

## AAB PHILIPPINES INC.

STATEMENT OF FINANCIAL POSITION  
As of December 31, 2020 and December 31, 2019  
(Amounts in Philippines Pesos)

|   | Note(s) | 2020             | 2019                |
|---|---------|------------------|---------------------|
| <b>Assets</b>                               |         |                  |                     |
| <b>Current Assets</b>                       |         |                  |                     |
| Cash and Cash Equivalent                    | 2.4     | 1,905,930        | 229,423             |
| Other Current Assets                        | 2.5     | 4,721,016        | 4,162,297           |
| <b>Total</b>                                |         | <b>6,626,946</b> | <b>4,391,720</b>    |
| <b>Non-Current Assets</b>                   |         |                  |                     |
| Property and Equipment - Net                | 2.3.6   | 11,049           | 301,640             |
| Other Non-Current Assets                    | 2.7     | 794,362          | 794,362             |
| <b>Total</b>                                |         | <b>805,411</b>   | <b>1,096,002</b>    |
| <b>Total Assets</b>                         |         | <b>7,432,357</b> | <b>5,487,723</b>    |
| <b>Liabilities and Shareholders' Equity</b> |         |                  |                     |
| <b>Current Liabilities</b>                  |         |                  |                     |
| Trade and Other Payable                     | 2.8     | 246,063          | 345,485             |
| <b>Total</b>                                |         | <b>246,063</b>   | <b>345,485</b>      |
| <b>Non-Current Liabilities</b>              |         |                  |                     |
| Advances from Related Parties               | 2.9.17  | 520,500          | 2,270,500.00        |
| Loan Payable                                | 2.10.17 | 6,116,706        | -                   |
| <b>Total</b>                                |         | <b>6,637,206</b> | <b>2,270,500.00</b> |
| <b>Total Liabilities</b>                    |         | <b>6,883,269</b> | <b>2,615,985</b>    |
| <b>Shareholders' Equity</b>                 |         |                  |                     |
| Paid in Capital                             | 2.11    | 4,000,000        | 250,000             |
| Retained Earnings                           | 2.11    | (3,450,912)      | 2,621,738           |
| <b>Total</b>                                |         | <b>549,088</b>   | <b>2,871,738</b>    |
| <b>Total Shareholders Equity</b>            |         | <b>549,088</b>   | <b>2,871,738</b>    |
| <b>Total Liabilities and Equity</b>         |         | <b>7,432,357</b> | <b>5,487,723</b>    |

See Notes To Financial Statements

## AAB PHILIPPINES INC.

STATEMENT OF CHANGES IN EQUITY  
For the years ended December 31, 2020 and December 31, 2019  
(Amounts in Philippine Pesos)

Authorized Capital - 4,000,000 pesos divided into 40,000 shares with 100 par value, 40,000 shares issued and outstanding

| Note 2.9.11                         | Share Capital    | Retained Earnings  | Total            |
|-------------------------------------|------------------|--------------------|------------------|
| Balance at January 01, 2020         | 250,000          | 2,621,738          | 2,871,738        |
| Stock Dividends                     | 2,000,000        | (2,000,000)        | 0                |
| Additional Paid-in/Subscription     | 1,750,000        |                    | 1,750,000        |
| Net Income/Loss 2020                |                  | (4,072,650)        | (4,072,650)      |
| <b>Balance at December 31, 2020</b> | <b>4,000,000</b> | <b>(3,450,912)</b> | <b>549,088</b>   |
| Balance at January 01, 2019         | 250,000          | 3,700,517          | 3,950,517        |
| Net Income/Loss 2019                |                  | (1,078,779)        | (1,078,779)      |
| <b>Balance at December 31, 2019</b> | <b>250,000</b>   | <b>2,621,738</b>   | <b>2,871,738</b> |

*See Notes To Financial Statements*

## AAB PHILIPPINES INC.

STATEMENT OF COMPREHENSIVE INCOME  
For the years ended December 31, 2020 and 2019  
(Amounts in Philippine Pesos)

|   |         | For the Years ended |                    |
|---|---------|---------------------|--------------------|
|   | Note(s) | 2020                | 2019               |
| Sales/Revenues                                      | 2.12.17 | 13,259,403          | 30,687,475         |
| Cost of Services                                    | 2.13    | (8,332,207)         | (20,359,564)       |
| Gross Profit  |         | 4,927,195           | 10,327,911         |
| Expenses  |         |                     |                    |
| Selling   | 2.15    | 82,066              | 1,663,182          |
| Administrative                                      | 2.14    | 8,820,338           | 9,265,511          |
| Total Operating expenses                            |         | 8,902,403           | 10,928,693         |
| <b>Net operating income (loss)</b>                  |         | <b>(3,975,208)</b>  | <b>(600,782)</b>   |
| Other Income (Interest Income)                      |         | 1,528               | 1,989              |
| Other Loss/Expense (Final Withholding Tax-Interest) |         | (361)               | (398)              |
| <b>Net income (loss) before Income tax</b>          |         | <b>(3,974,041)</b>  | <b>(599,190)</b>   |
| Provision for Income Tax                            | 2.16    | (98,544)            | (479,589)          |
| <b>Net income (loss) after Income tax</b>           |         | <b>(4,072,585)</b>  | <b>(1,078,779)</b> |
| Foreign Exchange Loss (net) (unrealized)            |         | (65)                |                    |
| <b>Comprehensive Income (Loss)</b>                  |         | <b>(65)</b>         | <b>0</b>           |
| <b>Total Comprehensive Income (Loss)</b>            |         | <b>(4,072,650)</b>  | <b>(1,078,779)</b> |

*See Notes To Financial Statements*

## AAB PHILIPPINES INC.

STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2020 and December 31, 2019  
(Amounts in Philippine Pesos)

|  | Notes  | 2020               | 2019               |
|--|--------|--------------------|--------------------|
| <b>Cash Flow From Operating Activities</b>                 |        |                    |                    |
| Net operating income (loss)                                |        | (3,975,208)        | (601,180)          |
| Prior period Adjustment                                    |        |                    |                    |
| Depreciation Expenses                                      | 2.3.14 | 290,591            | 364,031            |
| Interest Income  |        |                    | -                  |
| Provision for Income tax                                   | 2.16   | (98,544)           |                    |
| <b>Operating Income Before Working Capital Changes</b>     |        | <b>(3,783,161)</b> | <b>(237,149)</b>   |
| <b>(Increase)/Decrease in Assets:</b>                      |        |                    |                    |
| Other current assets                                       | 5      | (558,719)          | (748,309)          |
| Other Noncurrent Assets                                    |        |                    | (794,362)          |
| <b>Increase/(decrease) in Liabilities</b>                  |        |                    |                    |
| Trade and other liabilities                                | 8      | (99,422)           | (4,859,989)        |
| Other Current Liabilities                                  |        |                    |                    |
| <b>Cash Generated from Operations</b>                      |        | <b>(4,441,301)</b> | <b>(6,639,809)</b> |
| Income Tax paid  |        |                    | (479,589)          |
| Interest Received  |        | 1,528              | 1,989              |
| Final Withholding Tax-Interest                             |        | (361)              |                    |
| <b>Net cash provided by (used in) operating activities</b> |        | <b>(4,440,134)</b> | <b>(7,117,409)</b> |
| <b>Cash flows from Investing Activities</b>                |        |                    |                    |
| Foreign Currency Exchange Gain                             |        |                    |                    |
| Foreign Currency Exchange Loss                             |        | (65)               |                    |
| Acquisition of Property, Plant, Equipment                  |        |                    |                    |
| <b>Net Cash used in investing activities</b>               |        | <b>(65)</b>        | <b>0</b>           |
| <b>Cash Flows from Financing Activities</b>                |        |                    |                    |
| Advance from related parties                               |        |                    | 2,270,500          |
| Loan Payable   | 10.17  | 6,116,706          |                    |
| Paid up Capital  |        |                    |                    |
| <b>Net Cash used in financing Activities</b>               |        | <b>6,116,706</b>   | <b>2,270,500</b>   |
| NET INCREASE (DECREASE) IN CASH                            |        | 1,676,507          | (4,846,909)        |
| CASH AT THE BEGINNING IN THE YEAR                          |        | 229,423            | 5,076,332          |
| <b>CASH AT THE END OF THE YEAR</b>                         |        | <b>1,905,930</b>   | <b>229,423</b>     |

*See Notes To Financial Statements*

# AAB PHILIPPINES INC.

## NOTES TO FINANCIAL STATEMENTS (Amounts in Philippine Pesos)

### 1. GENERAL INFORMATION

AAB Philippines Inc (the Company) was incorporated and registered with Philippine Securities and Exchange Commission on June 25, 2012 under SEC Registration No CS201211753 to engage, primarily, in conduct a general advertising business both principal and agent including the preparation and arrangement of advertisement and the manufacture and construction of advertising devices and novelties.

The Company's registered office is located is at Unit 409, Cattleya Condominium, 235 Salcedo St., Legazpi Village, Makati City.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared on the historical cost basis. The consolidated financial statements are presented in the Philippine Peso, the Company's functional currency. All values are stated in absolute amounts unless otherwise indicated.

#### 2.1 Basis of Preparation of Financial Statements

##### (a) *Statement of Compliance with Philippine Financial Reporting Standard for Small Entities*

The financial statements of the Company from taxable year 2020 have been prepared in accordance with Philippine Financial Reporting Standard for Small Entities (PFRS for SEs) as per Memorandum Circular 05 (2018) issued by the Securities and Exchange Commission (SEC) in line with the corporate regulator's "Ease of Doing Business" initiative. PFRS for SEs was adopted by the Financial Reporting Standards Council (FRSC) on December 13, 2017. However, it is important to note that the Company's transition to PFRS for SEs did not have any significant impact on its financial position, financial performance and cash flows.

The financial statements have been prepared using the measurement bases specified by PFRS for SEs for each type of assets, liabilities, income and expense. The measurement bases are more fully described in the accounting policies in the succeeding pages.

The preparation of financial statements in accordance with PFRS for SEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in Note 3.

##### *PAS 1 (REVISED 2007): Presentation of Financial Statements*

- prescribe the basis for presentation of general-purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. It sets out the overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

*PAS 7: Cash Flow Statements*

- the objective of this Standard is to require the provision of information about the sources and utilization (i.e., historical changes) of cash and cash equivalents of an entity by means of a statement of cash flows which classifies cash flows during the period from operating, investing and financing activities

*PAS 8: Accounting Policies, Changes in Accounting Estimates and Errors*

- prescribes the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and correction of prior period errors. The Standard is intended to enhance the relevance and reliability of an entity's financial statements, and the comparability of those financial statements over time and with the financial statements of other entities.

*PAS 10: Events After the Reporting Period- prescribe:*

(a) when an entity should adjust its financial statements for events after the reporting period; and  
(b) the disclosures that an entity should give about the date when the financial statements were authorized for issue and about events after the reporting period. The Standard also requires that an entity should not prepare its financial statements on a going concern basis if events after the reporting period indicate that the going concern assumption is not appropriate.

*PAS 12: Income Taxes*

- prescribe the accounting treatment for income taxes. The principal issue in accounting for income taxes is how to account for the current and future tax consequences of:

(a) the future recovery (settlement) of the carrying amount of assets (liabilities) that are recognized in an entity's statements of financial position; and  
(b) transactions and other events of the current period that are recognized in an entity's financial statements.

*PAS 16: Property, Plant and Equipment*

- prescribes the accounting treatment for property, plant and equipment so that users of the financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such investment. The principal issues in accounting for property, plant and equipment are the recognition of assets, the determination of their carrying amounts and the depreciation charges and impairment losses to be recognized in relation to them.

*PAS 17: Leases*

- prescribes, for lessees and lessors, the appropriate accounting policies and disclosure to apply in relation to leases.

*PAS 18: Revenue*

- prescribes the accounting treatment of revenue arising from certain types of transactions and events. The primary issue in accounting for revenue is determining when to recognize revenue. Revenue is recognized when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably. This Standard identifies the circumstances in which these criteria will be met and, therefore, revenue will be recognized. It also provides practical guidance on the application of these criteria.

*PAS 21: The Effects of Changes in Foreign Exchange Rates*

- prescribes how to include foreign currency transactions and foreign operations in the financial statements of an entity and how to translate financial statements into a presentation currency. The principal issues are which exchange rate(s) to use and how to report the effects of changes in exchange rates in the financial statements.

*PAS 24: Related Party Disclosures*

- ensures that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existences of related parties and by transactions and outstanding balances with such parties.

*PAS 32: Financial Instruments: Presentation*

- the objective of this Standard is to establish principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset.

*PAS 37: Provisions, Contingent Liabilities and Contingent Assets*

- ensures that appropriate recognition criteria and measurement bases are applied to provisions, contingent liabilities and contingent assets and that sufficient information is disclosed in the notes to enable users to understand their nature, timing and amount.

*(b) Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

**i. Cash and Cash Equivalents**

Cash and cash equivalents include cash in bank, cash on hand, demand deposits and other short-term highly-liquid investments held to meet short-term cash commitments rather than for investment or other purposes (i.e., with original maturities of three months or less from the date of acquisition).

**ii. Property, Plant and Equipment**

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized, expenditures for repairs and maintenance are charged to expense during the period in which they are incurred.

The useful lives of the depreciable assets have changed during the year are as follows:

|  |         |
|--|---------|
| Office Equipment / Furnitures and Fixtures | 3 years |
|--|---------|

If there is an indication that there has been a significant change in the useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the item and are recognized as part of Other Income in profit or loss.

### **iii. Trade and Other Payables**

Trade and other payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method.

Trade and other payables are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

### **iv. Provisions and Contingencies**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

### **v. Revenue and Expense Recognition**

Revenue comprises revenue from sale of services

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Company; and the costs incurred or to be incurred can be measured reliably.

- a. Interest income – Recognized as the interest accrues taking into account the effective yield on the

### **vi. Leases**

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

All lease payments are recognized as expense in profit or loss in the period in which they are incurred.

### **vii. Impairment of Assets**

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

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



**viii. Equity**

Capital stock represents the nominal value of shares that have been issued.

Retained earnings represent all current and prior period results of operations as reported in the statements of income, reduced by the amounts of dividends declared.

**ix. Related Party Transactions and Relationship**

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and, (c) 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.

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

**x. Events After the End of the Reporting Period**

Any post-year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

**3. MANAGEMENT'S SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES**

*Judgements*

The preparation of the Company's financial statements in conformity with Philippine Financial Reporting Standard requires management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying notes. The estimates and assumptions used in the Company's financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Actual results could differ from such estimates, judgements 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 circumstances.

*Estimates*

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associate's 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.

#### 4. CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents are as follows:

|                     | <u>2020</u>             | <u>2019</u>           |
|---------------------|-------------------------|-----------------------|
| <b>Cash in Bank</b> |                         |                       |
| Metrobank -Php      | 1,829,603               | 193,656               |
| Metrobank - JPY     | 46,627                  | -                     |
| Cash on Hand        | 29,700                  | 35,767                |
| <b>Total</b>        | <u><u>1,905,930</u></u> | <u><u>229,423</u></u> |

Cash in bank represents current account deposits in reputable local banks earning interest at daily bank deposit rates.

#### 5. OTHER CURRENT ASSETS

The account at December 31 consist of:

|                              | <u>2020</u>                | <u>2019</u>             |
|------------------------------|----------------------------|-------------------------|
| Input VAT                    | 4,365,453                  | 3,818,451               |
| Creditable Withholding Asset | 37,432                     | -                       |
| Prepaid rent                 | 215,865                    | 215,865                 |
| Receivable - SSS             | -                          | -                       |
| Security Deposits            | -                          | -                       |
| Advances to Employees        | 16,200                     | 126,000                 |
| Prepaid taxes                | 86,066                     | 1,981                   |
|                              | <u><u>4,721,015.60</u></u> | <u><u>4,162,297</u></u> |

#### 6. PROPERTY AND EQUIPMENT

The roll forward analysis of this account is as follows:

|                            | <b>Balance @<br/>January 1, 2020</b> | <b>Addition</b>     | <b>Disposal</b> | <b>Balance @<br/>December 31, 2020</b> |
|----------------------------|--------------------------------------|---------------------|-----------------|--|
| <b>COST</b>                |                                      |                     |                 |  |
| Office Equipment           | ₱ 1,973,484                          | -                   | -               | ₱ 1,973,484                            |
| Furnitures and Fixtures    | 28,906                               | -                   | -               | 28,906                                 |
| <b>Total</b>               | <b>2,002,390</b>                     | <b>-</b>            | <b>-</b>        | <b>2,002,390</b>                       |
| <b>ACCUM. DEPRECIATION</b> |                                      |                     |                 |  |
| Office Equipment           | 1,671,844                            | 290,591             | -               | 1,962,435                              |
| Furnitures and Fixtures    | 28,906                               | -                   | -               | 28,906                                 |
| <b>Total</b>               | <b>1,700,750</b>                     | <b>290,591.34</b>   | <b>-</b>        | <b>1,991,341</b>                       |
| <b>NET BOOK VALUE</b>      | <b>₱ 301,640</b>                     | <b>(290,591.34)</b> | <b>0</b>        | <b>₱ 11,049</b>                        |

Property and equipment are carried at cost less accumulated depreciation, and amortization and any impairment in value. Furnitures and Fixtures have nil book value remaining although still in use.

## 7. OTHER NON-CURRENT ASSETS

This account consist of:

|                   | <u>2020</u>           | <u>2019</u>           |
|-------------------|-----------------------|-----------------------|
| Security deposits | 794,362               | 794,362               |
| <b>Total</b>      | <b><u>794,362</u></b> | <b><u>794,362</u></b> |

Security deposits are held by the lessor/contractor as security for full and faithful observance by the Company of the terms, conditions and provisions of this lease/contract. This will be applied upon termination of the agreement, to the cost of damages by the fault or negligence of the Company.

## 8. TRADE AND OTHER PAYABLE

This account consists of the following

|                                  | <u>2020</u>           | <u>2019</u>           |
|----------------------------------|-----------------------|-----------------------|
| Payroll tax payable              | -                     | 30,688                |
| SSS, HDMF, PHIC payable          | 20,139                | 19,746                |
| SSS loan payable                 | 10,934                | <b>738</b>            |
| Expanded withholding tax payable | 15,252                | 3,943                 |
| Income tax payable               | 98,544                | 353,763               |
| Accrued expenses                 | -                     | (61,986)              |
| Accrued payroll                  | 120,487               | (1,406)               |
| RCBC Credit Card                 | (19,294)              | -                     |
| <b>Total</b>                     | <b><u>246,063</u></b> | <b><u>345,485</u></b> |

## 9. ADVANCES FROM RELATED PARTIES

This account consist of:

|                            | <u>2020</u>           | <u>2019</u>             |
|----------------------------|-----------------------|-------------------------|
| Advances from Stockholders | 520,500               | 2,270,500               |
| <b>Total</b>               | <b><u>520,500</u></b> | <b><u>2,270,500</u></b> |

A total of Php 1,750,000 from these advances were assigned as payments for unpaid initial subscription (Php 750,000) and additional subscription (Php 1,000,000).

## 10. LOAN PAYABLE

This account consist of:

|            |                  | <u>2020</u>             |                           |
|------------|------------------|-------------------------|---------------------------|
| DATE       | CREDITOR         | AMOUNT                  |                           |
| 3/4/2020   | AAB INC. (JAPAN) | 2,016,172               | * 4,289,727.77 JPY @ 0.47 |
| 6/2/2020   | AAB INC. (JAPAN) | 1,800,000               |                           |
| 10/19/2020 | AAB INC. (JAPAN) | 2,300,534               |                           |
|            |                  | <b><u>6,116,706</u></b> |                           |

## 11. SHAREHOLDERS' EQUITY

Authorized capital stock of the corporation is 4,000,000 Pesos divided into 40,000 shares with 100 Pesos per value of which all shares have been subscribed and paid.

Details of Shareholders' Equity as follows:

|   | <u>2020</u>           | <u>2019</u>             |
|---|-----------------------|-------------------------|
| Paid-up Capital (beg)                         | 250,000               | 250,000                 |
| Additional                                    | 1,750,000             | -                       |
| Stock dividend                                | 2,000,000             | -                       |
| Cumulative Profit or Loss (Retained Earnings) | <u>(3,450,912)</u>    | <u>2,621,738</u>        |
| Total   | <u><b>549,088</b></u> | <u><b>2,871,738</b></u> |

### 11.1. RETAINED EARNINGS

This account consists of

|                                | <u>2020</u>               | <u>2019</u>             |
|--------------------------------|---------------------------|-------------------------|
| Beginning balance              | 2,621,738                 | 3,700,517               |
| Stock dividend declaration     | (2,000,000)               | -                       |
| Net Income (Loss) for the year | <u>(4,072,650)</u>        | <u>(1,078,779)</u>      |
| <b>Ending Balance</b>          | <u><b>(3,450,912)</b></u> | <u><b>2,621,738</b></u> |

A stock dividend of 800%, equivalent to twenty thousand (20,000) common shares, was declared by the Board of Directors, that will be sourced from the unrestricted retained earnings of the Corporation based on the 2018 audited financial statements. This motion was unanimously approved by the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the corporation.

The BIR requirements regarding this dividend declaration (payment of DST) were already complied with. However, the application/notification to SEC is still in-process as of the reporting date, mainly as the result of the limited access caused by the current pandemic.

## 12. SALES/REVENUE

This account consists of

|               | <u>2020</u>              | <u>2019</u>              |
|---------------|--------------------------|--------------------------|
| Sales/Revenue | <u>13,259,403</u>        | <u>30,687,475</u>        |
| <b>Total</b>  | <u><b>13,259,403</b></u> | <u><b>30,687,475</b></u> |

## 13. COST OF SERVICES

|                                    | <u>2020</u>             | <u>2019</u>              |
|------------------------------------|-------------------------|--------------------------|
| COS - Talent fees                  | 1,796,444               | 2,394,633                |
| COS - Advertising and promotion    | 4,919,734               | 12,329,104               |
| COS - Outside services             | 538,020                 | 3,212,505                |
| COS - Transportation and travel    | 501,835                 | 1,158,274                |
| COS - Accommodation                | 119,355                 | 265,517                  |
| COS - Supplies and postage         | 5,898                   | 633,288                  |
| COS - Representation and allowance | 86,045                  | 281,952                  |
| COS - Other charges                | 353,161                 | 84,290                   |
| COS - Facilities                   | 11,714                  | 0                        |
| <b>Total</b>                       | <u><b>8,332,207</b></u> | <u><b>20,359,564</b></u> |

#### 14. ADMINISTRATIVE EXPENSES

This account consist of:

|  | <u>2020</u>                    | <u>2019</u>                    |
|--|--------------------------------|--------------------------------|
| Salaries and allowances                | 1,905,835                      | 2,619,589                      |
| Charitable contributions               | 0                              | 9,255                          |
| Employee benefits                      | 270,000                        | 0                              |
| Rental Expense                         | 451,474                        | 825,552                        |
| Association Dues - office              | 119,285                        | 107,346                        |
| Other services                         | 242,129                        | 214,842                        |
| Repairs and Maintenance                | 3,224                          | 367,170                        |
| Transportation and Travel              | 71,054                         | 140,227                        |
| Losses                                 | 0                              | 1,815                          |
| Office Supplies                        | 51,693                         | 150,476                        |
| Depreciation                           | 290,591                        | 364,031                        |
| Freight and delivery charges           | 21,998                         | 70,403                         |
| Representation and entertainment       | 16,359                         | 86,372                         |
| Communication                          | 185,793                        | 320,975                        |
| Light and Water                        | 27,966                         | 106,431                        |
| Outside services                       | 500,463                        |                                |
| Consultancy fee                        | 521,500                        | 353,914                        |
| Professional Fees                      | 621,111                        | 111,667                        |
| Notarial Fee                           | 1,050                          | 179                            |
| Insurance                              | 99,034                         |                                |
| Janitorial                             | 21,735                         | 89,152                         |
| Directors Fee                          | 227,368                        | 107,495                        |
| SSS, PHIC, HDMF and other contribution | 112,496                        | 139,556                        |
| Bank Charges                           | 25,734                         | 1,653                          |
| Trainings and Seminar                  | 0                              |                                |
| Accommodation                          | 0                              | 396,000                        |
| Taxes and licenses                     | 209,714                        | 247,343                        |
| Penalties and assessments              | 0                              | 473,066                        |
| Toll and Parking                       | 0                              | 588                            |
| Miscellaneous                          | 63,529                         | 25,178                         |
| Other expense                          | 2,732,215                      | 1,935,636                      |
| Messengerial/Liason                    | 26,989                         |                                |
| <b>Total</b>                           | <b><u><u>8,820,338</u></u></b> | <b><u><u>9,265,909</u></u></b> |

#### 15. SELLING EXPENSES

This account consist of

|                         | <u>2020</u>                 | <u>2019</u>                    |
|-------------------------|-----------------------------|--------------------------------|
| Marketing and promotion | 82,066                      | 1,663,182                      |
| <b>Total</b>            | <b><u><u>82,066</u></u></b> | <b><u><u>1,663,182</u></u></b> |

## 16. PROVISION FOR INCOME TAX

December 31, 2020 Income tax due and payable

|                              | <u>NIT</u>  | <u>MCIT</u>   |
|------------------------------|-------------|---------------|
| Taxable Income/(NOLCO), 2020 | (1,242,993) | 4,927,195     |
| Tax rate                     | 30%         | 2%            |
| Income tax due - 2020        | <u>-</u>    | <u>98,544</u> |

Taxable income differs from the net operating income due to operating expenses which are not allowable for tax purposes.

It is important to note, however, that the provision of current income tax for the 2020 financial statements may differ from the actual income tax due as the "CREATE Bill" is still pending for ratification by both Houses as of December 31, 2020.

## 17. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise influence over the other party in making financial and operating decisions. Parties are considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate parties.

|                            | <u>2020</u>              | <u>2019</u>              |
|----------------------------|--------------------------|--------------------------|
| Sales/Revenue              | 13,259,403               | 22,653,908               |
| Advances from Stockholders | 520,500                  | 2,270,500                |
| Directors fee              | 227,368                  | 107,495                  |
| Loan Payable               | 6,116,706                |                          |
| <b>Total</b>               | <u><b>20,123,977</b></u> | <u><b>25,031,903</b></u> |

Advances from stockholders were assigned as payment for the subscriptions of the stockholders.

## 18. In Compliance with BIR Revenue Regulation No. 15-2010

The Company reported and paid the following applicable tax types for the year ended December 31, 2020

### A.) VALUE-ADDED TAX

The Company's sales are generally subject to 12% VAT but majority of the its sales is subject to VAT zero rating (0%) for export services, in accordance with Section 4.106-6 and 5.108-6 of Revenue Regulations No. 16-2005, Consolidated Value Added Tax Regulations of 2005.

|                        | <u>2020</u>             |
|------------------------|-------------------------|
| OUTPUT VAT             |                         |
| Vatable Sales (12%)    | 0                       |
| Vatable Sales (0%)     | 0                       |
| Total                  | <u><u>0</u></u>         |
| <br>                   |                         |
| INPUT VAT              |                         |
| Beginning Balance      | 3,818,451               |
| Purchases for the year | 547,002                 |
| Used for output vat    | -                       |
| Ending Balance         | <u><u>4,365,453</u></u> |

### B.) TAXES AND LICENSES

This account consist of

|                                 | <u>2020</u>             |
|---------------------------------|-------------------------|
| Business permit and BIR renewal | ₱ <u><u>209,714</u></u> |

### C.) WITHHOLDING TAXES

This account consist of

|                            | <u>2020</u>             |
|----------------------------|-------------------------|
| Compensation (as adjusted) | ₱ 39,478                |
| Expanded                   | 465,212                 |
| Final-Interest             | 361                     |
| Total                      | ₱ <u><u>505,051</u></u> |

## 19. In Compliance with BIR Revenue Regulation No. 19-2011

RR 19-2011 requires schedules of taxable revenues and other non-operating income, costs of sales and services, itemized deductions and other significant tax information, to be disclosed in the notes to financial statements.

The amounts of taxable revenues and income, and deductible costs and expenses presented below and in the succeeding page are based on relevant tax regulations issued by the BIR, hence, may not be the same as the amounts reflected in the 2020 statement of comprehensive income.

### A.) The Company's taxable revenues is subject to regular rate.

| <u>REVENUE</u> | <b>Amount</b>            |
|----------------|--------------------------|
| Zero-rated     | 13,259,403               |
| VATable        | -                        |
| Total          | <u><u>13,259,403</u></u> |

### B.) Cost of services

|   | <b>Amount</b>           |
|---|-------------------------|
| Direct Charges - Salaries, Wages and Benefits       | 1,796,444               |
| Direct Charges - Materials, Supplies and Facilities | 223,013                 |
| Direct Charges - Outside Services                   | 5,457,754               |
| Direct Charges - Others                             | 854,996                 |
| Total   | <u><u>8,332,207</u></u> |

### C.) Itemized deductible expense

|   | <u>2020</u>             | <u>2019</u>             |
|---|-------------------------|-------------------------|
| Marketing and promotion                     | 82,066                  | 1,663,182               |
| Charitable contributions                    | 0                       | 9,255                   |
| Communication, Light, Water                 | 213,759                 | 427,405                 |
| Depreciation                                | 290,591                 | 364,031                 |
| Directors fee                               | 227,368                 | 107,495                 |
| Janitorial and messengerial                 | 48,724                  | 159,555                 |
| Losses                                      | 0                       | 1,815                   |
| Management and consultancy                  | 521,500                 | 353,914                 |
| Miscellaneous                               | 112,311                 | 27,597                  |
| Office supplies                             | 51,693                  | 150,476                 |
| Other services                              | 742,591                 | 214,842                 |
| Professional fees                           | 621,111                 | 111,667                 |
| Rental                                      | 451,474                 | 825,552                 |
| Repairs and maintenance - Labor & Materials | 3,224                   | 367,170                 |
| Representation and entertainment            | 16,359                  | 86,372                  |
| Salaries and allowances                     | 2,175,835               | 2,619,589               |
| SSS,PHIC,HDMF                               | 112,496                 | 139,556                 |
| Taxes and licenses                          | 209,714                 | 247,343                 |
| Transportation and Travel                   | 71,054                  | 272,053                 |
| Penalties and assesments                    | 0                       | 473,066                 |
| Association Dues - office                   | 119,285                 | 107,346                 |
| Insurance                                   | 99,034                  | 0                       |
| <b>Total</b>                                | <u><u>6,170,188</u></u> | <u><u>8,729,281</u></u> |



### Summary of NOLCO and MCIT

| Year     |            | Taxable Income/(NOLCO) | NIT | MCIT   |
|----------|------------|------------------------|-----|--------|
| Incurred | Expiration |                        |     |        |
| 2020     | 2025*      | (1,242,993)            | -   | 98,544 |

\* Pursuant to RR No. 25-2020, which was promulgated to implement Section 4 (bbbb) of Republic Act (R.A.) No. 14494 otherwise known as "Bayanihan to Recover as One Act", Sec. 4. "COVID-19 Response and Recovery Interventions", the Bureau of Internal Revenue (BIR) entitled taxpayers to deduct Net Operating Loss incurred for Taxable years 2020 and 2021.

It is important to note, however, that the provision of current income tax for the 2020 financial statements may differ from the actual income tax due as the "CREATE Bill" is still pending for ratification by both Houses as of December 31, 2020.

### List of Taxes and Licenses Paid For the year 2020

| Date       | Agency and Particulars            | Amount                   |
|------------|-----------------------------------|--------------------------|
| 01/31/2020 | Makati City Hall (Mayor's Permit) | 209,214.17               |
| 01/15/2020 | BIR (Annual Registration Fee)     | 500.00                   |
|            | Total                             | <u><u>209,714.17</u></u> |