account designed to identify those that may require provision for impairment losses.

#### Property and Equipment

Property and equipment are initially measured at cost. After initial recognition, all items of property and equipment are measured at cost less accumulated depreciation, and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The useful lives and depreciation methods are reviewed at each reporting date to ensure that the periods and methods of depreciation are consistent with the expected pattern of economic benefits from those assets.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation/amortization is made in respect of those assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and the related accumulated depreciation and amortization, and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal, which is the difference between the sales proceeds and the carrying amount of the asset, is recognized in profit or loss.

#### Trade and Other Payables

Trade and other payables are initially recognized at the transaction price including transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as noncurrent liabilities.

These financial liabilities are derecognized only when they are extinguished, when the obligation specified in the contract is discharged, cancelled or has expired. Any difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, are recognized in profit or loss.

#### Share Capital

Share capital is classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Equity instruments are measured at the fair value of the cash or other resources received or to be received, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

#### Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. The Company recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below. The Company bases its estimate of return on historical results, taking into consideration the type of customer; the type of transaction and the specifics of each arrangement.

#### *Rendering of Services*

Revenue on services rendered is recognized when earned. Where the outcome of the contract cannot be measured reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

#### *Interest Income*

Interest income is recognized as interest accrues using the effective interest method.

#### Cost and Expense Recognition

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Costs and expenses are recognized in profit or loss on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statements of financial position as an asset.

Costs and expenses in the statements of total comprehensive income are presented using the function of expense method. Cost of sales are expenses incurred that are associated with the services rendered and includes cost of goods sold and salaries and wages. Operating expenses are costs attributable to administrative and general activities of the Company.

## ***Impairment***

### **Financial Assets**

The Company assesses at each reporting period date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset and that loss event has an impact on the estimated future cash flows of the financial assets that can be reliably estimated.

#### ***Financial assets carried at amortized cost***

The Company first assesses whether objective evidence of impairment exists individually for receivables that are individually significant, and collectively for receivables that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses those for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the financial asset's original effective interest rate, i.e., the effective interest rate computed at initial recognition. The carrying amount of financial assets carried at amortized cost is reduced directly by the impairment loss.

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 shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. Reversals of impairment are recognized in profit or loss.

#### ***Non-Financial Assets***

The carrying amounts of the Company's non-financial assets such as property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of a non-financial asset is the greater of its fair value less costs to sell and its 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 an asset that does not generate cash inflows that are largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized. Reversals of impairment are recognized in profit or loss.

### Operating Leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership to the lessee. The Company, as a lessee, recognizes lease payments under operating leases (excluding costs for services such as insurance and maintenance) as an expense on a straight-line basis over the term of the lease unless either (a) another systematic basis is representative of the time pattern of the Company's benefit, even if the payments are not on that basis, or (b) the payments to the lessor are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost increases.

For income tax reporting purposes, expenses under operating lease arrangements are treated as deductible expenses in accordance with the terms of the lease agreement.

### Related Party Relationships and 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 shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

### Provisions and Contingencies

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation

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

Contingent liabilities are not recognized as liabilities but are disclosed in the financial statements unless the possibility of an outflow of resources is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

### Income Tax

Income tax expense for the year comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. The Company measures a current tax liability (asset) at the amount it expects to pay (recover) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and the carry forward benefits of unused net operating loss carry-over (NOLCO) and excess minimum corporate income tax (MCIT) over regular income tax. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against to which the asset can be utilized. A valuation allowance against deferred tax assets is recognized so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit. The net carrying amount of a deferred tax asset is reviewed at each reporting date and such valuation allowance is adjusted to reflect the current assessment of future taxable profits.

Deferred tax assets and deferred tax liabilities are offset if the Company has a legally enforceable right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.



#### Events after the Reporting Period

The Company identifies events after the end of the reporting period as those events, both favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue. The financial statements of the Company are adjusted to reflect those events that existed at the end of the reporting period. Non-adjusting events after the end of the reporting period are disclosed in the notes to the financial statements when material.

#### **4. CASH**

This account consists of:

		2022		2021
Cash on hand and in banks	P	1,954,570	P	3,698,252

#### **5. RECEIVABLES**

This account consists of:

		2022		2021
Trade receivable	P	24,105,363	P	24,044,110
Advances to related parties		18,634,243		14,249,087
Advances - Others		1,858,527		910,374
Net carrying December 31, 2017	P	44,598,133	P	39,203,571

#### **6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

This account consists of:

		2022		2021
Trade Payables	P	14,347,485	P	14,566,214
Accrued Expenses		9,967,807		10,079,364
	P	24,315,293	P	24,645,579

#### **7. OTHER CURRENT LIABILITIES**

This account consists of:

		2022		2021
Advances from employees	P	42,213	P	42,213
Advances from related parties		529,249		195,886
Deferred Output VAT		3,751,925		3,099,476
SSS/PHIC/HDMF Payable		22,658		17,974
	P	4,346,045	P	3,355,549

#### **8. SHARE CAPITAL**

The details fo the Company's share capital as at December 31, 2022 follow:

	Number of Shares	Amount
Authorized Common Shares @ P100 par value per share	102,000	10,200,000
Subscribed Common Shares	102,000	10,200,000
Paid up Common Shares	102,000	10,200,000

## 9. OPERATING EXPENSES

This account consists of:

		2022		2021
Professional Fees	P	1,297,677	P	1,169,011
Bank Fees		209,390		148,090
Rent		81,952		68,280
Taxes & Licenses		312,905		54,278
Dues and Subscriptions		32,985		27,464
Miscellaneous		13,916		6,254
Transportation and Travel		8,187		5,502
Insurance		3,434		3,421
Office Supplies		14,748		3,076
Penalties and Surcharges		1,438		162
Non deductible expense		2,004,275		-
	P	3,980,907	P	1,485,538

## 10. SUPPLEMENTARY INFORMATION REQUIRED BY BUREAU OF INTERNAL REVENUE

Presented below is the supplementary information which is required by the Bureau of Internal Revenue (BIR) under its existing revenue regulations to be disclosed as part of the notes to financial statements. This supplementary information is not required disclosure under PFRS for SE's.

### 11.1. Provision for RR 15-2010

The information on taxes, duties and licenses paid or accrued during the taxable year required under RR 15-2010 issued on November 25, 2010 are as follows:

1 The company is a Vat Registered with Vat Output declaration of P1,389,033.80 for the year.

2 The amount of VAT Input Taxes claimed are broken down as follows:

Beginning Input Vat	P	1,075,650
Current Years Purchases:		
Services Lodge under other accounts		145,140
Less: Claims for Tax Credit/Refund and Other Adjustment		(1,220,790)
<u>Balance at the end of the year</u>	P	-

		Paid		Accrued		Total
Withholding tax on compensation	P	824,127		-	P	824,127
Expanded withholding tax		8,098		-		8,098
	P	832,225		-	P	832,225

### 3 All other local and national taxes

Business Permit and Licenses	P	296,865
Annual BIR Registration		500
Others		15,540
	P	312,905

The above local and national taxes are lodged under Taxes and Licenses account in operating expenses.

11.2 On December 9, 2011, the BIR issued RR 19-2011 which prescribed the new form that will be used for income tax filing covering and starting with the periods ending December 31, 2011 and onwards. This recent RR requires schedules of taxable revenues and other non-operating income, cost of sales, and itemized deductions to be disclosed in the notes to financial statements.

The amount of taxable revenues, deductible cost of goods sold and deductible expenses presented in the succeeding paragraphs are based on relevant tax regulations issued by BIR, hence, may not be the same as the amounts reflected in the 2022 statement of income.

<b>Taxable Revenue</b>		
Revenue	P	12,115,196
<b>Deductible Expenses</b>		
Project Cost	P	4,179,519
	P	4,179,519
<b>Itemized Deduction</b>		
Professional Fees	P	1,297,677
Taxes & Licenses		312,905
Insurance		3,434
Rent		81,952
Transportation and Travel		8,187
Miscellaneous		13,916
Office Supplies		14,748
Bank Fees		209,390
Dues and Subscriptions		32,985
	P	1,975,194

The reconciliation of pretax income computed at the statutory income tax rate vis-à-vis the provision for income tax as shown in the Statement of Income is shown below:

<b>Profit or Loss before Tax</b>		2,557,461
<b>Add: Non-deductible Expenses</b>		
Unrealized Forex Loss	2,616,529	
Penalties and Surcharges	1,856,857	4,473,385
<b>Less: Non-taxable Income</b>		
Interest Income subjected fo Final Tax	745	
Unrealized Forex Gain	301,078	(301,823)
<b>Taxable Income (Loss)</b>		6,729,023

## 11. Related Party Transactions

*Related party relationships exist 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. This includes: (1) individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Company; (2) associates; and (3) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.*

Due from related parties represent Advances to/from related parties.

<b>Due to Related Parties</b>	<b>Nature of Transactions</b>	<b>Beginning Balance</b>	<b>Amount of Transactions</b>	<b>Outstanding Balance</b>
Advances to related parties	Advances	1,524,617	<b>17,109,626</b>	18,634,243
<b>Total</b>		<b>1,524,617</b>		<b>18,634,243</b>

## 12. Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)

On March 26, 2021, President Rodrigo R. Duterte signed Republic Act No. 11543 entitled "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE", which aims to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted, and performance-based.

The following are provisions in CREATE law which will not have an impact on the Company's financial statements

- Reduced RCIT rate effective July 1, 2020 as follows:
  - Domestic corporations shall be subject to the following reduced RCIT rates depending on their assets and
    - a. Those with assets amounting to P100,000,000 and below, excluding land, and with taxable income equivalent to P5,000,000 and below will be subjected to a 20% tax rate;
    - b. Those with assets above P100,000,000 or those with taxable income amounting to more than P5,000,000 will be subjected to a 25% tax rate.
  - Resident Foreign Corporations will have a reduced tax rate of 25%.
- Nonresident Foreign Corporation will have a reduced tax rate of 25% effective January 1, 2021.
- Reduced MCIT rate of 1% effective July 1, 2020 until June 30, 2023

Based on the Company's assessment the effect of changes in tax rates for the year 2020 brought about by CREATE