



# VAMO LENDING INC. STATEMENT OF COMPREHENSIVE INCOME

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For the 10-month Period Ended December 31, 2020

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# Cover sheet for audited financial statements

SEC Registration number	CS 20200000915
Company Name	Vamo Lending Inc.
Principal office	Unit 10A Net Lima, 5 <sup>th</sup> Avenue corner 26 <sup>th</sup> Street, E-square, Crescent Park West, Bonifacio Global City, Taguig City
Form type	AAFS
Department requiring the report	CRMD
Secondary License Type, If Applicable	NA

## Company information

Company's email Address	deniss.serstjukovs@viasmsgroup.com
Mobile number	09178818902
No. of Stockholders	6
Annual Meeting (Month/Day)	March 20
Financial Year (Month/Day)	12/31

## Contact person information

The designated person MUST be an Officer of the Corporation

Name of Contact Person	Clarence Alcordo
Email Address	clarence@enterpriseph.co
Telephone Number/s	(02) 3224-5681
Mobile Number	09178818902
Contact Person's address	Level 10-1 Fort Legend Tower, 31 <sup>st</sup> Street & 3 <sup>rd</sup> Avenue, Bonifacio Global City, Taguig City, Philippines 1634

**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.

**Note 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.

# Statement of management responsibility for financial statements

The Management of VAMO LENDING INC. (the Company), is responsible for the preparation and fair presentation of the financial statement including the schedules attached therein, as of and for the 10-month period ended December 31, 2020, in accordance with the prescribed financial reporting framework indicated therein, 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.

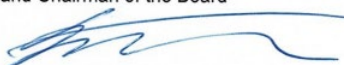
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or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

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

The Board of Directors reviews and approved the financial statements including the schedules attached therein, and submits the same to the stockholders.

Quinsay, Radam and Co., the independent auditor appointed by the stockholders as of and for the 10-month period ended December 31, 2020, has audited the financial statements of the Company in accordance with the 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.

**DENISS SERSTJUKOVS**  
President and Chairman of the Board



**CLARENCE ALCORDO**  
Treasurer



Signed this 9th of April, 2021.



**Quinsay, Radam and Co.**  
Certified Public Accountants  
• Audit • Tax • Consulting

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Expectations"*

## REPORT OF INDEPENDENT AUDITOR

### To the Stockholders and Board of Directors

VAMO LENDING INC.

Unit 10A Net Lima, 5<sup>th</sup> Ave. corner 26<sup>th</sup> Street, E-Square, Crescent Park West,  
Bonifacio Global City, Taguig City

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of VAMO LENDING INC. (the Company), which comprise the statement of financial position as at December 31, 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the 10-month period 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, 2020, and its financial performance and its cash flows for the 10-month period then ended in accordance with Philippine Financial Reporting Standards (PFRS).

#### *Basis for Opinion*

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, 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.



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

#### ***Auditor's 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 auditor's 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 audit. 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 audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.





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**Report on Other Legal and Regulatory Requirements**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required by the Bureau of Internal Revenue on taxes and licenses disclosed in notes to the financial statements is presented for purposes of additional analysis and is not a required part of financial statements prepared in accordance with PFRS. Such supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

QUINSAY, RADAM AND CO.

TIN 007-894-264-000

BOA Accreditation No. 6006 effective until August 6, 2023

SEC Accreditation No. 0329-FR-1 (Group C) effective until February 25, 2022

BIR Accreditation No. 08-006419-000-2019 issued on March 6, 2019 effective until March 5, 2022

By:

A handwritten signature in black ink, appearing to read 'Joseph E. Quinsay', is written over a faint circular official stamp.

JOSEPH E. QUINSAY

Partner

CPA Certificate No. 118911

PTR No. 7364440 issued on January 6, 2021 in Pasay City

SEC Accreditation No. 1459-AR-1 (Group C) effective until August 1, 2021

TIN 304-239-540-000

BIR Accreditation No. 08-006419-001-2021 issued on January 11, 2021 effective until January 10, 2024

April 9, 2021

1971 F.B. Harrison St., District 1, Pasay City



# Statement of financial position

As of December 31, 2020 (Amounts in Peso)

	Notes	
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	8	10,083,742
Other current assets	9	99,351
<b>Total Current Assets</b>		<b>10,183,093</b>
<b>Non-current Assets</b>		
<b>Total Non-current Assets</b>		
<b>Total assets</b>		<b>10,183,093</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables	10	99,663
Tax payable		
<b>Total Current Liabilities</b>		<b>99,663</b>
<b>Non-current Liabilities</b>		
Advances from related parties	16	747,740
<b>Total Non-current Liabilities</b>		<b>747,740</b>
<b>Total Liabilities</b>		<b>847,403</b>
<b>Equity</b>		
Share capital	11	11,000,000
Cumulative losses		(1,664,310)
<b>Total Equity</b>		<b>9,335,690</b>
<b>Total liabilities and equity</b>		<b>10,183,093</b>

See notes to financial statements

# Statement of comprehensive income

For the 10-month Period Ended December 31, 2020 (Amounts in Peso)

	Notes	
REVENUES		
Less: cost of service		
GROSS INCOME		
Less: operating expenses		
Fuel and oil		
Insurance		1,870
Miscellaneous		44,893
Office supplies		2,605
Professional fees		1,370,070
Rental	14	63,400
Taxes and licenses	18	186,712
Transportation and travel		3,320
		<b>1,672,869</b>
OPERATING LOSS		(1,672,869)
Add: other income		
Interest income (from cash in bank)		8,559
LOSS BEFORE INCOME TAX		(1,664,310)
Less: income tax expense		
Net loss		<b>(1,664,310)</b>
LOSS PER SHARE		
Basic	15	(0.15)
Diluted	15	(0.15)

See notes to financial statements

# Statement of cash flows

For the 10-month Period Ended December 31, 2020 (Amounts in Peso)

	Notes	
<b>Cash flows from operating activities</b>		
Loss before income tax		(1,664,310)
Interest income		(8,559)
(Increase)/ Decrease in:		
Other current assets		(99,351)
Increase/ (Decrease) in:		
Trade and other payables		99,663
Cash (used in) operations		(1,672,557)
Interest received		8,559
Income tax paid		
<b>Net cash (used in) operating activities</b>		<b>(1,663,998)</b>
<b>Cash flows from investing activities</b>		
<b>Net cash provided by (used in) investing activities</b>		
<b>Cash flows from financing activities</b>		
Advances from related parties	16	747,740
Proceeds from issuance of shares	11	11,000,000
<b>Net cash provided by financing activities</b>		<b>11,747,740</b>
<b>Net increase in cash and cash equivalents</b>		<b>10,083,742</b>
<b>Beginning cash and cash equivalents</b>		
<b>Ending cash and cash equivalents</b>	<b>8</b>	<b>10,083,742</b>

See notes to financial statements

## Statement of changes in equity

For the 10-month Period Ended December 31, 2020 (Amounts in Peso)

	Share Capital (Note 11)	Cumulative Losses	Total Equity
Issuance of shares	11,000,000		11,000,000
Net loss for the period		(1,664,310)	(1,664,310)
<b>Balance at December 31, 2020</b>	<b>11,000,000</b>	<b>(1,664,310)</b>	<b>9,335,690</b>

See notes to financial statements

## Statement of financial soundness indicators

For the 10-month Period Ended December 31, 2020 (Amounts in Peso)

Ratios or Percentages	Formula	2020 (Current year)
a. Current ratios	Current assets / current liabilities	102.18:1
b. Acid test ratio	Cash and cash equivalent + current receivables + short-term investments / current liabilities	101.18:1
c. Solvency ratio	Total liabilities / total assets	0.08:1
d. Debt-to-equity ratios	Total liabilities/ equity	0.01:1
e. Asset-to-equity ratios	Total assets/ equity	1.09:1
f. Interest rate coverage ratios	Earnings before interest and taxes / interest expense	No interest expense
g. Return on equity	Net income/ equity	-17.83%
h. Return on assets	Net income / total assets	-16.34%

# Notes to financial statements

As of and for 10-month Period Ended December 31, 2020 (Amounts in Peso)

## Corporate information

VAMO LENDING INC. (the Company), a domestic corporation organized under the existing Philippine laws, was duly registered with the Securities and Exchange Commission (SEC) on March 9, 2020. It was granted the right mainly to engage in the business of online and offline lending.

The principal office, which is also the registered office, is at Unit 10A Net Lima, 5th Ave. corner 26th Street, E-Square, Crescent Park West, Bonifacio Global, Taguig City.

## Basis of preparation

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Financial Reporting Standards Council (FRSC) and adopted by SEC, including SEC pronouncements.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. These financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial assets. The measurement bases are more fully described in the accounting policies that follow.

The financial statements are presented in Philippine peso, the Company's presentation and functional currency and all values represent absolute amounts except when otherwise indicated. Functional currency is the currency of the primary economic environment in which an entity operates.

## Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

## Financial Assets and Financial Liabilities Financial Assets Financial Assets

Financial assets are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

### *Financial Assets at Amortized Cost*

Financial assets at amortized cost are debt financial assets that meet both of the following conditions:

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

After initial measurement, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in 'Interest income' in the statement of income. Losses arising from credit losses are recognized in 'Provision for impairment and credit and losses' in the statement of income.

This accounting policy relates to the statement of financial position caption "Cash and cash equivalent".

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

## Financial Liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

The Company's financial liabilities include trade and other payables (excluding government remittance), and advances from related parties.

Financial liabilities are initially measured at fair value, and where applicable, adjusted for transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.



## Derecognition of Financial Assets and Financial Liabilities

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either:

- The Company transfers substantially all the risks and rewards of ownership; or
- It neither transfers nor retains substantially all the risks and rewards of ownership and it has not retained control.

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

## Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement financial position when the Company currently has legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy, and, must be legally enforceable for both entity and all counterparties to the financial instruments.

## Other Current Assets

Other assets are included in current assets if maturity or benefit is realizable within 12 months from the statement of financial position date. Otherwise, these are classified as noncurrent assets.

These are initially recorded at transaction cost and subsequently measured at cost less impairment loss, if any.

## Other Payables

Other Payables include government remittances. These are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest rate.

Other payables are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer). Otherwise, these are presented as non-current liabilities.

## Provisions and Contingencies

Provisions are recognized when the Company has a present obligation, either legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be estimated reliably.

When the Company expects reimbursement of some or all of the expenditure required to settle a provision, the entity recognizes a separate asset for the reimbursement only when it is virtually certain that reimbursement will be received when the obligation is settled.

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

Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities, if any, are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are disclosed only when an inflow of economic benefits is probable.

### Share Capital

Ordinary shares are classified as equity.

Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

The costs of acquiring Company's own shares are shown as a deduction from equity attributable to the Company's equity holders until the shares are cancelled or reissued. When such shares are subsequently sold or reissued, any consideration received, net of directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the Company's equity holders.

### 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.

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- **Level 1** - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- **Level 2** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- **Level 3** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

For financial instruments traded in active markets, the determination of fair values is based on quoted market prices or dealer price quotations. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. For all other financial instruments, fair value is determined using validation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments.

For non-financial assets, the Company uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses observable inputs, such as prices, broker quotes and other relevant information generated by market transactions involving identical or comparable assets or group of assets.
- Income approach - A valuation technique that converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

### Cost and Expense Recognition

Cost and operating expenses are recognized in the statement of income upon utilization of the service or in the date they are incurred.

### Income Taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax, if any, is provided using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities, if any, are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences and carry forward benefits of unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of NOLCO can be utilized.

Deferred tax asset and liabilities, if any, are measured at the tax rates expected in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

## Leases

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term.

Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted in favor of the Company if it is reasonably certain to assess that option; and
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognized where the Company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortized over the remaining (revised) lease term.

When the Company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- In all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is re-measured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount; or
- If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognized in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Company to use an identified asset and require services to be provided to the Company by the lessor, the Company has elected to account for the entire contract as a lease.

### Related Party Disclosures

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. This includes:

- Individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Company;
- Associates;
- Individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual; and
- Management entity that provides key management personnel services to the reporting entity, either directly or through a group entity

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

## Loss per Share

Basic loss per share is computed by dividing net loss for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period after giving retroactive effect to stock dividends declared and stock rights exercised during the period, if any. Diluted loss per share is calculated by dividing the aggregate of net loss attributable to common shareholders by the weighted average number of common shares outstanding during the period adjusted for the effects of any dilutive shares.

## Events After the End of the Reporting Period

Post-year-end events up to the date of the auditor's report that provide additional information about the Company's position at reporting date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

## Adoption of New and Amended PFRS - Effective in 2020

### Relevant to the Company

- Amendments to PAS 1 and PAS 8, Definition of Material (2018). The changes all relate to a revised definition of "material". 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 application of these amendments has no significant impact on the Company's financial statements.

### Not Relevant to the Company

- Amendments to PFRS 3, Definition of a Business (2018). The amendments:
  - Confirmed that a business must include inputs and a process, and clarified that the process must be substantive and the inputs and process must together significantly contribute to creating outputs;
  - Narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
  - Added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.



- o Amendments to PFRS 16, COVID-19-related Rent Concessions (June 1, 2020). This amends PFRS 16 to:
  - Provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification;
  - Require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications;
  - Require lessees that apply the exemption to disclose that fact; and
  - Require lessees to apply the exemption retrospectively in accordance with PAS 8, but not require them to restate prior period figures.

The practical expedient is available for lease payments originally due in 2020 to June 2021.

The application of these amendments has no significant impact on the Company's financial statements.

### **New and Amended PFRS - Effective Subsequent to 2020 but not Adopted Early**

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing consists of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective and will assess the impact of these new standards on the financial statements upon adoption.

- o PFRS 17, Insurance Contracts (2018). PFRS 17 provides updated information about the obligation, risks and performance of insurance contracts, increases transparency in financial information reported by insurance companies, and introduces consistent accounting for all insurance contracts based on a current measurement model. This applies to annual reporting periods beginning on or after January 1, 2021.
- o Amendments to PFRS 3, Reference to the Conceptual Framework (2020). The changes include
  - Update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
  - Add to PFRS 3 a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, an acquirer applies PAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and
  - Add to PFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

This applies to annual reporting periods beginning on or after January 1, 2022.

- o Amendments to PAS 16, Property, Plant and Equipment - Proceeds before Intended Use (2020). This amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. This applies to annual reporting periods beginning on or after January 1, 2022.
- o Amendments to PAS 37, Onerous Contracts - Cost of Fulfilling a Contract (2020). The changes specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). This applies to annual reporting periods beginning on or after January 1, 2022.
- o Annual Improvements to PFRS Standards 2018-2020 Cycle (2020). This includes:
  - Amendments to PFRS 1, Subsidiary as a first-time adopter. The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs.
  - Amendments to PFRS 9, Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the "10 per cent" test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
  - Amendments to PFRS 16, Lease Incentives. The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
  - Amendments to PAS 41, Taxation in fair value measurements. The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

This applies to annual reporting periods beginning on or after January 1, 2022.

- o Amendments to PAS 1, Classification of Liabilities as Current or Non-current (2020). The amendments affect only the presentation of liabilities in the statement of financial position - not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They:
  - Clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
  - Clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
  - Make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

This applies to annual reporting periods beginning on or after January 1, 2023.

- o Amendments to PFRS 17, Insurance Contracts (2020). The main changes are:
  - Deferral of the date of initial application of PFRS 17 by two years to annual periods beginning on or after 1 January 2023 and change the fixed expiry date for the temporary exemption in PFRS 4 Insurance Contracts from applying PFRS 9 Financial Instruments, so that entities would be required to apply PFRS 9 for annual periods beginning on or after 1 January 2023;
  - Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk;
  - Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognized in a business acquired in a business combination;
  - Clarification of the application of PFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level;
  - Clarification of the application of contractual service margin (CSM) attributable to investment- return service and investment-related service and changes to the corresponding disclosure requirements;
  - Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives;
  - Amendments to require an entity that at initial recognition recognizes losses on onerous insurance contracts issued to also recognize a gain on reinsurance contracts held;
  - Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts;

- Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach;
- Several small amendments regarding minor application issues.

This applies to annual reporting periods beginning on or after January 1, 2023.

## Management's significant accounting judgments and estimates

The preparation of the financial statements in compliance with PFRS requires the Company to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

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

### Determining Functional Currency

PAS 21 requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity.

In making this judgment, the Company considers the currency:

- That mainly influences prices for financial instruments and services (this will often be the currency in which prices for its financial instruments and services are denominated and settled);
- In which funds from financing activities are generated; and
- In which receipts from operating activities are usually retained.

### Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques that include the use of mathematical models (Note 7). The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

## Financial risk management objectives and policies

The Company is exposed to a variety of financial risks which results from operating and investing activities. Its risk management is handled by the President, and focuses on actively securing the Company's short-to-medium term cash flows by minimizing the exposure to financial markets.

## Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as follows:

	2020
Cash and cash equivalents (Note 8)	10,083,742
Other current assets (Note 9)	6,190
	10,089,932

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Its policy is to deal only with credit worthy counterparties.

## Liquidity Risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell financial assets quickly at their fair values, counter-party failing on repayment of contractual obligation, or inability to generate cash inflows as anticipated.

The Company manages the liquidity risk by maintaining a balance between continuity of funding and flexibility in operations. Treasury control and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves and reserve borrowing facilities as necessary in accordance with internal policies.

As at December 31, 2020, the Company's financial liabilities have contractual maturities which are presented below.

	Within One Year	More than One Year
Trade and other payables* (Note 10)	30,000	
Advances from related parties (Note 16)		747,740
	30,000	747,740

\*Government remittances not included.



The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the reporting dates.

### Market Risk

Market risk is the risk that changes in market prices, brought about by changes in interest rates, for instance, will affect Company's income. The objective of market risk management is to manage and control risk exposures within acceptable parameters, while optimizing the return on risk. The Company is not exposed to this risk.

## Capital management objectives, policies and procedures

The Company's capital management objective is to ensure its ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may issue new shares or sell assets to reduce debt. It monitors capital using the debt-to-equity ratio, as follows:

	2020
Total liabilities	99,663
Total equity	9,335,690
Debt-to-equity ratio	0.01:1

The Company has complied with the 10,000,000 minimum capital requirements of a foreign lending company.

## Categories and fair values of financial assets and financial liabilities

The carrying amounts and fair values of the categories of financial assets and liabilities presented in the statements of financial position are shown below.

2020			
	Note	Carrying Values	Fair Values
<b>Financial Assets:</b>			
Cash and cash equivalents	8	10,083,742	10,083,742
Other current assets	9	6,190	6,190
		<b>10,089,932</b>	<b>10,089,932</b>
<b>Financial Liabilities:</b>			
Trade and other payables*	10	30,000	30,000
Advances from related parties	16	747,740	747,740
		<b>777,740</b>	<b>777,740</b>

\*Government remittances not included.

The methods and assumptions used by the Company in estimating the fair values of the financial instruments are:

- Cash and cash equivalents - Estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using the prevailing money-market interest rates for debts with similar credit risk and remaining maturity. All these financial assets have a maturity of one year, thus their fair values approximate their carrying amounts.
- Trade and other payables - These financial liabilities have a maturity of one year, thus their fair values approximate their carrying amounts.
- Advances from related parties - Estimated fair value of represents the discounted amount of estimated future cash flows expected to be paid. Expected cash flows are discounted at current market rate to determine fair value.

The Company's financial assets and financial liabilities all fall under the Level 2 category of the fair value hierarchy as at December 31, 2020. There were no transfers between Level 1 and Level 2 during the year ended December 31, 2020.

## Cash and cash equivalents

This account consists of:

	2020
Cash in bank	10,083,742

Cash in bank represents current account in a reputable local bank. Current account deposits earn interest at the respective bank deposit. Cash and cash equivalents held by the Company are available for use.

## Other currents assets

This account consists of:

	2020
Input VAT	66,971
Prepaid rent	6,190
Security deposit	6,190
	<b>99,351</b>

## Trade and other payables

This account consists of:

	2020
Accrued expense	30,000
Withholding tax	69,663
	<b>99,663</b>

## Share capital

Details of the account are as follow:

	Number of shares issued and fully paid	Number of shares issued but not fully paid	Ordinary shares (in Peso)	Total (in Peso)
Proceeds from shares issued	11,000,000		11,000,000	11,000,000
At December 31, 2020	11,000,000		11,000,000	11,000,000

The Company is authorized to issue 11,000,000 shares of common stock at P1. All issued shares are full paid and have equal rights to vote at general meetings and receive dividends.

There are no shares in the company held by the company and shares reserved for issue under options and contracts for the sale of shares.

## Income tax

On September 30, 2020, the Bureau of Internal Revenue has issued RR No. 25-2020 to implement Section 4 (bbbb) of Republic Act No. 11494, otherwise known as the "Bayanihan to Recover as One Act". This allows qualified businesses or enterprises which incurred net operating loss for taxable years 2020 and 2021 to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss. As a result, the Company will benefit from this tax relief.

Expiry dates of NOLCO and unused tax benefit are presented below:

Year incurred	Amount of NOLCO	Used	Expired	Balance	Unused tax benefit*	Valid until
2020	1,672,869			1,672,869	334,574	2025

\*Computed using new tax rate of 20%.

The Company did not recognize deferred tax asset for the NOLCO. It opted to claim itemized deductions for tax purpose.

## Commitments and contingencies

In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities that are not given recognition in the accompanying financial statements. The Company's management is of the opinion that losses, if any, that may arise from these commitments and contingencies will not have a material effect on the Company's financial statements.

## Leases

The Company leases its officer under cancellable operating lease. Lease is one year and renewable at the end of the term.

Presented below are the other disclosure requirements:

	2020
Short-term lease expense	63,400
Aggregate undiscounted commitments for short-term leases	12,380

## Loss per share

Below is the computation of the earnings per share:

	2020
Net loss attributable to Company's shareholders	(1,664,310)
Divided by weighted average of outstanding common shares	11,000,000
Basic	(0.15)
Diluted	(0.15)

There were no outstanding convertible preferred shares and bonds or other stock equivalents that may be considered as potential dilutive common shares.

## Related party transactions

The following transactions were carried out with related parties:

Related Parties	Transactions	Amount	Balance as of December 31, 2020
Stockholders	Advances from related parties	747,740	747,740

Advances from related parties are due beyond one year, unsecured, bear no interest and be settled in cash. The Board of Directors and other key management personnel have no compensation.

## Events after the end of the reporting period

- Date of authorization for issue

The financial statements of the Company were authorized for issue by the Board of Directors (BOD) on April 9, 2021. The BOD has the power to amend the financial statements after issue.

- Changes in tax rates

On March 26, 2021, Republic Act No. 11534 or the "Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act" is signed into law. These are the provisions related to income tax:

### Corporate Income Tax (CIT)

- o Starting July 01, 2020, CIT rate for corporations will be reduced as follows:
  - Reduced CIT rate of 20% shall be applicable to domestic corporations with net taxable income not exceeding P5,000,000 and with total assets not exceeding P100 Million (excluding land on which the business entity's office, plant and equipment are situated)
  - Reduced CIT rate of 25% shall be applicable to all other domestic and foreign corporations.
- o For the period beginning July 01, 2020 until June 30, 2023, minimum corporate income tax rate shall be 1%, instead of 2%.
- o Improperly accumulated earnings tax is repealed.



### Preferential tax rates for certain corporations

- For the period beginning July 01, 2020 until June 30, 2023, non-profit proprietary educational institutions and hospitals shall be taxed at 1%, instead of 10%.
- Preferential tax rates/exemption for offshore banking units is repealed.
- Starting December 31, 2021, regional operating headquarters (ROHQ) will be subject to regular CIT.

### Deductions from gross income

- An additional deduction equal to 50% of the value of labor training expenses incurred for skills development of enterprise-based trainees enrolled in public senior high schools, public higher education institutions, or public technical and vocational institutions duly covered by an apprenticeship agreement and for which a proper certification must be secured from DepEd, TESDA or CHED shall be allowed, provided that such deduction shall not exceed 10% of direct labor wage.
- Due to the proposed reduction in CIT rate, interest arbitrage shall be reduced to 20% of interest income subjected to final tax.

The Company has determined that this event is non-adjusting subsequent event. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2020 have not been adjusted to reflect their impact. This has no significant impact on the financial statements because the Company does not have deferred tax asset or liability.

There are no other non-adjusting events after the end of the reporting period

## Supplementary information required by the bureau of internal revenue

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

### Requirements under Revenue Regulations (RR) 15-2010

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

#### Taxes and licenses:

	2020
Related to permit	17,229
SEC registration	56,810
BIR registration	500
Documentary stamp tax on shares	110,000
Others	2,173
	186,712

The Company does not have any deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside the BIR in any of the open period.

#### Requirements under RR 34-2020

The Company is not covered by the requirements and procedures for related party transactions provided under this RR.

The following are required to file and submit the Related Party Transactions Form, together with the Annual Income Tax Return:

- Large taxpayers;
- Taxpayers enjoying tax incentives, i.e., Board of Investments (BOI)-registered and economic zone enterprises, those enjoying Income Tax Holiday or subject to preferential income tax rate;
- Taxpayers reporting net operating losses for the current taxable year and the immediately preceding two (2) consecutive taxable years; and
- A related party, as defined under Section 3 of Revenue Regulations (RR) No. 19- 2020, which has transactions with (a), (b) or (c).