

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	4	0	2	0	9	5
---	---	---	---	---	---	---	---	---	---	---

Company Name

D	I	F	F	U	S	I	O	N		W	E	A	R		S	O	L	U	T	I	O	N	S																
P	H	I	L	I	P	P	I	P	N	E	S		I	N	C																								

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

N	E	W		S	I	T	E		S	T	R	E	E	T	,		S	A	N		G	A	B	R	I	E	L	,															
S	A	N	T	A		M	A	R	I	A	,		B	U	L	A	C	A	N																								

Form Type

A	F	S		
---	---	---	--	--

Department requiring the report

--	--	--	--	--

Secondary License Type, If Applicable

--	--	--	--	--

COMPANY INFORMATION

Company's Email Address

info@dwsphilippines.com

Company's Telephone Number/s

008-704-646

Mobile Number

09773824975

No. of Stockholders

4

Annual Meeting
Month/Day

July 31st

Fiscal Year
Month/Day

March 31st

CONTACT PERSON INFORMATION

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

Name of Contact Person

Amol Ambhore

Email Address

a.ambhore@dwsphilippines.com

Telephone Number/s

09164612972

Mobile Number

09164612972

Contact Person's Address

New Site Street, San Gabriel, Santa Maria, Bulacan

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. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC.

New Site Street, San Gabriel, Sta. Maria, Bulacan

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN**

The Management of DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC. is responsible for all information and representations contained in the Annual Income Tax Return for the year ended March 31, 2024. Management is likewise responsible for all the information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, all Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to value added tax and /or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached financial statements for the year ended March 31, 2024 and accompanying Annual Income Tax Return are in accordance with the books and records of DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC., complete and correct in all material respects. Management likewise affirms that:

- (a) The Annual Income Tax Return has been prepared in accordance with the provision of the Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) Any disparity figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) That DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC., has filed all applicable returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Signature:

PRASHANT GARG

Chairman of the Board/President

AMOL SURESH AMBHORE

Treasurer

DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC.

New Site Street, San Gabriel, Sta. Maria, Bulacan

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The Management of DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC. is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended March 31, 2023 and 2024 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 to do so.

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

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

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

PRASHANT GARG

Chairman of the Board

PRASHANT GARG

Chief Executive Officer

AMOL SURESH AMBHORE

Chief Financial Officer

Signed this 29th day of June, 2024.

CELESTE L. SUMO-CABANACAN

CERTIFIED PUBLIC ACCOUNTANT

Blk. 15 Lot 25 Belmont Parc Village Brgy. Caypombo, Sta. Maria, Bulacan

TO THE SECURITIES AND EXCHANGE COMMISSION

In connection with the examination of the financial statements of DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC. to be submitted to the Commission, I hereby represent the following:

1. That I am in the active practice of the accounting profession and duly registered with the Board of Accountancy (BOA);
2. That said financial statements are presented in conformity with generally accepted accounting principles in the Philippines in all cases where I shall express an unqualified opinion; Except that in case of any departure, the effects thereof, and the reasons why compliance with the principles would result in a misleading statement, if such is a fact;
3. That I shall fully meet the requirements of independence as provided under the Code of Professionals for CPAs;
4. That in the conduct of the audit, I shall comply with the generally accepted auditing standards promulgated by the Board of Accountancy; in any case of any departure and the extent of the limitation, the reasons therefore and the effects thereof on the expression of my opinion or which may necessitate the negation of the expression of an opinion; and
5. That I shall comply with the applicable rule and regulations of the Securities and Exchange Commission in the preparation and submission of financial statements;
6. That relative to the expression of my opinion on the said financial statements, I shall not commit any acts discreditable to the profession as provided under the Code of Professional Ethics for CPAs.

As a CPA engaged in public practice, I make these representations in my individual capacity.



CELESTE SUMO-CABANACAN

PRC No. 0134558,

PTR No. 1183341, January 17, 2024, Sta. Maria, Bulacan

BOA No. 5441, Manila valid until August 31, 2025

BIR Cert. of Accreditation No. 05-005842-001-2024, Bulacan, valid until April 2, 2027

TIN 176-912-587

June 29, 2024

Sta. Maria, Bulacan

CELESTE L. SUMO-CABANACAN

CERTIFIED PUBLIC ACCOUNTANT

Blk. 15 Lot 25 Belmont Parc Village Brgy. Caypombo, Sta. Maria, Bulacan

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Shareholders

DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC.

New Site Street, San Gabriel,

Sta. Maria, Bulacan

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC. which comprise the statement of financial position as at March 31, 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC. as at March 31, 2024, and of its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS for SMEs, 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

My audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees in notes to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in my audit of the basic financial statements. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as whole.



CELESTE SUMO-CABANACAN

PRC No. 0134558,

PTR No. 1183341, January 17, 2024, Sta. Maria, Bulacan

BOA No. 5441, Manila valid until August 31, 2025

BIR Cert. of Accreditation No. 05-005842-001-2024, Bulacan, valid until April 2, 2027

TIN 176-912-587

June 29, 2024

Sta. Maria, Bulacan

CELESTE L. SUMO-CABANACAN

CERTIFIED PUBLIC ACCOUNTANT

Blk. 15 Lot 25 Belmont Parc Village Brgy. Caypombo, Sta Maria, Bulacan

**Supplemental Written Statement
To Accompany Report of Independent Auditor**

The Board of Directors and Shareholders
DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC.
New Site Street, San Gabriel,
Sta. Maria, Bulacan

I have examined the financial statements of DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC. as of March 31, 2024 on which I have rendered my report dated June 29, 2024.

In compliance with SRC Rule 68, I am stating that the said company has one (1) stockholders owning one hundred (100) or more shares each.



CELESTE SUMO-CABANACAN

PRC No. 0134558,

PTR No. 1183341, January 17, 2024, Sta. Maria, Bulacan

BOA No. 5441, Manila valid until August 31, 2025

BIR Cert. of Accreditation No. 05-005842-001-2024, Bulacan, valid until April 2, 2027

TIN 176-912-587

June 29, 2024

Sta. Maria, Bulacan

CELESTE L. SUMO-CABANACAN

CERTIFIED PUBLIC ACCOUNTANT

Blk. 15 Lot 25 Belmont Parc Village Brgy. Caypombo, Sta Maria, Bulacan

**Report of Independent Auditor
To Accompany Income Tax Return**

The Board of Directors and Shareholders
DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC.
New Site Street, San Gabriel,
Sta. Maria, Bulacan

I have audited the financial statements of DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC. for the year ended March 31, 2024, on which I have rendered my report, dated June 29, 2024.

In compliance with Revenue Regulations V-20, I am stating the following:

1. The taxes paid or accrued by the above company for the year ended March 31, 2024 are shown in the schedule of taxes and licenses attached to the annual income tax return;
2. I am not related by consanguinity or affinity to the president or manager of the company.


CELESTE SUMO-CABANACAN

PRC No. 0134558,

PTR No. 1183341, January 17, 2024, Sta. Maria, Bulacan

BOA No. 5441, Manila valid until August 31, 2025

BIR Cert. of Accreditation No. 05-005842-001-2024, Bulacan, valid until April 2, 2027

TIN 176-912-587

June 29, 2024

Sta. Maria, Bulacan

DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC.

STATEMENT OF FINANCIAL POSITION

as of fiscal year ending March 31, 2024

(in Philippine Peso)

	NOTES	FY 2024	FY 2023
ASSETS			
Current Assets			
Cash	3	23,973,929	12,163,173
Trade and Other Receivables	4	27,231,625	8,375,178
Inventory	5	32,889,905	20,174,373
Input Tax Asset		-	658,979
Creditable Withholding Tax Asset		-	-
Total Current Assets		84,095,459	41,371,703
FIXED ASSETS - at Cost			
Properties and Equipment (Net)	6	12,300,994	11,129,657
Security Deposits	13	164,000	164,000
Total Non Current Assets		12,464,994	11,293,657
TOTAL ASSETS		96,560,453	52,665,360
LIABILITIES AND STOCKHOLDERS EQUITY			
Current Liabilities			
Trade and Other Payables	7	16,267,083	15,608,921
Vat payable	14	3,217,455	-
Income Tax Payable	12,14	1,243,780	1,136,434
Total Current Liabilities		20,728,317	16,745,355
Non-current Liabilities			
Other Non-current liability			
Advances from Shareholders			
Total Non-Current Liabilities		-	-
TOTAL LIABILITIES		20,728,317	16,745,355
Stockholders Equity			
Share Capital			
Share Subscribed		9,000,000	9,000,000
Less: Subscription Receivable		-	-
Paid-Up Capital		9,000,000	9,000,000
Retained Earnings		66,832,136	26,920,005
Total Stockholders Equity		75,832,136	35,920,005
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY		96,560,453	52,665,360

(see notes of Audited Financial Statement)

DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC.
STATEMENTS OF COMPREHENSIVE INCOME AND RETAINED EARNINGS
for the fiscal year ending March 31, 2024
(in Philippine Peso)

		MARCH 31	
	Notes	FY 2024	FY 2023
SALES AND SERVICE FEES	9	135,342,480	55,454,513
COST OF SALES AND SERVICES	10	62,989,308	24,213,754
GROSS PROFIT		72,353,172	31,240,759
OPERATING EXPENSES	11	(18,685,966)	(9,915,913)
OTHER GAIN/LOSS -NET		(208,395)	(603,604)
NET INCOME BEFORE TAX		53,458,811	20,721,242
LESS: PROVISION FOR INCOME TAX/NOLCO	12	13,363,035	5,179,401
NET INCOME (LOSS) AFTER TAX		40,095,776	15,541,841

(see notes of Audited Financial Statement)

DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC.

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

*as of fiscal year ending March 31, 2024**(in Philippine Peso)*

	FY 2024	FY 2023
Authorized Capital Stocks		
10,000,000 shares @1 par value	10,000,000	10,000,000
Subscribed Shares	9,000,000	9,000,000
Subscription Receivable	-	-
Paid-up Capital	9,000,000	9,000,000
Retained Earnings, (Deficit), Beginning	26,920,005	11,378,164
Prior period Correction	(183,645)	-
Add: Net Income/(Loss)	40,095,776	15,541,841
Retained Earnings, Ending	66,832,136	26,920,005
STOCKHOLDER'S EQUITY	75,832,136	35,920,005

(see notes of Audited Financial Statement)

DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC.
(A Philippine Branch Office of DIFFUSION ENGINEERS SINGAPORE LTD.)

NOTES TO FINANCIAL STATEMENTS

1. **Corporate Information**

DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC. (the "Company") was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on February 07, 2014. The Company is a wholly-owned subsidiary of DIFFUSION ENGINEERS SINGAPORE LTD.) ("DESL" or the "Parent Company"), a foreign company incorporated in Singapore. The Parent Company's principal activity is wholesale of industrial machinery and equipment. The Company's ultimate Parent Company is Diffusion Engineers Limited (DEL), a foreign company based in India.

The Company is authorized by Foreign Investment Act of 1991 (RA 7042) to operate as domestic market enterprise. A domestic market enterprise produces goods for sale, or renders services, or otherwise engages in any business in the Philippines.

The Company is engaged the business of maintenance, fabrication to various industrial plants engaged in mining, cement manufacturing and power plant companies.

The Company's registered and principal office is located at New Site Street, San Gabriel, Sta. Maria, Bulacan.

The accompanying audited financial statements of the Company as at and for the period ended March 31, 2024 were approved and authorized for issuance by the Board of Directors (BOD) on June 29, 2024.

2. **Summary of Significant Accounting Policies**

Basis of Preparation

The financial statements as at and for the fiscal year ending March 31, 2024 are prepared in accordance with the PFRS for Small Entities (the "Framework") as approved by the Financial and Sustainability Reporting Standards Council, Board of Accountancy, and Securities and Exchange Commission (SEC). They have been prepared on a historical cost basis. The adoption of the new PFRS for Small Entities on April 1, 2022 does not have any material effect on the financial statements of the Company.

Measurement Bases

The financial statements are presented in Philippine Peso, the Company's functional currency. All values are rounded to the nearest Peso except when otherwise indicated.

The financial statements of the Company have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange of assets. 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 transaction date.

DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC.
(A Philippine Branch Office of DIFFUSION ENGINEERS SINGAPORE LTD.)

NOTES TO FINANCIAL STATEMENTS

1. **Corporate Information**

DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC. (the "Company") was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on February 07, 2014. The Company is a wholly-owned subsidiary of DIFFUSION ENGINEERS SINGAPORE LTD.) ("DESL" or the "Parent Company"), a foreign company incorporated in Singapore. The Parent Company's principal activity is wholesale of industrial machinery and equipment. The Company's ultimate Parent Company is Diffusion Engineers Limited (DEL), a foreign company based in India.

The Company is authorized by Foreign Investment Act of 1991 (RA 7042) to operate as domestic market enterprise. A domestic market enterprise produces goods for sale, or renders services, or otherwise engages in any business in the Philippines.

The Company is engaged the business of maintenance, fabrication to various industrial plants engaged in mining, cement manufacturing and power plant companies.

The Company's registered and principal office is located at New Site Street, San Gabriel, Sta. Maria, Bulacan.

The accompanying audited financial statements of the Company as at and for the period ended March 31, 2024 were approved and authorized for issuance by the Board of Directors (BOD) on May 25, 2024.

2. **Summary of Significant Accounting Policies**

Basis of Preparation

The financial statements as at and for the fiscal year ending March 31, 2024 are prepared in accordance with the PFRS for Small Entities (the "Framework") as approved by the Financial and Sustainability Reporting Standards Council, Board of Accountancy, and Securities and Exchange Commission (SEC). They have been prepared on a historical cost basis. The adoption of the new PFRS for Small Entities on April 1, 2022 does not have any material effect on the financial statements of the Company.

Measurement Bases

The financial statements are presented in Philippine Peso, the Company's functional currency. All values are rounded to the nearest Peso except when otherwise indicated.

The financial statements of the Company have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange of assets. 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 transaction date.

Financial Instruments

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. A financial instrument is recognized when the entity becomes a party to its contractual provisions. The Company classifies its financial instruments into the following categories: (a) basic financial instruments; and (b) complex financial instruments.

The Company classifies its cash, trade and other receivables, security deposits, trade and other payables (excluding statutory payables) as basic financial instruments. The Company does not have complex financial instruments.

Basic Financial Instruments

Initial Measurement. On initial recognition, a debt financial instrument is measured at transaction price (including transaction costs), unless the arrangement is in effect a financing transaction. In this case, it is measured at present value of the future payment discounted using a market rate of interest for a similar debt instrument.

Subsequent Measurement. The Company's debt financial instruments are subsequently measured at amortized cost using the effective interest method.

Impairment of Financial Instruments Measured at Amortized Cost. At each reporting date, the Company assesses whether there is objective evidence of impairment on any financial assets that are measured at amortized cost. Where there is any objective evidence of impairment, an impairment loss is recognized immediately in profit or loss.

The impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.

Derecognition of Financial Assets. An entity only derecognizes a financial asset when the contractual rights to the cash flows from the assets have expired or are settled, or the entity has transferred to another party substantially all the risks and rewards of ownership relating to the financial asset.

Derecognition of Financial Liabilities. Financial liabilities are derecognized only when these are extinguished - that is, when the obligation is discharged, cancelled or has expired.

Cash. Cash, which includes cash on hand and in banks, is stated at face value. Cash in banks earn interest at the prevailing bank deposit rates.

Trade and Other Receivables. Trade and other receivables are recognized initially at the transaction price. These are subsequently measured at original invoice amounts less any allowance for impairment losses on receivables. An estimate of impairment is made when collection of the full amount is no longer probable. A provision for impairment losses on receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Trade and Other Payables. Trade and other payables (excluding statutory payables) are obligations of the Company that are incurred during its normal operating cycle. These are recognized in the year in which the related money, goods or services are received or when a legally enforceable claim against the Company is established or when the corresponding assets or expenses are recognized. These are measured at undiscounted amounts.

Prepayment and Other Current Assets

This account consists of input VAT, prepaid rent and prepaid income tax. Other current assets are carried at cost.

Prepaid Rent. Prepaid rent represents rent expense not yet incurred but already paid in cash. Prepaid rent is initially recorded as asset and measured at the amount of cash paid. Subsequently, this is charged to expense as it expires with the passage of time.

Prepaid rent is classified in the statements of financial position as current asset when the related rent is expected to be incurred within one year. Otherwise, prepaid rent is classified as noncurrent asset.

Prepaid Income Tax. Prepaid income tax represents excess income tax payments which includes creditable withholding taxes (CWT) and tax credit which can be applied for future income tax.

CWT represents the amount withheld by the Company's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

Inventory

Inventory is stated at the lower of cost or market value (i.e., the probable selling price to willing buyers as at the reporting date). Cost is determined using the first-in, first-out (FIFO) method.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued.

Retained Earnings. Retained earnings represent the accumulated net income or losses, net of any dividend declaration.

Revenue Recognition

Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, returns and value-added tax. The Company recognizes revenue to the extent that it is probable that future economic benefits will flow to the entity and that the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sales and Service Fees. Sales and service fees are recognized as revenue when the Company has delivered the products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Interest Income. Interest income recognized using the effective interest method. Interest income is included in 'Other loss - net' account in the statements of income.

Other Income. Other income is recognized when earned.

Costs and Expense Recognition

Costs and expenses are recognized in statements of income upon receipt of goods, utilization of services or at the date the costs and expenses are incurred.

Cost of Sales. Cost of sales are recognized when the related goods are delivered to the buyer.

Cost of Services. Cost of services pertains to costs directly associated to the revenue generating activities of the Company. Cost of services is recognized when the related expenses incurred to render the services.

Operating Expenses. Operating expenses constitute costs of administering the business. These are expensed when incurred.

Related Party Relationship and Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals who, by 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 legal form.

Related party transactions consist of transfers of resources, services or obligations between the Company and its related parties.

Operating Leases

The Company, as a lessee, has an existing lease agreement covering its office space and warehouse. Payments made under leases (net of any incentives received from the lessor) are charged to profit or loss when incurred.

Taxes

The Company uses the deferred income taxes method to account for income taxes. Under this method, the Company recognizes current and future tax consequences of transactions and other events that have been recognized in the financial statements. These recognized tax amounts comprise current tax and deferred tax.

Current Income Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Income Tax. Deferred tax is provided on all the temporary differences at reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply in the year when the asset is realized or the liability is settled, based on the tax rate and tax laws that have been enacted or substantively enacted at reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting year and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax asset is reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT). Revenue, expenses and assets are recognized, net of the amount of VAT, except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; or
- receivables and payables that are stated with the amount of VAT included.

The amount of VAT payable to taxation authority is included as part of “Trade and other payables” account in the statements of financial position.

The net amount of excess input VAT to taxation authority is included as part of “Prepayments and other current assets” account in the statements of financial position.

Foreign Currency-Denominated Transactions

Transactions in currencies other than the functional currency are initially recorded using the functional currency rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency closing rate of exchange prevailing at the reporting date. All differences are taken to statements of income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the functional currency rate of exchange prevailing at the dates of the initial transactions.

Provisions

Provisions, if any, are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is recognized in the profit or loss, net of any reimbursement. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

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

Events after the Reporting Date

Post year-end events that provide additional information about the Company's position at the 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 the financial statements when material.

3. Cash

This account consists of:

	MAR 31, 2024	MAR 31, 2023
Cash in Bank	23,069,915	11,793,259
Cash on Hand	904,015	369,914
	23,973,929	12,163,173

4. Trade and Other Receivables

This account consists of:

	MAR 31, 2024	MAR 31, 2023
Accounts Receivable - Trade	27,031,626	8,175,178
Advances to employees	200,000	200,000
	27,231,626	8,375,178

Trade receivables are non-interest bearing and are normally settled within 30-90 days. No allowance for impairment losses were provided in the fiscal year 2024 and fiscal year 2023.

5. Inventory

The cost of inventories carried at cost, which pertains to stocks and items for sale needed for industrial plants engaged in mining, cement manufacturing and power plant companies is lower than the selling price less costs to sell.

	MAR 31, 2024	MAR 31, 2023
Inventory on Hand - Warehouse	22,393,261	20,174,373
Inventory -stock in transit	10,496,643	
	32,889,905	20,174,373

No provision for inventory losses and obsolescence were provided in the fiscal year 2024

6. Property and Equipment

Details and movements of the account follow:

FY MARCH 2024

	Production Equipment and Tools	Leasehold Improvements	Company Vehicle	Furniture and Fixtures	Total
Cost					
Balance at beginning of year	₱14,704,494	₱2,798,064	₱1,786,067	₱295,637	₱19,584,262
Additions	4,975,490		550,000	43,707	₱5,569,197
Balance at end of year	19,679,984	2,798,064	2,336,067	339,344	25,153,459
Accumulated Depreciation					
Balance at beginning of year	5,681,107	1,890,475	753,172	129,851	₱8,454,605
Depreciation	3,404,364	453,794	454,247	85,455	₱4,397,860
Balance at end of fiscal year	9,085,471	2,344,269	1,207,419	215,306	12,852,465
Net Carrying Value	₱10,594,513	₱453,795	₱1,128,648	₱124,038	₱12,300,994

Breakdown of depreciation as to classification:

	MAR 31, 2024	MAR 31, 2023
Cost of sales and services	3,404,364	2,050,088
Operating expenses	993,496	815,564
	4,397,860	2,865,652

7. Trade and Other Payables

This account consists of:

	MARCH 31	
	MAR 31, 2024	MAR 31, 2023
Trade payables to related parties	15,107,149	15,148,669
Accrued Salaries – March 2024	519,666	373,160
Accrued 13th month – Jan to March 2024	215,054	-
SSS Payable	62,080	87,092
PHIC Payable	68,840	-
HDMF Payable	11,800	-
Withholding Tax Compensation Payable	170,578	-
Expanded Withholding Tax Payable	111,916	-
Other		
	16,267,083	15,608,921

Trade payables are non-interest-bearing and are generally payable on a 30-90 days term.

Statutory payables include mandatory contributions to government agencies, which are settled in the following month. While Other payables include expanded withholding tax payable and compensation withholding tax payable.

8. Related Party Transactions and Balances

The Company, in the normal course of business, has transactions with its related parties.

The Company imports various stocks and items for sale needed for industrial plants engaged in mining, cement manufacturing and power plant companies. The purchases are included under “Purchases” account under “Cost of sales”. Outstanding balance of transactions with related parties at year end are non-interest bearing, unsecured, payable on demand are expected to be settled in cash.

Compliance with Revenue Regulations (RR) No. 19-2020 and RR No. 34-2020

In July 2020, the Bureau of Internal Revenue (BIR) issued RR No. 19-2020, prescribing the use of the new BIR Form 1709, *Information Return on Related Party Transactions*. Subsequently, the BIR issued RR No. 34-2020 prescribing the guidelines and procedures for the submission of BIR Form 1709, transfer pricing documentation and other supporting documentations. The Company does not qualify with the above guidelines; hence, the Company is not covered by the requirements and procedures provided by the RR.

9. Sales and Service Fees

This account consists of sales of:

	<u>MAR 31, 2024</u>	<u>MAR 31, 2023</u>
Services	101,669,076	43,821,469
Goods	33,673,404	11,633,044
	<u>135,342,480</u>	<u>55,454,513</u>

10. Cost of Sales and Services

Details of the account follows:

	<u>MAR 31, 2024</u>	<u>MAR 31, 2023</u>
Bal at Beg of Year - Inventory	20,174,373	9,687,419
Purchases-Importation	45,015,448	21,534,946
Direct Cost: Workshop Supplies	4,491,306	
Materials - COS	3,507,316	
Total Cost of Goods Avail for sale	73,188,443	31,222,365
Less: Bal at end of year - Inventory	32,889,905	20,174,373
Cost of Goods Sold	40,298,539	11,047,992
Freight In	4,760,604	1,722,644
Duties and Taxes on importation	257,539	123,117
Outsourced Services- COS	8,260,206	6,972,680
Overhead - COS	5,920,836	1,869,335
Depreciation - COS	3,404,364	2,050,088
COS - Repairs and maintenance	87,220	427,898
Total cost of sales and services	<u>62,989,308</u>	<u>24,213,754</u>

11. Operating Expenses

This account consists of:

	MARCH 31	
	<u>MAR 31, 2024</u>	<u>MAR 31, 2023</u>
Salaries & Wages	5,295,493	3,584,877
Fringe Benefit	1,749,732	-
13th month	587,102	-
Transportation & Travel	1,778,169	1,279,756
Postage and Delivery	70,488	-
Rental	2,590,811	1,181,243
Depreciation	993,496	815,564
Professional Fees	1,192,303	678,200
Representation	636,206	496,380
Fuel and Oil	696,302	376,051
Repairs and Maintenance	309,201	209,523
Office Supplies	120,417	112,898
Utilities: Light and Water	362,027	106,372
Communication	170,350	-
Statutory Contributions	272,964	80,151
Other Types of Expenses-Advertising Expenses	304,785	-
Outside Services	282,954	80,014
Outside Services: Helper	189,487	-
Taxes and Licenses	470,715	63,534
Insurance	102,243	57,965
Bank Charges	18,978	36,373
Dues and subscriptions	41,588	-

Training and seminars	39,473	21,292
Medical	109,730	-
Miscellaneous	300,952	735,720
	<hr/>	<hr/>
Total Gen and administrative exp	18,685,966	9,915,913

12. Income Tax

Current income tax expense in FY 2024 and 2023 pertains to regular corporate income tax.

The reconciliation of the income tax expense at the statutory income tax rate to the current income tax expense shown in the statements of income follows:

	53,458,811	NET INCOME
	(6,669)	INTEREST INCOME
	<hr/> 53,452,142	
	13,363,035	RCIT
	2,170,595	MCIT
	13,363,035	INCOME TAX PAYABLE
	1,975,190	CWTAX
	5,302,255	1ST QTR PYT
	4,841,811	2ND QTR PYT
	<hr/> 12,119,255	INCOME TAX CREDIT/ PAYMENTS
	1,243,780	Income Tax Payable

CREATE Law and RR No. 5-2021

On November 26, 2020, the Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) Bill was approved by the Senate of the Philippines.

On March 26, 2021, the CREATE was approved and signed into law by the country’s President. Under the CREATE, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income.

In addition, under CREATE and RR No. 5-2021, the Minimum Corporate Income Tax (MCIT), was lowered to 1% effective 1 July 2020 to 30 June 2023. This means that starting 1 July 2023, the MCIT for corporations (except non-profit proprietary educational institutions and hospitals, and non-resident foreign corporations) will now revert to its original 2% rate based on the gross income of such corporations.

The income tax rates used in preparing the year ended March 31, 2023 and for the year ended March 31, 2024 is 25% and 3% for RCIT and MCIT, respectively.

13. Lease Commitments

The Company, as a lessee, has existing lease agreements with third parties for its main office and warehouse for various periods. The lease agreements are renewable upon mutual agreement by the parties.

Total Accumulated Rent expense amounted to ₱ 2,590,811 and ₱1,181,243 as of March 31, 2024 and March 31, 2023, respectively (see Note 11).

Total refundable rental deposits amounted to ₱164,000 as at March 31, 2024 and March 31, 2023, respectively.

14. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

Revenue Regulations No. 15-2010

Output VAT

This account consists of:

	MARCH 31	
	MAR 31, 2024	MAR 31, 2023
SALES	135,342,480	55,454,513
Vat Output Payable	16,241,098	6,654,542
Vat Input Credits	(658,979)	-
Vat Input Current	(6,872,437)	(4,314,099)
VAT PAYABLE	8,709,681	2,340,443
Less: VAT Payment per Qtr	(5,492,226)	-
Net Vat Payable as March 31, 2024	3,217,455	2,340,443

Income Tax

This account consists of:

	MARCH 31	
	MAR 31, 2024	MAR 31, 2023
Income tax exp at statutory rate	13,369,705	5,180,311
Income tax effects of:		
Interest income not subject to final tax	(6,669)	(910)
Nondeductible expenses		
	13,363,035	5,179,401

Taxes and Licenses

This account consists of:

	MARCH 31	
	MAR 31, 2024	MAR 31, 2023
National		
BIR Annual Registration	500	500
Duties and Taxes	257,539	123,117
Local		
LTO	8,500	-
Business Permts	461,715	63,534
	728,254	187,151

Tax Assessment and Tax Case

The Company has 2 outstanding tax assessment and tax cases as at March 31, 2024. The 1st is the Letter of Authority under SN: eLA202200010246 dated August 24, 2023 which was received last August 29, 2023 in relation to the examination of VALUE ADDED TAX covering the period of January 01, 2023 to June 30, 2023.

The 2nd Tax Assessment is the Letter of Authority under SN: eLA20220001510 AUDM29-25B-2023-054219 dated October 6, 2023 for the Audit of All Internal Revenue Taxes for the period January 1, 2022 to December 31, 2022 which was received last November 6, 2023.