COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 0 7 1 0 7 9 5

Company Name

L U L U - P H I L S . I N T ' L E X C H A N G E ,
I N C .

Principal Office (No./Street/Barangay/City/Town)Province)

U N I T 1 0 0 6 O N E W O R L D P L A C E
C O N D O M I N I U M B L O C K 7 L O T 5 3 2 N D
S T R E E T B O N I F A C I O G L O B A L C I T Y
T A G U I G C I T Y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S	C R M D	N A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
sunil.kumar@ph.luluexchange.com	8 5 1 1 1 8 3 5	n/a

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
7	2-Jan	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Sunil Kumar	sunil.kumar@ph.luluexchange.com	511-1835	N/A

Contact Person's Address

Unit 1006 10th Floor One World Place, Bonifacio Global City, Taguig

Note *: 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/ or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

LuLu-Phils.
International
Exchange, Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **LULU FINANCIAL SERVICES (PHILS.) INC.** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2019 and 2018, in accordance with the Philippine Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements, and submits the same to the stockholders.

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

(Signature)
RICHARD M. WASON
Chairman of the Board

(Signature)
SURENDRAN AMITTATHODY
President

(Signature)
PRIMO ELEAZAR B. MALVAROSA
Treasurer

Signed this 10th day of June, 2020

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 - MAKATI
RECEIVED
JUN 30 2020

LuLu - Phils International Exchange Inc.
Unit 1006 One World Place Condominium
Block 7 Lot 5 32nd Street, Bonifacio Global City
Taguig City, Metro Manila Philippines 1634
Contact No.: 02-5111835

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
LULU-PHILS. INT'L EXCHANGE, INC.
Unit 1006 One World Place Condominium
Block 7, Lot 5, 32nd Street
Bonifacio Global City, Taguig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **LULU-PHILS. INT'L EXCHANGE, INC.** (the "Company"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 - MAKATI
Revenue District Office No. 044
RECEIVED
JUN 30 2020

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

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

- Obtain an understanding of internal control relevant to the audits 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 and 19-2011 in Notes 29 and 30, respectively, to the 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 the Management of **LULU-PHILS. INT'L EXCHANGE, INC.** The information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until October 10, 2021
SEC Group A Accredited
Accreditation No. 0153-FR-3
Valid until September 6, 2020
BSP Group B Accredited
Valid until 2021 audit period
BIR Accreditation No. 08-007679-001-2020
Valid from February 24, 2020 until February 24, 2023
IC Accreditation No. F-2019-004-R
Valid until October 1, 2022
CEZA Accredited
Valid until September 10, 2020

ROMEO A. DE JESUS, JR.
Managing Partner
CPA Certificate No. 86071
SEC Group B Accredited
Accreditation No. 1690-A
Valid until July 11, 2021
BIR Accreditation No. 08-004744-001-2018
Valid from February 12, 2018 until February 11, 2021
Tax Identification No. 109-227-897
IC Accreditation No. SP-2019-004-R
Valid until October 1, 2022
PTR No. 8125459
Issued on January 8, 2020 at Makati City

June 10, 2020

LULU-PHILS. INT'L EXCHANGE, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018
(In Philippine Peso)

	NOTES	2019	2018
ASSETS			
Current Assets			
Cash	6	**50,730,845**	110,454,012
Trade and other receivable	7	**336,418,944**	193,133,487
Prepayments and other current assets	8	**5,667,890**	1,813,941
		392,817,679	305,401,440
Non-current Assets			
Property and equipment – net	9	**134,833,520**	58,935,982
Deferred tax assets	22	**4,925**	4,925
Other non-current assets	10	**12,957,823**	4,077,428
		147,796,268	63,018,335
TOTAL ASSETS		**540,613,947**	368,419,775
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Current Liabilities			
Trade and other payables	11	**113,088,897**	88,790,386
Loans payable	13	**211,827,698**	121,087,951
Income tax payable		**1,348,241**	1,448
		326,264,836	209,879,785
Non-current Liabilities			
Loans payable – net of current portion	13	**67,137,527**	21,441,136
Deposit for future stock subscription	15	**389,500**	389,500
		67,527,027	21,830,636
TOTAL LIABILITIES		**393,791,863**	231,710,421
STOCKHOLDERS' EQUITY			
Capital Stock	14	**100,000,000**	100,000,000
Retained Earnings		**46,822,084**	36,709,354
TOTAL STOCKHOLDERS' EQUITY		**146,822,084**	136,709,354
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**540,613,947**	368,419,775

(See Notes to Financial Statements)

LULU-PHILS. INT'L EXCHANGE, INC.
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	NOTES	2019	2018
REVENUE	16	**138,666,991**	91,027,002
OTHER INCOME	17	**207,537**	373,599
		138,874,528	91,400,601
OPERATING EXPENSES	18	**84,840,051**	49,734,976
FINANCE COSTS	13	**16,775,796**	8,722,305
REALIZED FOREIGN EXCHANGE LOSS		-	1,907,761
PROFIT BEFORE TAX		**37,258,681**	31,035,559
INCOME TAX	21	**11,141,026**	9,474,791
PROFIT		**26,117,655**	21,560,768

(See Notes to Financial Statements)

LULU-PHILS. INT'L EXCHANGE INC.
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	Note	Capital Stock	Retained Earnings	Total
Balance at January 1, 2018		100,000,000	15,148,586	**115,148,586**
Profit			21,560,768	**21,560,768**
Balance at December 31, 2018	14	**100,000,000**	**36,709,354**	**136,709,354**
Dividends declared	14		(16,004,925)	**(16,004,925)**
Profit			26,117,655	**26,117,655**
Balance at December 31, 2019		**100,000,000**	**46,822,084**	**146,822,084**

(See Notes to Financial Statements)

BUREAU OF INTERNAL REVENUE
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JUN 3 0 2020

LULU-PHILS. INT'L EXCHANGE INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	NOTES	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**37,258,681**	31,035,559
Adjustments for:			
Finance cost	13	**16,775,796**	8,722,305
Depreciation	9,18	**6,321,420**	2,429,645
Finance income	6,17	**(207,537)**	(200,399)
Operating cash flows before changes in working capital		**60,148,360**	41,987,110
Increase in operating assets:			
Trade and other receivable		**(143,285,457)**	(60,193,599)
Prepayments and other current assets		**(3,015,619)**	(92,056)
Other non-current assets		**(8,880,395)**	(6,808,212)
Increase (Decrease) in trade and other payables		**24,298,511**	(46,229,957)
Cash used in operations		**(70,734,600)**	(71,336,714)
Income taxes paid		**(9,794,233)**	(11,164,750)
Payment of cash dividends declared	14	**(16,004,925)**	-
Net cash used in operating activities		**(96,533,758)**	(82,501,464)
CASH FLOWS FROM INVESTING ACTIVITIES			
Finance income received	6,17	**207,537**	200,399
Additions to property and equipment	9	**(83,057,288)**	(30,032,898)
Net cash used in investing activities		**(82,849,751)**	(29,832,499)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availment of loans	13	**183,575,862**	184,004,594
Finance cost paid	13	**(16,775,796)**	(8,722,305)
Repayment of loans	13	**(47,139,724)**	(41,559,573)
Net cash from financing activities		**119,660,342**	133,722,716
NET INCREASE (DECREASE) IN CASH		**(59,723,167)**	21,388,753
CASH AT BEGINNING OF YEAR		**110,454,012**	89,065,259
CASH AT END OF YEAR		**50,730,845**	110,454,012

(See Notes to Financial Statements)

LULU-PHILS. INT'L EXCHANGE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

1. CORPORATE INFORMATION

Lulu-Phils. Int'l Exchange, Inc. was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 9, 2007. On August 9, 2011, the Company amended its business name from Al Ahlia Financial (Phils.) Inc. to Lulu-Phils. Int'l. Exchange, Inc. The principal activities of the Company are to engage in the business of fund transfer and remittance services from overseas to the Philippines, of any form or kind of currencies or monies, either by electronic, telegraphic or any other mode or form of transfer. And in relation thereto, act as a foreign exchange dealer or engage in the business of buying and/ or selling of foreign currencies, in accordance with law and prevailing Bangko Sentral ng Pilipinas (BSP) rules and regulations. Provided, that the foreign exchange currency transactions of the Company shall be limited to ordinary money changing activity of 'spot' foreign currency transactions. Provided further, that the Company shall not engage in the business of being a commodity swaps, broker or otherwise engage in financial derivatives activities such as foreign currency swaps, forwards, options or engage similar instruments as defined under the BSP Circular No. 102, series of 1995.

The Company is 90% owned by Lulu Exchange Holdings Ltd (the "Parent"), an entity incorporated and domiciled in United Arab Emirates, 9.90% owned by Lulu International Exchange LLC, an entity incorporated and domiciled in United Arab Emirates and the rest is owned by Filipino individuals.

At a meeting held on December 13, 2018, the Board of Directors and Stockholders approved the amendment of Company's Articles of Incorporation to change the Company's name from Lulu-Phils. Int'l Exchange, Inc. to Lulu Financial Services (Phils.), Inc. doing business under the name and style of "Lulu Money". Application for name change was approved by SEC and BSP on November 25, 2019 and January 6, 2020, respectively.

On February 14, 2019, the Company received from Bangko Sentral ng Pilipinas (BSP) a license to operate as an Electronic Money Issuer- Others (EMI-Others).

On August 28, 2019, the Company received from BSP an endorsement letter to SEC to amend the Company's Article of Incorporation, to include new business of engaging in cross-border transfer of physical currencies.

The Company's registered office address is located at Unit 1006 One World Place Condominium, Block 7 Lot 5, 32nd St., Bonifacio Global City, Taguig City.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Philippine Financial Reporting Standards Council (FRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRS). The term "PFRS" in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the FRSC and adopted by SEC.

These new and revised PFRS prescribe new accounting recognition, measurement and disclosure requirements applicable to the Company. When applicable, the adoption of the new standards was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

2.01 New and Revised PFRSs Applied with No Material Effect on the Financial Statements

The following new and revised PFRSs have also been adopted in these financial statements. The application of these new and revised PFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- PFRS 16, *Leases*

  PFRS 16 'Leases' replaces PAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting PFRS 16 being recognized in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

  Introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

  On the other hand, it substantially carries forward the lessor accounting requirements in PAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

  PFRS 16 is effective for annual periods beginning on or after January 1, 2019.

  The Company's leases are classified as short-term and low-value assets, and was accounted for using the practical expedients. The details are disclosed in Note 20.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendment clarifies that the exclusion of PFRS 9 applies only to interests a company accounts using the equity method. A company applies PFRS 9 to other interests in associates and joint venture, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

  The amendments are effective for annual periods beginning on or after January 1, 2019 and shall be applied retrospectively.

- Amendments to PFRS 9, Prepayment Features with Negative Compensation

  This amends the existing requirements in PFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

  The sign of prepayment amount is not relevant (i.e. this is depending on the interest rate prevailing at the time of termination), a payment may also be made in favor of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

  The amendments are effective for annual periods beginning or after January 1, 2019 and shall be applied retrospectively.

- Amendments to PAS 19, *Plan Amendment, Curtailment or Settlement*

  The amendments require that if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the period after the remeasurement shall be determined using the assumptions used for the remeasurement. It clarifies the effect of a plan amendment, curtailment or settlement on the requirements regarding asset ceiling.

  The amendments are effective for annual periods beginning on or after January 1, 2019.

- Annual Improvements to PFRSs 2015 - 2017 Cycle

  <u>Amendments to PFRS 3 and PFRS 11 - Previously held interest in a joint operation</u> – The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interest in that business. The amendments to PFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interest in that business.

  <u>Amendments to PAS 12 - Income tax consequences of payments on financial instruments classified as equity</u> – The amendments clarify that the requirements in the former paragraph 52B (to recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognized) apply to all income tax consequences of dividends by moving the paragraph away from 52A that deals only with situations where there are different tax rates for distributed and undistributed profits.

  <u>Amendments to PAS 23 - Borrowing costs eligible for capitalization</u> – The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

  The amendments are effective beginning on or after January 1, 2019.

- Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments

  It clarifies the accounting for uncertainties in income taxes. An entity is required to use judgment to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty.

  An entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

  An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2019.

2.02 New and Revised PFRSs in Issue but Not Yet Effective

The Company will adopt the following standards and interpretations enumerated below when they become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS, to have significant impact on the financial statements.

2.02.01 Standard Adopted by FRSC and Approved by the Board of Accountancy (BOA)

- PFRS 17, *Insurance Contracts*

  PFRS 17 sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. It requires an entity that issues insurance contracts to report them on the balance sheet as the total of the fulfilment cash flows and the contractual service margin. It requires an entity to provide information that distinguishes two ways insurers earn profits from insurance contracts: the insurance service result and the financial result. It requires an entity to report as insurance revenue the amount charged for insurance coverage when it is earned, rather than when the entity receives premium. It requires that insurance revenue to exclude the deposits that represent the investment of the policyholder, rather than an amount charged for services. Similarly, it requires the entity to present deposit repayments as settlements of liabilities rather than as insurance expense.

  PFRS 17 is effective for annual periods beginning on or after January 1, 2021. Early application is permitted for entities that apply PFRS 9 Financial Instruments and PFRS 15 Revenue from Contracts with Customers on or before the date of initial application of PFRS 17.

  An entity shall apply PFRS 17 retrospectively unless impracticable, except that an entity is not required to present the quantitative information required by paragraph 28(f) of PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and an entity shall not apply the option in paragraph B115 for periods before the date of initial application of PFRS 17. If, and only if, it is impracticable, an entity shall apply either the modified retrospective approach or the fair value approach.

- Amendments to PFRS 3, Definition of a Business

  The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. It narrows the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing reference to an ability to reduce costs. It adds guidance and illustrative examples to help entities assess whether a substantive process has been acquired. It removes the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. It adds an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  The amendments are effective beginning on or after January 1, 2020. Earlier application is permitted.

- Amendments to PAS 1 and PAS 8, *Definition of Material*

  The definition of material has been amended as follows: information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

  The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

2.02.02 Deferred

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments clarify the treatment of the sale or contribution of assets between an investor and its associate and joint venture. This requires an investor in its financial statements to recognize in full the gains and losses arising from the sale or contribution of assets that constitute a business while recognize partial gains and losses if the assets do not constitute a business (i.e. up to the extent only of unrelated investor share).

  On January 13, 2016, the FRSC decided to postpone the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

3.01 Statement of Compliance

The financial statements of the Company have been prepared in accordance with PFRS and are under the historical cost convention, except for certain financial instruments that are carried at amortized cost.

3.02 Functional and Presentation Currency

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

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

3.03 Current and Non-current Presentation

The Company classifies an asset as current when:

- It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- It holds the asset primarily for the purpose of trading;
- It expects to realize the asset within twelve (12) months after the reporting period; or
- The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

The Company classifies all other assets as non-current.

The Company classifies a liability as current when:

- It expects to settle the liability in its normal operating cycle;
- It holds the liability primarily for the purpose of trading;
- The liability is due to be settled within twelve (12) months after the reporting period; or
- It does not have an unconditional right to defer settlement of the liability for at least twelve (12) months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.01 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value the Company takes into consideration the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement assumes that the transaction to sell the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. In addition, it assumes that the transaction takes place either: (a) in the principal market; or (b) in the absence of a principal market, in the most advantageous market.

The Company considers the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement assumes that a financial or non-financial liability or an entity's own equity instruments (e.g. equity interests issued as consideration in a business combination) is transferred to a market participant at the measurement date. The transfer of a liability or an entity's own equity instrument assumes the following:

- A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date.
- An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient date are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

4.02 Financial Assets

4.02.01 Initial Recognition and Measurement

The Company recognizes a financial asset in its statements of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Except for trade receivables that do not have a significant financing component, at initial recognition, the Company measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset,

At initial recognition, the Company measures trade receivables that do not have a significant financing component at their transaction price.

4.02.02 Classification

- Financial Asset at Amortized Cost

  A financial asset shall be measured at amortized cost if both of the following conditions are met:

  - the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  The Company's financial assets at amortized cost include cash, trade and other receivable and rental deposits.

a. *Cash*

   Cash includes cash on hand and in banks. Cash on hand is stated at face value while cash deposits are held at call with bank that are subject to insignificant risk of change in value. This shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

b. *Trade and Other Receivable*

   Trade and other receivable that have fixed or determinable payments that is not quoted in an active market are classified as 'receivables'. Trade and other receivable is measured at amortized cost using the effective interest method, less any impairment. Finance income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

c. *Rental deposits*

   Rental deposits pertain to the amounts paid to lessor as guarantee for any damage that may have caused to the leased property. This will be returned once the lease is terminated.

   The Company has neither financial asset measured at fair value through profit or loss nor financial asset measured at fair value through other comprehensive income.

The Company does not have financial assets measured at fair value through other comprehensive income and through profit or loss in both years.

4.02.03 Reclassification

When, and only when, the Company changes its business model for managing financial assets it shall reclassify all affected financial assets in accordance with Note 4.02.02. If the Company reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. The Company shall not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

4.02.04 Effective Interest Method

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets and financial assets that are not purchased or originated credit-impaired but subsequently have become credit-impaired.

4.02.05 Impairment

The Company measures expected losses of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable assumption that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Company adopted only simplified and general approach in accounting for impairment.

➢ Simplified Approach

The Company always measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables. The Company determines that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the counterparty;
- A breach of contract, such as a default or past due event;
- The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; and

It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

- General Approach

  The Company applies general approach to its financial assets. At each reporting date, the Company measures the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. However, if the credit risk has not increased significantly, the Company measures the loss allowance equal to 12-month expected credit losses.

  To assess whether there has been a significant increase in credit risk, the Company considers macro-economic factors such as interest, currency and inflation rates, the geographical location of the counterparty, the status of counterparties' industry and other available information that can be obtained without undue cost or effort.

  The Company determines that there has been a significant increase in credit risk when there is a significant decline in the above factors.

  The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition because the financial instrument is determined to have low credit risk at the reporting date.

  The Company did not apply the 30 days past due rebuttable presumption because the Company determines that there has been significant increases in credit risk before contractual payments are more than 30 days past due.

  If the Company has measured the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date, that the credit quality improves (i.e. there is no longer a significant increase in credit risk since initial recognition), then the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

  The Company recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

  The Company performs the assessment of significant increases in credit risk on a collective basis.

  The Company determines that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

  - Significant financial difficulty of the counterparty;
  - A breach of contract, such as a default or past due event;
  - The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; and
  - It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

The Company applied the general approach to cash in banks and rental deposits.

4.02.06 Derecognition

The Company derecognizes a financial asset when, and only when the contractual rights to the cash flows of the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition. The difference between the carrying amount and the consideration received is recognized in profit or loss.

4.03 Prepayments and Other Current Assets

4.03.01 Prepayments

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

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

4.03.02 Advances to Contractors

Advances to contractors pertains to the amount paid in advance by the Company to its contractors for the performance of construction services. This will be applied over the completion of the project. Upon completion of project, advances to contractors will be reclassified under property and equipment.

4.03.03 Withholding tax

Withholding tax pertains to the overpayment of income tax withheld by the Company as a withholding agent. Initially, amount is measured at cost and are classified under current assets. Subsequently, this may be claimed as either tax credit or tax refund. However, this amount is not creditable against income tax due.

4.04 Property and Equipment

Property and equipment are initially measured at cost. The cost of property and equipment consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Subsequent to initial recognition, property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the property and equipment when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

Condominium units	20 years
Transportation equipment	10 years
Office furniture, fixtures and equipment	3 to 10 years

Leasehold improvements are depreciated over the shorter between the improvements' useful life of three (3) years or the lease term.

The property and equipment's useful lives, residual values, and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Properties in the course of construction for administrative purposes, such as branch offices, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of a property and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

4.05 Derivative Financial Instruments

The Company enters into a variety of derivative financial instruments to manage its foreign exchange rate risk.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than twelve (12) months and it is not expected to be realized or settled within twelve (12) months. Other derivatives are presented as current assets or current liabilities.

4.05.01 Forward Contracts

Forward contract is a derivative financial contract between a buyer and a seller in which the buyer has the right and obligation to buy a specified asset on a specified future date and at a specified price.

The seller is also under an obligation to perform as per the terms of the contract. The underlying asset can be a stock, a commodity, or a bond. The basis of the Company in valuing its forward contract transactions is Market Rate, which is the current or prevailing average exchange rate in the financial market for the foreign currency to be traded.

Forward contract is initially recognized at fair value using market rate at the date a forward contract is entered. Subsequently, it will be measured to its fair value at the end of each reporting period and at value date which pertains to completion of the contract. Resulting unrealized gain or loss is recognized in profit or loss at the end of each reporting period, while realization of gain or loss is recognized in profit or loss at value date.

In both years, the Company has no foreign currency forward contracts.

4.05.02 Swap Contracts

Swap contract is a derivative financial contract where two parties exchange financial instruments. Specifically, two counterparties agree to exchange one stream of cash flows against another stream. These streams are called the legs of the swap. The swap agreement defines the dates when the cash flows are to be paid and the way they are accrued and calculated. When a contract for swap is initiated, at least one of the series of cash flows is determined by an uncertain variable such as a floating interest rate, foreign exchange rate, equity price or commodity price.

The cash flows on swap contracts are calculated over a notional principal amount and the contract can be used to hedge certain risks such as interest rate risk or to speculate on changes in the expected direction of underlying prices.

Most swaps are traded over-the-counter (OTC).

4.06 Impairment of Assets

At each reporting date, the Company assesses whether there is any indication that any assets other than deferred tax assets and basic financial assets that are within the scope of PFRS 9, *Financial Instruments*, may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

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

4.07 Borrowing Costs

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

4.08 Financial Liability

4.08.01 Initial Recognition and Measurement

The Company recognizes a financial liability in its statements of financial position when, and only when, the Company becomes party to the contractual provisions of the instrument.

Except for trade payables that do not have a significant financing component, at initial recognition, the Company measures a financial liability at its fair value minus, in the case of financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the liability.

4.08.02 Classification

The Company classifies all financial liabilities as subsequently measured at amortized, except for:

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in a business combination.

The Company's financial liabilities include trade and other payables (except due to government agencies), loans payable and deposit for future stock subscription.

The Company does not have financial liabilities measured at fair value through profit or loss.

4.08.03 Deposit for Future Stock Subscription

Deposit for future stock subscription is defined as a subscription agreement which, among other things, states that the Company is not contractually obliged to return the consideration received and that the Company is obliged to deliver fixed number of own shares of stock for a fixed amount of cash or property paid or to be paid by the contracting party.

Deposit for future stock subscription is classified as equity if all the conditions required for such recognition have been met as of the end of the reporting period otherwise, if not, classified as liability.

Deposit for future stock subscription is classified as equity when all of the following conditions are met as of the end of the reporting date:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- There is Board of Directors' approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- There is stockholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been presented for filing or has been filed with the Commission.

4.08.04 Derecognition

The Company removes a financial liability (or part of a financial liability) from its statements of financial position when, and only when, it is extinguished (i.e. when the obligation in the contract is discharged or cancelled or expires).

4.09 Equity Instruments

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

Ordinary shares are classified as equity.

4.10 Employee Benefits

4.10.01 Short-term Benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Company to its employees include salaries, wages and allowances, staff welfare, fringe benefits and SSS, Philhealth and HDMF contributions.

4.11 Provisions

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

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

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

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

4.12 Revenue Recognition

The Company recognizes revenue when (or as) the Company satisfies a performance obligation by transferring a promised service to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

4.12.01 Performance Obligations Satisfied Over Time

The Company derives its revenue from charging of service fees on every transfer of funds between customers from one location to another discounts, and buying and selling of dollars at specific rates. The Company transfers control of a service over time and, therefore, satisfies a performance obligation and recognizes revenue over time when the customer simultaneously receives and consumes the benefits provided by the Company's performance.

4.12.02 Revenue outside the scope of PFRS 15

Principal versus Agent Considerations

The Company should determine whether it is a principal or an agent in a transaction though the nature of its promise in a performance obligation.

The Company determines whether the nature of its promise is a performance obligation to provide a specified service itself (i.e. the Company is a principal) or to arrange for the other party to provide those services (i.e. the Company is an agent).

The Company is a principal if it controls a promised service before it transfers the service to a customer. It recognizes revenue in the gross amount of consideration to which it expects to be entitled in exchange for those services transferred.

The Company is an agent if its performance obligation is to arrange for the provision of services by another party. It recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its services.

4.12.03 Finance Income

Finance income is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Finance income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4.13 Expense Recognition

Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Company.

The Company recognizes expenses in the statements of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

4.14 Leases

4.14.01 Accounting policy applicable from January 1, 2019

4.14.01.01 The Company as a Lessee

For any new contracts entered into on or after January 1, 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Company assesses whether the contract meets three (3) key evaluations which are whether:

a. the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;

b. the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

c. the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The Company has elected to account for short-term leases and low-value assets using the practical expedients. Instead of recognizing an ROU asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

4.14.02 Accounting policy applicable before January 1, 2019

4.14.02.01 The Company as a Lessee

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

4.15 Foreign Currency Transactions

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency, i.e. foreign currencies, are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences are recognized in profit or loss in the period in which they arise.

4.16 Related Parties and Related Party Transactions

A related party is a person or entity that is related to Company that is preparing its financial statements. A person or a close member of that person's family is related to Company if that person has control or joint control over Company, has significant influence over the Company, or is a member of the key management personnel of the Company or of a parent of the Company.

An entity is related to the Company if any of the following conditions applies:

- The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

- The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- The entity is controlled or jointly controlled by a person identified above.
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- Management entity providing key management personnel services to a reporting entity.

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Company and include that person's children and spouse or domestic partner; children of that person's spouse or domestic partner; and dependents of that person or that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

4.17 Taxation

Income tax expense represents the sum of current and deferred taxes.

4.17.01 Current Tax

The current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4.17.02 Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction that affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

4.17.03 Current and Deferred Taxes for the Period

Current and deferred taxes are recognized as expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss, whether in other comprehensive income or directly in equity, in which case the tax is also recognized outside profit or loss.

4.18 Events after the Reporting Period

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

4.19 Changes in Accounting Policies

The adoption of the new and revised standards and as disclosed in Note 2.01 was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Company's accounting policies, which are disclosed in Note 4, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5.01 Critical Judgments in Applying Accounting Policies

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

5.01.01 Functional Currency

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency, i.e. foreign currencies, are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences arising on non-monetary assets and liabilities where the gains and losses of such non-monetary items are recognized directly in equity; and
- exchange differences on transactions entered into in order to hedge certain foreign currency risks.

The Company is engaged in money changing business and money remittance to and from the Philippines through its related parties and partners abroad, which are denominated in foreign currencies. Nevertheless, Management believes that the Philippine Peso is the currency of the primary economic environment in which the Company operates since its transactions related to operations particularly with the trading of foreign currencies, aside from advances from its related parties, are in Philippine Peso. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine Peso.

5.01.02 Assessment of Principal-Agency Arrangement

Commission income includes only the gross inflows of economic benefits received and receivable by the entity on its own account. Amounts collected on behalf of third parties such as sales taxes, goods and services taxes and value added taxes are not economic benefits which flow to the entity and do not result in increases in equity. Therefore, they are excluded from commission income. The Company is in an agency relationship where the gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result in increases in equity for the entity. The amounts collected on behalf of the principal are not revenue. Instead, revenue is the amount of commission income.

In 2019 and 2018, the Company assessed that it is acting as an agent and recognized commission income from agency relationship amounting to ₱38,024,141 and ₱36,976,354, respectively, as disclosed in Note 16.

5.01.03 Assessment of Contractual Terms of a Financial Asset

The Company determines whether the contractual terms of a financial asset give rise on a specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. In making its judgments, the Company considers whether the cash flows before and after the changes in timing or in the amount of payments represent only payments of principal and interest on the principal amount outstanding.

Management assessed that the contractual terms of its financial assets are solely payments of principal and interest and consistent with the basic lending arrangement. As of December 31, 2019 and 2018, the Company's financial assets aggregately amounted to ₱187,779,430 and ₱213,577,367, respectively, as disclosed in Note 24.02.

5.01.04 Determining whether or not a Contract Contains a Lease

For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from PAS 17 and IFRIC 4 and has not applied PFRS 16 to arrangements that were previously not identified as lease under PAS 17 and IFRIC 4.

In both years, Management assessed that lease agreements qualify as a lease since the contract contain an identified asset, the Company has the right to obtain substantially all of the economic benefits, and the Company has right to direct the use of the identified asset throughout the period of use.

5.01.05 Assessment of Timing of Satisfaction of Performance Obligations

An entity satisfies a performance obligation by transferring control of a promised good or service to the customer, which could occur over time or at a point in time.

Management assessed that performance obligation is satisfied at a point in time since the Company recognized service fee as it performs delivery of remittances progressed for beneficiaries. The Company derives its revenue from commission fees and realized gain on every transfers of funds between customers from one location to another and currency exchange, respectively.

In 2019 and 2018, the Company's revenue amounted to ₱138,666,991 and ₱91,027,002, respectively, as disclosed in Note 16.

5.01.06 Assessment of the Transaction Price and the Amounts Allocated to Performance Obligations

A performance obligation is a vendor's promise to transfer a good or service that is 'distinct' from other goods and services identified in the contract.

Management assessed that the allocation of transaction price to performance obligations is not applicable since the only obligation identified is charging of service fees against beneficiaries for amount of money remitted and currency exchange.

5.01.07 Assessment of 30 days Rebuttable Presumption

An entity determines when a past due occurs on its financial assets based on the credit management practice of the entity.

Management believes that the 30 days rebuttable presumption on determining whether financial assets are past due is not applicable since based on Company's historical experience credit risk has not increased significantly even if collections are more than 30 days past due.

5.01.08 Assessment of 90 days Rebuttable Presumption

An entity determines when a default occurs on its financial assets based on the credit management practice of the entity.

Management believes that the 90 days rebuttable presumption on determining whether financial assets are credit impaired is not applicable since based on the Company's historical experience past due amounts even over 90 days are still collectible.

5.02 Key Sources of Estimation Uncertainties

The following are the key assumptions concerning the future and other key sources of estimation uncertainties at the end of the reporting periods that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5.02.01 Estimating Expected Credit Losses of Financial Assets

The Company evaluates the expected credit losses related to its financial assets based on an individual assessment and available facts and circumstances, including, but not limited to historical experience, current and forecast .

Credit risk on cash in banks is minimal because the Company transacts only to banks with investment grade credit rating and that are rated based on BSP ranking. The Company's cash is being maintained in several universal banks including two of the largest namely Banco De Oro (BDO) and Metropolitan Trust and Banking Corporation (MBTC) in the Philippines in terms of assets and capital. Also, deposits made to these banks are covered by an insurance coverage with a maximum amount of ₱500,000 per depositor. In view of these foregoing factors, Management determines that expected credit loss is nil.

The Company's trade and other receivable is mainly composed of amounts receivable from related parties due to the nature of the operations of the Company as a foreign exchange facility. These receivables are collected within seven (7) days from the time of the transaction and any difference on the amount is caused by volatility in foreign currency exchange rates.

In both years, Management believes that the collectability of trade and other receivable is certain; hence, no allowance for expected credit losses was established. Moreover, Management did not recognize provision on credit losses on its rental deposits since it is considered immaterial. As of December 31, 2019 and 2018, the aggregate carrying amounts of the aforementioned financial assets are ₱187,779,430 and ₱213,577,367, respectively, as disclosed in Notes 6,7,8 and 10.

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

The residual values, useful lives and depreciation method of the Company's property and equipment are reviewed at least annually, and adjusted prospectively, if appropriate, if there is an indication of a significant change in how an asset is used; significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date. The useful lives of the Company's property and equipment are estimated based on the period over which the property and equipment are expected to be available for use. In determining the useful life of property and equipment, the Company considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Company's property and equipment. In addition, the estimation of the useful lives is based on Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase the recognized operating expenses and decrease non-current assets. The Company uses a depreciation method that reflects the pattern in which it expects to consume the property and equipment's future economic benefits. If there is an indication that there has been a significant change in the pattern used by which the Company expects to consume property and equipment's future economic benefits, the Company shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern.

In both years, Management assessed that there are no indications of any change in pattern used by the Company in consuming its property and equipment's future economic benefits. As of December 31, 2019 and 2018, the carrying amounts of property and equipment are ₱134,833,520 and ₱58,097,652, respectively, as disclosed Note 9.

5.02.03 Asset Impairment

The Company performs an impairment review when certain impairment indicators are present. Determining the fair value of prepayments and other current assets (except rental deposits), property and equipment and other non-current assets (except rental deposits), which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that property, plant and equipment, investments and intangible assets associated with an acquired business is impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgments 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.

In both years, Management assessed that no indication of impairment had existed on its prepayments and other current assets (except rental deposits), property and equipment and other non-current assets (except rental deposits). As of December 31, 2019 and 2018, the carrying amounts of the aforementioned assets are ₱151,669,524 and ₱63,327,813, respectively, as disclosed Notes 8, 9 and 10.

5.02.04 Deferred Tax Assets

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

In both years, Management believes that the Company will be able to generate future taxable profit to allow its entire deferred tax assets to be utilized prior to expiration. In both years, deferred tax assets recognized by the Company amounted to ₱4,925, as disclosed in Note 22.

5.02.05 Post-employment Benefits

The determination of the retirement benefit obligation and cost is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rates, mortality of plan members and rates of compensation increase. In accordance with PFRS, actual results that differ from the assumptions and the effects of changes in actuarial assumptions are recognized directly as remeasurements in other comprehensive income. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

The Company has no qualified employees who have met the minimum length of service of at least five (5) years in the Company in accordance with the provisioning requirements of Republic Act No. 7641.

6. CASH

For the purpose of the statements of cash flows, cash include cash on hand and cash in banks.

Cash at the end of each reporting period as shown in the statements of cash flows can be reconciled to the related items in the statements of financial position as follows:

	2019	2018
Cash on hand	**₱ 201,160,068**	₱ 91,509,670
Cash in banks	**(150,429,223)**	18,944,342
	₱ 50,730,845	₱ 110,454,012

During the year the Company's bank partners has over remittance totaling to ₱180,087,248. However, the amount was subsequently paid the Company.

Cash in banks earn interest at floating rates based on daily bank deposits' rates. Finance income earned on bank deposits' amounted to ₱207,537 and ₱200,399 in 2019 and 2018, respectively, as disclosed in Note 17.

7. TRADE AND OTHER RECEIVABLE

The Company's trade and other receivable consist of:

		2019		2018
Trade	₱	**336,124,469**	₱	192,652,012
Other receivable		**294,475**		481,475
	₱	**336,418,944**	₱	193,133,487

Trade receivable pertains to the amount collectible from remittance partners and related parties in performing remittance obligations to beneficiaries. The average collection period on trade receivables is seven (7) days or one (1) week. No interest is charged on trade receivables.

In determining the recoverability of trade receivable, the Company considers any change in the credit quality of trade receivables from the date the credit was initially granted up to the reporting date. In both years, Management carried out a review on the collectability of its financial assets and decided not to recognize provision on credit losses based on the analysis of the counterparties' current financial position, historical behaviour of remittance partners and the qualitative characteristics that affect the futuristic value of the financial assets. Amount included in the account is due from related parties as of December 31, 2019 and 2018 amounting to ₱273,005,999 and ₱152,804,247, respectively, as disclosed in Note 12.

Other receivable arise from a 2017 compromise agreement with a former employee for a civil liability amounting to ₱731,475. The accused initially paid ₱200,000 while the balance is payable in the amount of ₱25,000 per month for thirty (30) months starting January 1, 2018.

8. PREPAYMENTS AND OTHER CURRENT ASSETS

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

		2019		2018
Prepayments	₱	**769,452**	₱	550,230
Withholding tax		**3,302,597**		-
Advances to contractors		**895,000**		625,000
Rental deposits (Note 20)		**700,841**		459,114
Input VAT		-		56,998
Advances to employees		-		122,599
	₱	**5,667,890**	₱	1,813,941

Prepayments include amounts paid in advance for legal and professional services.

Withholding tax pertains to final taxes withheld by the Company.

Advances to contractors pertain to the down payment for the booth construction in NAIA Terminal 3.

9. PROPERTY AND EQUIPMENT – net

The carrying amounts of the Company's property and equipment as of December 31, 2019 and 2018 are as follows:

	Office Furniture, Fixtures and Equipment	Condominium Units	Leasehold Improvements	Transportation Equipment	Construction-In-Progress	Total
January 1, 2018						
Cost	₱ 5,610,961	₱ 20,012,757	₱ 4,628,832	₱ 1,176,786	₱ -	₱ 31,429,336
Accumulated depreciation	(1,671,002)	-	(808,410)	(347,979)	-	(2,827,391)
Carrying amount	**3,939,959**	**20,012,757**	**3,820,422**	**828,807**	-	**28,601,945**
Movements during 2018						
Balance, January 1,2018	3,939,959	20,012,757	3,820,422	828,807	-	28,601,945
Additions	1,599,028	27,975,553	738,271	1,612,500	838,330	32,763,682
Depreciation (Note 18)	(1,255,555)	(525,802)	(500,470)	(147,818)	-	(2,429,645)
Balance, December 31, 2018	**4,283,432**	**47,462,508**	**4,058,223**	**2,293,489**	**838,330**	**58,935,982**
December 31, 2018						
Cost	7,209,989	47,988,310	5,367,103	2,789,286	838,330	64,193,018
Accumulated depreciation	(2,926,557)	(525,802)	(1,308,880)	(495,797)	-	(5,257,036)
Carrying amount	**4,283,432**	**47,462,508**	**4,058,223**	**2,293,489**	**838,330**	**58,935,982**
Movements during 2019						
Balance, January 1,2019	4,283,432	47,462,508	4,058,223	2,293,489	838,330	58,935,982
Additions	2,983,892	78,367,556	1,705,840	-	-	83,057,288
Reclassification	-	-	-	-	(838,330)	(838,330)
Depreciation (Note 18)	(1,517,833)	(3,942,358)	(582,300)	(278,929)	-	(6,321,420)
Balance, December 31, 2019	**5,749,491**	**121,887,706**	**5,181,763**	**2,014,560**	-	**134,833,520**
December 31, 2019						
Cost	10,193,881	126,355,866	7,072,943	2,789,286	-	146,411,976
Accumulated depreciation	(4,444,390)	(4,468,160)	(1,891,180)	(774,726)	-	(11,578,456)
Carrying amount	**₱ 5,749,491**	**₱ 121,887,706**	**₱ 5,181,763**	**₱ 2,014,560**	**₱ -**	**134,833,520**

During 2018, the Company entered into loan contract with a commercial bank to finance the purchase of additional transportation equipment with a total cost of ₱1,444,800, as disclosed in Note 13.

In 2019, the Company entered into a new loan agreement with a commercial bank to partially finance the Company's purchase of six (6) condominium units and eight (8) parking slots. The principal amount of loan is ₱65,727,000, as disclosed in Note 13.

Of the total additions during 2019 and 2018, ₱83,057,228 and ₱30,032,898 were paid in cash.

In both years, the Company has determined that there is no indication that an impairment has occurred on its property and equipment.

10. OTHER NON-CURRENT ASSETS

Below is the composition of the Company's other non-current assets:

		2019		2018
Deferred input VAT	₱	**11,868,955**	₱	3,037,004
Rental deposits (Note 20)		**1,088,868**		1,040,424
	₱	**12,957,823**	₱	4,077,428

Deferred input VAT arise from the purchase of condominium units and transportation equipment.

11. TRADE AND OTHER PAYABLES

The components of trade and other payables account are as follows:

		2019		2018
Trade	₱	**109,408,162**	₱	86,653,688
Accrued expenses		**2,007,694**		1,630,366
Due to government agencies		**1,673,041**		506,332
	₱	**113,088,897**	₱	88,790,386

Trade payables pertain to amounts due to banks and remittance centers to settle encashment transactions. The terms of the agreement provide, among others, that the Company shall remit the principal amount to the banks and remittance centers settlement accounts. The Company shall fund Lulu International Exchange LLC settlement account with amounts sufficient to cover the transactions. Included in the account is due to related parties as of December 31, 2019 and 2018 amounting to ₱40,768,924 and ₱80,385,374, respectively, as disclosed in Note 12.

The average credit period on trade payables is thirty (30) days. No interest is charged on default payment within the trade payables credit period. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

12. RELATED PARTY TRANSACTIONS

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

Related Parties	Nature of Relationship
Lulu Exchange Holdings Ltd (Parent)	Parent Company
Lulu International Exchange, LLC (Lulu UAE)	Under Common Control
Lulu Exchange Co. WLL – Qatar (Lulu Qatar)	Under Common Control
Trust Exchange Co. WLL – Qatar (Trust Qatar)	Under Common Control
Lulu Exchange Co. WLL – Kuwait (Lulu Kuwait)	Under Common Control
Asia Express Exchange – Oman (AEE Oman)	Under Common Control
Lulu International Exchange BSC – Bahrain (Lulu Bahrain)	Under Common Control
Lulu Exchange Seychelles (Lulu Seychelles)	Under Common Control
Lulu International Exchange (Lulu Hong Kong)	Under Common Control
Lulu International Exchange (Lulu Malaysia)	Under Common Control
Stockholders	Key management personnel

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

12.01 Trade Receivables

Balance of due from related parties included in trade receivables, as disclosed in Note 7, is summarized per related party as follows:

	2019	2018
Parent	**₱ 37,128,379**	₱ 46,342,379
Under Common Control		
Trust Qatar	**96,922,605**	63,273,650
Lulu Qatar	**53,570,800**	27,199,481
Lulu Hong Kong	**34,439,485**	-
Lulu UAE	**26,640,206**	-
Lulu Malaysia	**11,265,275**	937,324
Lulu Bahrain	**10,492,754**	9,875,780
Lulu Seychelles	**2,546,495**	732,131
Lulu Kuwait	-	4,443,502
	₱ 273,005,999	₱ 152,804,247

Trade receivable pertains to the amount collectible from remittance partners and related parties in performing remittance obligations to beneficiaries. The amounts outstanding are non-interest bearing, unsecured, due and demandable anytime and will be settled in cash. No guarantees have been received in relation to these balances. No provision was recognized in respect of the amount owed by related parties.

12.02 Trade Payables

Balance of due to related parties included in trade payables, as disclosed in Note 11, is summarized per related party as follows:

	2019	2018
Under Common Control		
Lulu Kuwait	₱ 26,255,973	₱ -
AEE Oman	14,512,951	14,376,352
Lulu UAE	-	45,035,253
Lulu Hongkong	-	20,973,769
	₱ 40,768,924	₱ 80,385,374

Trade payables pertain to amounts due to banks and remittance centers to settle the encashment transactions of the Company. The terms of the agreement provide, among others that the Company shall remit the principal amount to the banks' and remittance centers' settlement accounts. The Company shall fund Lulu International Exchange LLC's settlement account with amount sufficient to cover such transactions.

In 2016, the Company entered an agreement with the Parent to procure services for the costs incurred related to branding such as audit, human resource, compliance and advertisement which shall be fixed and valid for a period of twelve (12) months and shall remain in force until such date is mutually agreed upon. In 2019 and 2018, total marketing costs incurred amounted to ₱5,929,685 and ₱5,180,367, respectively, as disclosed in Note 18.

For the rest of the related party balances, the amounts outstanding are non-interest bearing, unsecured, due and demandable anytime and will be settled in cash. No guarantees have been given in relation to these balances.

12.03 Remuneration of Key Management Personnel

The Company did not provide remuneration to its key management personnel since this is being shouldered by its Parent Company.

12.04 Significant Contract Agreements

12.04.01 BPO Agreement

On November 1, 2016, the Company entered into an agreement with Lulu International Exchange LLC. to which the latter is engaged to carry out back office functions of the Company in UAE under a BPO model. The term of the loan is for one (1) year subject to automatic renewal.

Back office functions include back office supporting services such as accounting, reconciliation, compliance, IT related services, recruitment of manpower etc.

BPO service fee charged to the Company as part of 'Computer Network System' amounted to ₱26,223 and ₱1,750,438 in 2019 and 2018, respectively, as disclosed in Note 18.

12.04.02 Global Cost Sharing Agreement

On November 1, 2016, the Company entered into an agreement with Lulu International Exchange LLC. to which the latter is engaged to provide services with respect to branding: Audit, Compliance, HR and other support to the Company. These services are performed by the workforce of Lulu International Exchange LLC., which is domiciled and registered in UAE.

Global pay services charged to the Company as part of 'Advertising and Promotion' amounted to ₱1,653,155 and ₱3,178,651 in 2019 and 2018, respectively, as disclosed in Note 18.

13. LOANS PAYABLE

In 2018, the Company entered into a loan agreement with a commercial bank to finance the purchase of additional transportation equipment, as disclosed in Note 9. The principal amount of the loan is ₱1,444,800 and bear an annual interest rate of 9.75%. Principal repayments and the corresponding finance costs of the loans are paid monthly for five (5) years.

In 2019 and 2018, the Company made borrowings with Bank of Baroda, a foreign bank, to finance its working capital requirements for USD 2,110,000 or ₱108,954,500 and USD3,000,000 or ₱159,450,000, respectively, payable within a period of one (1) year. Interest is based on the sum of Margin and LIBOR prevailing on the date of relevant interest period.

In 2019, the Company entered into a new loan agreement with a commercial bank to partially finance the Company's purchase of six (6) condominium units and eight (8) parking slots, as disclosed in Note 9. The principal amount of loan is ₱65,727,000 and bears an annual interest rate 9.5%, payable monthly for five (5) years.

Movements of loans payable are as follows:

		2019		2018
Balance, beginning	₱	**142,529,087**	₱	84,066
Availments		**183,575,862**		184,004,594
Repayments		**(47,139,724)**		(41,559,573)
Balance, ending		**278,965,225**		142,529,087
Current portion		**(211,827,698)**		(121,087,951)
Net of current portion	₱	**67,137,527**	₱	21,441,136

Total finance costs incurred and paid in 2019 and 2018 amounted to ₱16,775,796 and ₱8,722,305, respectively.

As of reporting periods, the Company is compliant with the terms and conditions stated in the above loans. No asset is pledged as collateral to any of the loan.

14. CAPITAL STOCK

The capital stock of the Company is as follows:

	2019		2018	
	Shares	**Amount**	Shares	Amount
Authorized shares				
₱100 par value per share				
Balance, January 1	**1,000,000**	**₱ 100,000,000**	1,000,000	₱ 100,000,000
	1,000,000	**100,000,000**	1,000,000	100,000,000
Issued and fully paid				
Balance, January 1	**1,000,000**	**100,000,000**	1,000,000	100,000,000
Balance, December 31	**1,000,000**	**₱ 100,000,000**	1,000,000	₱ 100,000,000

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

14.01 Dividend Declaration

On August 1, 2019, the Board of Directors declared an aggregate cash dividend amounting to ₱16,000,000 or ₱16 for every share of common stock to be distributed to the Company's stockholders of record as of December 31, 2018. The dividends declared and the related issuance costs amounting to ₱4,925 were paid during the year.

15. DEPOSIT FOR FUTURE STOCK SUBSCRIPTION

This account pertains to cash received by the Company from its stockholders in 2017 amounting to ₱389,500 intended for future stock subscription.

The Company is not contractually obliged to return the consideration received but obliged to deliver a fixed number of its own equity instrument by converting these into capital stock.

The deposit for future stock subscription is presented as part of non-current liability under a separate line item in the statements of financial position since the Company has not met all the conditions required for recognition as part of equity as of the end of the reporting period.

In both years, the carrying amount of deposit for future stock subscription amounted to ₱389,500.

16. REVENUE

The Company's revenue are as follows:

		2019		2018
Realized foreign exchange gain	₱	**100,642,850**	₱	54,050,648
Commission income from money transfer and rebates		**38,024,141**		36,976,354
	₱	**138,666,991**	₱	91,027,002

Revenue from rendering of services encompasses revenue from commission, discounts, and buying and selling of foreign currencies at specific rates.

17. OTHER INCOME

The Company's other income are as follows:

		2019		2018
Finance income from deposits (Note 6)	₱	**207,537**	₱	200,399
Other		-		173,200
	₱	**207,537**	₱	373,599

Other pertains to overpayment returned from the purchase of condominium unit.

18. OPERATING EXPENSES

The account is composed of the following expenses:

	2019	2018
Salaries, wages and allowances (Note 19)	₱ 19,135,956	₱ 11,426,446
Computer network system	14,052,904	4,238,462
Taxes and licenses	8,800,061	4,538,284
Depreciation (Note 9)	6,321,420	2,429,645
Bank charges	5,951,037	554,257
Advertising and promotion	5,929,685	5,180,367
Transportation and travel	4,894,942	4,632,895
Professional fees	4,087,440	5,766,951
Communication, light and water	3,883,850	2,546,965
Rental (Note 20)	3,611,565	2,915,517
Printing	1,333,780	490,165
Office supplies	1,188,685	668,683
SSS, Philhealth and HDMF contributions (Note 19)	1,100,656	555,580
Staff welfare (Note 19)	810,206	681,959
Representation and entertainment	605,260	446,388
Insurance	586,809	459,964
Association dues	438,513	357,060
Fringe benefits (Note 19)	290,000	564,800
Repairs and maintenance	203,384	88,169
Recruitment expense	189,162	-
Fuel and oil	170,597	114,469
Fringe benefits tax	81,092	163,477
Trainings and seminars	73,638	21,395
Postage and courier	52,879	83,783
Membership and subscription	12,538	92,603
Penalties	-	664,811
Miscellaneous	1,033,992	51,881
	₱ 84,840,051	₱ 49,734,976

Computer network system pertain to Company's payments for I.T., outsourcing and support services. Out of the total amount, ₱26,223 and ₱1,750,438 in 2019 and 2018, is performed by the related party as disclosed in Note 12. The remaining was performed by a third party registered and domiciled in UAE.

Advertising and promotion includes global cost sharing fee amounting to ₱1,653,155 and ₱3,178,651 in 2019 and 2018, respectively, as disclosed in Note 12.

19. EMPLOYEE BENEFITS

19.01 Short-term Benefits

Short-term benefits as disclosed in Note 18 include the following:

		2019		2018
Salaries, wages and allowances	₱	**19,135,956**	₱	11,426,446
SSS, Philhealth and HDMF contributions		**1,100,656**		555,580
Staff welfare		**810,206**		681,959
Fringe benefits		**290,000**		564,800
	₱	**21,336,818**	₱	13,228,785

20. OPERATING LEASE AGREEMENTS

20.01 The Company as a Lessee

20.01.01 Office Space 1

Operating leases relate to lease of office spaces at Unit 1006, One World Place Condominium with lease term commencing on November 15, 2015 and ending on November 14, 2018 with an option to renew subject to mutual acceptable terms and conditions. The contract of lease contains an escalation rate of 5% every year, which will be effective starting on its second year.

In 2017, the Company leased two (2) parking slots at ₱4,000 each per month and coterminous with the contract of lease of the office unit. The Company reserves the right to request for additional parking slots in the building subject to availability.

In 2018, both parties agreed to extend the lease term for another three (3) years from November 15, 2018 to November 14, 2021 under the same applicable terms, considerations, and conditions of the original lease contract. Monthly rental of office space and parking slots are ₱152,222 and ₱9,261, both exclusive of VAT and subject to withholding tax. Five (5%) percent escalation rate shall start on the second year of the lease term.

Rent deposit on the lease of office spaces amounted to ₱1,088,868 and ₱1,040,424 as of December 31, 2019 and 2018, respectively, as disclosed in Note 10.

Rental expense amounted to ₱2,189,992 and ₱1,949,775 in 2019 and 2018, respectively, as disclosed in Note 18.

20.01.02 Office Space 2

Operating leases relate to lease of office spaces at Ermita, Manila with lease term of one (1) year from October 1, 2017 to September 30, 2018 , with an option to renew subject to mutual acceptable terms and conditions. The contract of lease contains an escalation rate of 5% upon renewal of the lease term.

In 2018, the Company signed a memorandum of agreement with the lessor for the extension of lease term for another year from October 1, 2018 to September 1, 2019.

Rent deposit on the lease of office spaces amounted to ₱71,429 and ₱134,632 as of December 31, 2019 and 2018, respectively, as disclosed in Note 8.

Rental expense amounted to ₱432,142 and ₱428,571 in 2019 and 2018, respectively, as disclosed in Note 18.

20.01.03 Office Space 3

Operating leases relate to lease of office spaces at Las Pinas with lease term of one (1) year, with an option to renew subject to mutual acceptable terms and conditions. The contract of lease contains an escalation rate of 5% upon renewal of the lease term.

Rent deposit on the lease of office spaces in both years amounted to ₱116,890, as disclosed in Note 8.

Rental expense amounted to ₱220,717 and ₱224,629 in 2019 and 2018, respectively, as disclosed in Note 18.

20.01.04 Office Space 4

Operating leases relate to lease of office spaces at NAIA Terminal 1 with lease terms of one (1) year, with an option to renew subject to mutual acceptable terms and conditions.

Rent deposit on the lease of office spaces amounted to ₱73,203 and ₱10,000 as of December 31, 2019 and 2018 as disclosed in Note 8.

Rental expense amounted to ₱228,500 and ₱238,800 in 2019 and 2018, respectively, as disclosed in Note 18.

20.01.05 Office Space 5

Operating leases relate to lease of office spaces at Clark International Airport Corporation with lease term of two (2) years, with an option to renew subject to the terms and conditions mutually acceptable to the parties.

Rent deposit on the lease of office spaces amounted to ₱277,619 and ₱197,592 as of December 31, 2019 and 2018, respectively, as disclosed in Note 8.

Rental expense amounted to ₱307,664 and ₱73,742 in 2019 and 2018, respectively, as disclosed in Notes 18.

20.01.06 Office Space 6

During 2019, the Company entered into another operating lease agreement related to lease of office spaces at NAIA Terminal 2 with lease terms of one (1) year, with an option to renew subject to mutual acceptable terms and conditions.

Rent deposit on the lease of office spaces amounted to ₱60,400 as of December 31, 2019 as disclosed in Note 8.

Rental expense in 2019 amounted to ₱34,300, as disclosed in Note 18.

20.01.07 Office Space 7

During 2019, the Company entered into another operating lease agreement related to lease of office spaces at NAIA Terminal 3 with lease terms of one (1) year, with an option to renew subject to mutual acceptable terms and conditions.

Rent deposit on the lease of office spaces amounted to ₱45,300 as of December 31, 2019 as disclosed in Note 8.

Rental expense in 2019 amounted to ₱198,250, as disclosed in Note 18.

Details of the operating lease agreements are summarized as follows:

		Rent Deposits (Notes 8 and 10)		Rent Expense (Note 18)
December 31, 2019				
Office Space 1 – Head Office	P	**1,088,868**	P	**2,189,992**
Office Space 2 – Ermita		**71,429**		**432,142**
Office Space 3 – Las Piñas		**116,890**		**220,717**
Office Space 4 – NAIA Terminal 1		**73,203**		**228,500**
Office Space 5 – Clark Airport		**277,619**		**307,664**
Office Space 6 – NAIA Terminal 2		**60,400**		**34,300**
Office Space 7 – NAIA Terminal 3		**45,300**		**198,250**
	P	**1,789,709**	P	**3,611,565**
December 31, 2018				
Office Space 1 – Head Office	P	1,040,424	P	1,949,775
Office Space 2 – Ermita		134,632		428,571
Office Space 3 – Las Piñas		116,890		224,629
Office Space 4 – NAIA Terminal 1		10,000		238,800
Office Space 5 – Clark Airport		197,592		73,742
	P	1,499,538	P	2,915,517

Current and non-current portion of security deposits, as disclosed in Notes 8 and 10, are shown below:

		2019		2018
Current	P	**700,841**	P	459,114
Non-current		**1,088,868**		1,040,424
	P	**1,789,709**	P	1,499,538

At reporting dates, the Company had outstanding commitments for future minimum lease payments under non-cancelable operating leases, which fall due as follows:

		2019		2018
Not later than one year	P	**2,293,091**	P	2,734,175
Later than one year but not later than five years		**2,093,692**		1,911,261
	P	**4,386,783**	P	4,645,436

21. INCOME TAXES

21.01 Income Tax Recognized in Profit or Loss

Components of income tax expense are as follows:

	2019	2018
Current tax expense	₱ 11,141,026	₱ 9,479,716
Deferred tax benefit	-	(4,925)
	₱ 11,141,026	₱ 9,474,791

A numerical reconciliation between tax expense and the product of accounting profit multiplied by the tax rates in 2019 and 2018 is as follows:

	2019	2018
Accounting profit	₱ 37,258,681	₱ 31,035,559
Tax expense at 30%	11,177,604	9,310,668
Tax effects of the following:		
Penalties	-	199,443
Non-deductible finance cost	25,683	24,800
Finance income subjected to final tax	(62,261)	(60,120)
	₱ 11,141,026	₱ 9,474,791

22. DEFERRED TAX

22.01 Deferred tax assets

The Company's deferred tax asset as of December 31, 2019 and 2018 from accrued rent amounted to ₱4,925 in both years.

23. FAIR VALUE MEASUREMENTS

23.01 Fair Value of Financial Assets and Liabilities

The carrying amounts and estimated fair values of the Company's financial assets and financial liabilities as of December 31, 2019 and 2018 are presented below:

	2019		2018	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets:				
Cash	P 50,730,845	P 50,730,845	P 110,454,012	P 110,454,012
Trade and other receivable	336,418,945	336,418,945	193,133,487	193,133,487
Rental deposits	1,789,709	1,789,709	1,499,538	1,499,538
	P 388,939,499	P 388,939,499	P 305,087,037	P 305,087,037
Financial Liabilities:				
Trade and other payables	P 111,415,856	P 111,415,856	P 88,284,054	P 88,284,054
Loans payable	278,965,224	278,965,224	142,529,087	142,529,087
Deposit for future stock subscription	389,500	389,500	389,500	389,500
	P 390,770,580	P 390,770,580	P 231,202,641	P 231,202,641

Due to the nature or demand feature of the Company's financial assets and liabilities, the carrying amounts of cash, trade receivables, rental deposits, trade and other payables (except for due to government agencies) and deposit for future stock subscription approximate their fair values.

Loans payable bear market interest rates; hence, Management believes that carrying amounts approximate their fair values.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's Corporate Treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk, including currency risk, fair value interest rate risk, credit risk and liquidity risk.

24.01 Market Risk Management

24.01.01 Foreign Currency Risk Management

The Company undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting periods are as follows:

	2019		2018	
	PHP	**USD**	PHP	USD
Monetary Assets				
Cash	**4,762,809**	**134,047**	7,907,363	149,977
Trade and other receivable	**266,107,437**	**5,238,335**	62,942,356	1,193,808
	270,870,246	**5,372,382**	70,849,719	1,343,785
Monetary Liability				
Trade and other payables	**100,511,181**	**1,978,567**	79,231,044	1,502,751

The Company is mainly exposed to US Dollar. The exchange rates used were ₱50.64 and ₱52.72 in 2019 and 2018, respectively.

The following table details the Company's sensitivity to a 1.04% and 1.13% for 2019 and 2018, respectively, increase in the Philippine Peso against the relevant foreign currencies. The sensitivity rates of 1.04% and 1.13% are used when reporting foreign currency risk internally to key management personnel and represents Management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 1.04% and 1.13% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Company where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit where the Philippine Peso strengthens 1.04% and 1.13% against the relevant currency. For a 1.04% and 1.13% weakening of the Philippine Peso against the relevant currency, there would be a comparable impact on the profit and the balances below would be negative.

		Monetary Asset	**Monetary Liabilities**	**Net Effect to Profit**	
	Change in assumption	**Increase/ (Decrease) in assumption**	**(Increase)/ Decrease in assumption**	**Increase in assumption**	**Decrease in assumption**
2019					
US Dollar	**1.04%**	**2,838,307/ (2,838,307)**	**(1,045,305)/ 1,045,305**	**1,793,002**	**(1,793,002)**
2018					
US Dollar	1.13%	801,079/ (801,079)	(895,844)/ 895,844	(94,765)	94,765

In Management's opinion, the sensitivity analysis is representative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year. The Company mitigates its exposure to foreign currency risk by monitoring its US Dollar cash flows.

24.01.02 Interest Rate Risk Management

The Company's exposure to interest rate risk arises from its cash deposits in banks which are subject to variable interest rates and loans which are subject to fixed interest rates.

Profits for the years ended December 31, 2019 and 2018 would have been unaffected since the Company has no borrowings at variable rates and interest rate risk exposure for its cash in banks, which is subject to variable rate, is immaterial.

24.02 Credit Risk Management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risks from cash in banks and trade and other receivable, all at amortised cost.

The Company considers the following policies to manage its credit risk:

➢ Cash in banks

The Company transacts only to banks with investment grade credit rating. This information is supplied by independent rating agencies. The Company uses other publicly available information such as annual report to monitor the financial status of the banks. The Company assesses the current and forecast information of the banking industry and the macro-economic factors such as GDP, interest, and inflation rates to determine the possible impact to banks.

➢ Trade receivables

Due from remittance partners

The Company transacts only with known and trusted remittance centers in the Philippines who have undergone credit investigation and compliance procedures. These remittance centers are regulated by the Bangko Sentral ng Pilipinas (BSP). The Company transacts with the largest remittance centers in the Philippines including Palawan Express Pera Padala, Cebuana Lhuillier Pera Padala and M Lhuillier Pera Padala. Advances are monitored on time-basis to ensure low probability of credit losses.

Due from related parties

The Company has adopted a policy on dealing only with creditworthy counterparty and those that are highly rated by credit-rating agencies established in their geographical areas. The Company collects information that are publicly available and can be obtained without undue cost or effort. The Company's risk management timely assess and evaluates the credit exposure related to receivables from these related parties.

The Company's financial assets recognized in the financial statements that represents its maximum credit risk are as follows:

	2019	2018
Cash in banks	**₱ (150,429,223)**	₱ 18,944,342
Trade and other receivable	**336,418,944**	193,133,487
Rental deposits	**1,789,709**	1,499,538
	₱ 187,779,430	₱ 213,577,367

The Company does not hold any collateral or other credit enhancements to cover this credit excluding the insurance coverage for all its cash in banks, advance funding policy for its remittance partners, equivalent to three (3) to seven (7) days of principal remittance value.

Expected Credit Loss (ECL)

The calculation of allowance for expected credit losses are based on the following three (3) components:

- Probability of Default (PD)

  PD is the likelihood over a specified period, usually one year that a client will not be able to make scheduled repayments. PD depends not only on the client's characteristics, but, also on the economic environment. PD may be estimated using historical data and statistical techniques.

- Loss Given Default (LGD)

  LGD is the amount of money a Company is exposed to when a client defaults on a contract. The most frequently used method to calculate this loss is by comparing the actual total losses and the total amount of potential exposure sustained at the time that a contract goes into default.

- Exposure at Default (ED)

  ED is the total value a Company is exposed to when loans default. It refers to the carrying amount of financial asset.

Below is the summary computation of allowance for expected credit losses in 2019:

	PD rate	**LGD rate**		**ED**		**ECL**
	a	**b**		**c**		**d=a*b*c**
Cash in banks	0%	0 to 93%	₱	**(150,429,223)**	₱	-
Trade and other receivables	0%	100%		**336,418,944**		-
Rental deposits	0%	100%		**1,789,709**		-
			₱	**187,779,430**	₱	-

Below is the summary computation of allowance for expected credit losses in 2018:

	PD rate	LGD rate		ED		ECL
	a	b		c		d=a*b*c
Cash in banks	0%	0 to 98%	₱	18,944,342	₱	-
Trade and other receivables	0%	100%		193,133,487		-
Rental deposits	0%	100%		1,499,538		-
			₱	213,577,367	₱	-

Cash in Banks

The Company has made an assessment on determination of expected credit loss based on the following factors:

- **Credit Risk**. With respect to placements of cash with financial institutions, these institutions are subject to investment grade credit-rating by independent rating agencies. In addition, the Company's deposit accounts in banks are insured by the Philippine Deposit Insurance Corporation up to ₱500,000 per bank.
- **Liquidity Risk**. The Company maintains an adequate amount of cash available for any unforeseen interruption of its cash collections. The Company also maintains accounts with different commercial banks to avoid significant concentration of funds with one (1) institution.

The Company estimated the probability of default to be nil due to the above factors.

Loss given default rate is calculated by taking into consideration the amount of insured deposit and estimated it to be 0.00% to 93% and 0.00% to 98% in 2019 and 2018, respectively.

Exposure at default is equal to the gross carrying amount of cash in banks.

Trade Receivables

The Company determined the probability of default rate by considering the following: the schedule of trade receivables for the past five years; the nature of business and industry classification of the Company's clients; the past, current, and forecast performance of each client's industry; and the past, current, and forecast macro-economic factors that may affect the Company's clients. The Company estimated the probability of default to be nil for most of its clients.

Rental Deposits

The Company determined the probability of default rate by considering the credit ratings, credit history and forecast of macro-economic factors affecting the industry. The PD rate is estimated to be nil.

Loss given default rate is 100% because the Company expects to lose the whole amount in case of default.

The table below shows the credit quality by class of financial assets of the Company:

Neither Past Due nor Impaired		
		High Grade
December 31, 2019		
Cash in banks	**₱**	**(150,429,223)**
Trade and other receivable		**336,418,945**
Rental deposits		**1,789,709**
	₱	**187,779,431**
December 31, 2018		
Cash in banks	₱	18,944,342
Trade and other receivable		193,133,487
Rental deposits		1,499,538
	₱	213,577,367

The credit quality of the financial assets is determined as follows:

Trade and Other Receivables

- High grade – These are receivables from counterparties with no default in payment.
- Medium grade – These are receivables from counterparties with up to three (3) defaults in payment.
- Low grade – These are receivables from counterparties with more than three (3) defaults in payment.

24.03 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining appropriate level of liquidity, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following table details the Company's expected maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Weighted Average Effective Interest Rate	On Demand	Within 1 Year	1 – 5 Years	Total
December 31, 2019					
Trade and other payables	-	₱ 40,768,924	₱ 70,646,932	₱ -	₱ 111,415,856
Loans payable	12.85%	-	211,827,698	67,137,527	278,965,221
Deposit for future stock subscription	-	-	-	389,500	389,500
		₱ 40,768,924	₱ 282,474,630	₱ 67,527,027	₱ 390,770,581
December 31, 2018					
Trade and other payables	-	₱ 80,385,374	₱ 7,898,680	₱ -	₱ 88,284,054
Loans payable	12.85%	-	121,087,951	21,441,136	142,529,087
Deposit for future stock subscription	-	-	-	389,500	389,500
		₱ 80,385,374	₱ 128,986,631	₱ 21,830,636	₱ 231,202,641

The following table details the Company's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Weighted Average Effective Interest Rate	On Demand	Within 1 Year	1 – 5 Years	Total
December 31, 2019					
Cash	Floating rates	₱ 50,730,845	₱ -	₱ -	₱ 50,730,845
Trade and other receivable	-	273,005,999	63,412,945	-	336,418,945
Rental deposits	-	-	700,840	1,088,869	1,789,709
		₱ 323,736,844	₱ 64,113,785	₱ 1,088,869	₱ 388,939,499
December 31, 2018					
Cash	Floating rates	₱ 110,454,012	₱ -	₱ -	₱ 110,454,012
Trade and other receivable	-	152,804,247	40,329,240	-	193,133,487
Rental deposits	-	-	459,114	1,040,424	1,499,538
		₱ 263,258,259	₱ 40,788,354	₱ 1,040,424	₱ 305,087,037

25. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company manages its capital to ensure that the Company will be able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2018.

The capital structure of the Company consists of net debt total liabilities offset by cash and bank balances and equity of the Company (comprising capital stock and retained earnings).

Pursuant to Section 42 of the Revised Corporation Code of the Philippines, Stock corporations are prohibited from retaining surplus profits in excess of one hundred (100%) percent of their paid-in capital stock, except: (1) when justified by definite corporate expansion projects or programs approved by the board of directors; or (2) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its/his consent, and such consent has not yet been secured; or (3) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is need for special reserve for probable contingencies. As of December 31, 2019, the Company is compliant with the above requirement.

Consistently with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as 'equity' as shown in the statements of financial position. The Company has a target gearing ratio of 1:1 determined as the proportion of net debt to equity.

The gearing ratio at end of the reporting periods is as follows:

	2019	2018
Debt	**₱ 394,648,135**	₱ 231,710,421
Cash	**50,730,845**	110,454,012
Net debt	**343,917,290**	121,256,409
Equity	**146,822,084**	136,709,354
Debt to equity ratio	**2.34:1**	0.89:1

Net debt is defined as total liabilities less cash, while equity includes capital and all retained earnings of the Company that are managed as capital.

26. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities is as follows:

	2019	2018
Balance, January 1	₱ 142,918,587	₱ 473,566
Availments of loans		
Bank of Baroda	117,193,376	159,450,000
Bank of the Philippine Islands	65,727,000	-
Metropolitan Trust and Banking Corporation	-	23,109,794
Security Bank of the Philippines	-	1,444,800
Repayments of loans		
Bank of Baroda	(29,462,960)	(40,498,578)
Bank of the Philippine Islands	(14,248,428)	
Metropolitan Trust and Banking Corporation	(3,062,108)	(1,004,189)
Security Bank of the Philippines	(366,228)	(56,806)
Finance cost	(16,775,796)	(8,722,305)
Balance, December 31	₱ 261,923,443	₱ 134,196,282

27. EVENTS AFTER REPORTING PERIOD

Subsequent to the end of the reporting period, the Company and other Philippine businesses, and abroad, have been significantly exposed to the risks and uncertainties brought about by the outbreak of the new coronavirus disease, COVID-19, which Management has determined, to unfavorably impact the health, safety, logistics and productivity of its employees, and to adversely affect, the current and potentially the future operations of the Company.

The financial impact of COVID-19 in the Company's operations, and ultimately in its financial statements, is not yet clearly determinable as the current COVID-19 condition rapidly develops. However, the Company's management does not expect risks to liquidity and going-concern issues and ensures business continuity.

Relative to this, the Company has implemented strict measures, including protocols mandated by the Philippine Government, to mitigate the risks involved and alleviate the impact of COVID-19 to the Company's financial condition and status of operations.

28. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issuance by the Board of Directors on June 10, 2020.

29. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION NO. 15-2010

The Bureau of Internal Revenue (BIR) released a revenue regulation dated November 25, 2010 amending Revenue Regulation No. 21-2002 setting forth additional disclosures on Notes to Financial Statements. Below are the disclosures required by the said Regulation:

29.01 Taxes and Licenses Paid or Accrued

The details of the Company's taxes and licenses fees paid or accrued in 2019 are as follows:

29.01.01 Output VAT

The Company is VAT-registered with VAT output declaration of ₱4,562,597 for the year based on the vatable amount of commission and rebate income.

29.01.02 Percentage tax

The Company has percentage tax declaration of ₱7,045,000 for the year based on the amount of income from foreign exchange transactions.

29.01.03 Input VAT

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

Balance, January 1	₱	744,881
Current year's domestic purchases/payments for:		
Capital goods exceeding one (1) million		8,832,139
Domestic purchases other than capital goods		308,203
Purchase of services lodged under various accounts		1,388,945
Total available input VAT		**11,274,168**
Applied against output tax		(1,697,148)
		9,577,020
Deferred input VAT		(1,547,587)
Balance, December 31	**₱**	**8,029,433**

29.01.04 Other Taxes and Licenses

An analysis on the Company's other taxes and licenses and permit fees paid or accrued during the year is as follows:

Permit fees	₱	835,923
Real estate tax		320,771
Residence or community tax		18
Others		970,915
	₱	**2,127,627**

29.01.05 Withholding Taxes

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

Withholding tax on compensation and benefits	P	769,247
Expanded withholding taxes		551,396
Fringe benefit tax		81,092
	P	**1,401,735**

Expanded withholding taxes consist of taxes withheld on purchases of goods and services, professional fees, rent and directors' fee.

30. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION NO. 19-2011

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

30.01 Revenues

The analyses of the Company's revenues for the taxable year is as follows:

Realized foreign exchange gain	P	100,642,850
Commission income from money transfer and rebates		38,024,141
	P	**138,666,991**

30.02 Itemized Deductions

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

Salaries and wages	₱	19,135,956
Finance cost		16,690,186
Computer network system		14,052,904
Taxes and licenses		8,800,061
Depreciation		6,321,420
Bank charges		5,951,037
Advertising and promotion		5,929,685
Transportation and travel		4,894,942
Professional fees		4,087,440
Communication, light and water		3,883,850
Rental		3,611,565
Printing		1,333,780
Office supplies		1,188,685
SSS, PHIC and HDMF contribution		1,100,656
Staff welfare		810,206
Representation and entertainment		605,260
Insurance		586,809
Association dues		438,513
Fringe benefits		290,000
Repairs and maintenance		203,384
Recruitment expense		189,162
Fuel and oil		170,597
Fringe benefit taxes		81,092
Trainings and seminars		73,638
Postage and courier		52,879
Membership and subscription		12,538
Miscellaneous		1,033,992
	₱	**101,530,237**

RSBA R.S. BERNALDO & ASSOCIATES PKF

SUPPLEMENTAL INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
LULU-PHILS. INT'L EXCHANGE, INC.
Unit 1006 One World Place Condominium
Block 7, Lot 5, 32nd Street
Bonifacio Global City, Taguig City

We have audited the financial statements of **LULU-PHILS. INT'L EXCHANGE, INC.** for the years ended December 31, 2019 and 2018 which we have rendered the attached report dated June 10, 2020.

In compliance with Revenue Regulation V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the above Company has a total number of two (2) stockholders owning one hundred (100) or more shares each.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until October 10, 2021
SEC Group A Accredited
Accreditation No. 0153-FR-3
Valid until September 6, 2020
BSP Group B Accredited
Valid until 2021 audit period
BIR Accreditation No. 08-007679-001-2020
Valid from February 24, 2020 until February 24, 2023
IC Accreditation No. F-2019-004-R
Valid until October 1, 2022
CEZA Accredited
Valid until September 10, 2020

ROMEO A. DE JESUS, JR.
Managing Partner
CPA Certificate No. 86071
SEC Group B Accredited
Accreditation No. 1690-A
Valid until July 11, 2021
BIR Accreditation No. 08-004744-001-2018
Valid from February 12, 2018 until February 11, 2021
Tax Identification No. 109-227-897
IC Accreditation No. SP-2019-004-R
Valid until October 1, 2022
PTR No. 8125459
Issued on January 8, 2020 at Makati City

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 - MAKATI
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June 10, 2020