

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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P	P	I	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	T	A	.		M	A	R	I	A	,		B	U	L	A	C	A	N											

Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

Branch's Email Address	Branch's Telephone Number	Mobile Number
info@dwsphilippines.com	N/A	+63-9773824975
No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
4	15 th of August	March 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number	Mobile Number
Anil Kumar Jayarama Shetty	a.shetty@diffusionengineers.com	N/A	+63-9164612972

CONTACT PERSON'S ADDRESS

286 Old Barrio Bigte, Norzagaray, Bulacan Philippines

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

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



Your BIR AFS eSubmission uploads were received

From: <eafs@bir.gov.ph>
Date: Fri, Jul 29, 2022 at 4:15 PM
Subject: Your BIR AFS eSubmission uploads were received
To: <INFO@dwsphilippines.com>
CC: <A.SHETTY@diffusionengineers.com>

Hi DIFFUSION WEAR SOLUTIONS PHILIPPINES INC.,

Valid files

- EAFS008704646AFSTY032022.pdf
- EAFS008704646TCRTY032022-30.pdf
- EAFS008704646ITRTY032022.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-8EJC5LFF0WQRVMVSNVS3M1ZT08HCHH9G9**
Submission Date/Time: **Jul 29, 2022 03:58 PM**
Company TIN: **008-704-646**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC.

(A Wholly Owned Subsidiary of DIFFUSION ENGINEERS SINGAPORE LTD.)

Financial Statements

March 31, 2022 and 2021

With independent auditor's report provided by:

ALBERTO C. AMARANTE, JR., CPA

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
DIFFUSION WEAR SOLUTIONS PHILIPPINES INC.
New Site Steet, San Gabriel
Sta. Maria, Bulacan

Report on the Financial Statements

Opinion

I have audited the accompanying financial statements of DIFFUSION WEAR SOLUTIONS PHILIPPINES INC. ("the Company"), which comprise the statement of financial position as at March 31, 2022 and 2021, and the statements of income, statements of changes in owner's equity and statements of cash flows for the fiscal years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2022 and 2021, and its financial performance and its cash flows for the fiscal years then ended in accordance with Philippine Financial Reporting Standards for Small Medium-sized Entities (PFRS for SMEs).

Basis for Opinion

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

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

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

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

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

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 PSA 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.

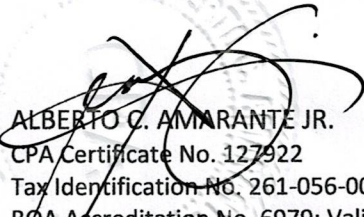
As part of an audit in accordance with PSA, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

Report on the Supplementary Information Required Under Revenue Regulations Nos. 15-2010 and 34-2020 of the Bureau of Internal Revenue

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required Revenue Regulations Nos. 15-2010 and 34-2020 in Notes 11 and 18 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 the management of the Company. The information has been subjected to the auditing procedures applied in my audit of the basic financial statements and in my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ALBERTO C. AMARANTE JR.
CPA Certificate No. 127922
Tax Identification No. 261-056-002
BOA Accreditation No. 6979; Valid until February 01, 2023
BIR Accreditation No. 08-007985-001-2021
Valid until March 4, 2024
PTR No. 8857977
Issued January 18, 2022, Makati City

June 17, 2022
Makati City, Metro Manila

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

The management of **DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC.** (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year ended March 31, 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Alberto C. Amarante Jr., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



PRASHANT GARG

President/Chairman of the Board

JAYARAMA SHETTY ANIL KUMAR

Treasurer



Signed this 17th day of June 2022.

Reg'd Office: **DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC.**
(Philippines) *New Site Street, San Gabriel Sta. Maria*
Bulacan – 3022 TIN: 008-704-646-000

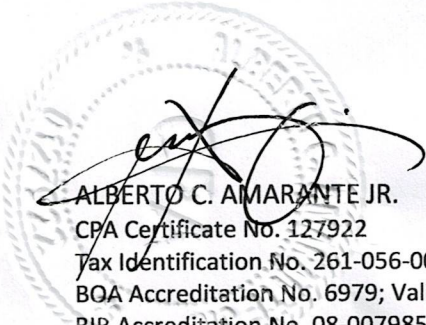
Head Office: **DIFFUSION ENGINEERS SINGAPORE PTE.LTD**
(Singapore) 30 Cecil Street,
#19-08 Prudential Tower,
SINGAPORE - 049712

**REPORT OF INDEPENDENT AUDITOR
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors
DIFFUSION WEAR SOLUTIONS PHILIPPINES INC.
New Site Steet, San Gabriel
Sta. Maria, Bulacan

I have audited the financial statements of DIFFUSION WEAR SOLUTIONS PHILIPPINES INC. ("the Company") as at and for the year ended March 31, 2022, on which I have rendered my report dated June 17, 2022.

In compliance with Securities Regulations Code Rule No. 68, I am stating that the Company has a total number of one (1) stockholder owning one hundred (100) or more shares.



ALBERTO C. AMARANTE JR.
CPA Certificate No. 127922
Tax Identification No. 261-056-002
BOA Accreditation No. 6979; Valid until February 01, 2023
BIR Accreditation No. 08-007985-001-2021
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Issued January 18, 2022, Makati City

June 17, 2022
Makati City, Metro Manila

DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC.
(A Wholly Owned Subsidiary of DIFFUSION ENGINEERS SINGAPORE LTD.)

STATEMENTS OF FINANCIAL POSITION

		March 31	
	Note	2022	2021
ASSETS			
Current Assets			
Cash	4	₱2,457,333	₱1,311,329
Trade and other receivables	5	6,303,556	12,037,604
Inventory	6	9,687,419	13,425,845
Prepayment and other current assets	7	457,034	164,139
Total Current Assets		18,905,342	26,938,917
Noncurrent Assets			
Property and equipment	8	5,473,409	1,201,496
Other noncurrent assets	9	135,000	115,000
Total Noncurrent Assets		5,608,409	1,316,496
		₱24,513,751	₱28,255,413
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	10	₱4,135,587	₱7,037,159
Dividend payable	11	-	700,000
Income tax payable	16	-	897,265
Total Current Liabilities		4,135,587	8,634,424
Equity			
Capital stock		9,000,000	9,000,000
Retained earnings		11,378,164	10,620,989
Total Equity		20,378,164	19,620,989
		₱24,513,751	₱28,255,413

See accompanying Notes to Financial Statements.

DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC.
(A Wholly Owned Subsidiary of DIFFUSION ENGINEERS SINGAPORE LTD.)

STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended March 31	
		2022	2021
SALES AND SERVICE FEES	12	₱26,001,379	₱28,696,970
COST OF SALES AND SERVICES	13	15,431,461	13,005,203
GROSS PROFIT		10,569,918	15,691,767
OPERATING EXPENSES	14	(9,462,100)	(7,174,899)
OTHER LOSS - Net	15	(105,160)	(365,951)
INCOME BEFORE INCOME TAX		1,002,658	8,150,917
CURRENT INCOME TAX EXPENSE	16	245,483	2,207,822
NET INCOME		757,175	5,943,095
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		₱757,175	₱5,943,095

See accompanying Notes to Financial Statements.

DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC.
(A Wholly Owned Subsidiary of DIFFUSION ENGINEERS SINGAPORE LTD.)

STATEMENTS OF CHANGES IN EQUITY

	Years Ended March 31	
	2022	2021
CAPITAL STOCK - ₱1 par value		
Authorized - 10,000,000 shares		
Issued and outstanding - 9,000,000 shares	₱9,000,000	₱9,000,000
RETAINED EARNINGS		
Balance at beginning of year	10,620,989	4,677,894
Net income	757,175	5,943,095
Balance at end of year	11,378,164	10,620,989
	₱20,378,164	₱19,620,989

See accompanying Notes to Financial Statements.

DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC.
(A Wholly Owned Subsidiary of DIFFUSION ENGINEERS SINGAPORE LTD.)

STATEMENTS OF CASH FLOWS

		Years Ended March 31	
	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		₱1,002,658	₱8,150,917
Adjustments for:			
Depreciation	8	1,881,793	666,485
Interest income	15	(1,604)	(4,282)
Operating income before working capital changes		2,882,847	8,813,120
Decrease (increase) in:			
Trade and other receivables		5,734,048	(9,087,525)
Inventory		3,738,426	(2,484,187)
Other current assets		-	(4)
Decrease in trade and other payables		(2,901,572)	(5,782,014)
Net cash provided by (used for) operations		9,453,749	(8,540,610)
Interest received	4	1,604	4,282
Income tax paid		(1,435,643)	(1,759,901)
Net cash provided by (used in) operating activities		8,019,710	(10,296,229)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	8	(6,153,706)	(1,083,505)
Refund of other noncurrent assets		-	234,657
Other noncurrent assets		(20,000)	-
Net cash used in operating activities		(6,173,706)	(848,848)
CASH FLOW FROM A FINANCING ACTIVITY			
Payment of dividend payable		(700,000)	-
NET INCREASE (DECREASE) IN CASH		1,146,004	(11,145,077)
CASH AT BEGINNING OF YEAR		1,311,329	12,456,406
CASH AT END OF YEAR		₱2,457,333	₱1,311,329

See accompanying Notes to Financial Statements.

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 COVID-19 pandemic

The COVID-19 pandemic has caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. The Company has also considered the potential impact of COVID-19 pandemic on its principal activities and future cash flows. To date, the impact of the pandemic on the Company's business has been minimal.

The accompanying financial statements of the Company as at and for the year ended March 31, 2022 were approved and authorized for issuance by the Board of Directors (BOD) on on June 17, 2022.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs) as issued by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

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.

Standard Issued and Effective

The Philippine Financial Reporting Standard for Small Entities (PFRS for Small Entities) was approved for adoption by the PFRS Council on December 13, 2017 and by the SEC on March 22, 2018. The PFRS for Small Entities is effective for annual periods beginning on or after January 1, 2019, and is required to be used by entities with total assets or total liabilities of ₱3.0 million to ₱100.0 million.

The PFRS for Small Entities reduced options for accounting treatment, eliminated topics that are not generally relevant to small entities, simplified methods for recognition and measurement, and reduced disclosure requirements.

The Company, which currently prepares its financial statements in accordance with PFRS for SMEs, is exempt from adopting the PFRS for Small Entities being a branch office of a foreign corporation reporting under International Financial Reporting Standards.

Basic Financial Instruments

The Company recognizes a financial asset and liability only when the Company becomes a party to the contractual provisions of the instrument.

The Company initially measures its financial assets and liabilities at the transaction prices unless the arrangement constitutes, in effect, a financing transaction. After initial measurement, financial assets and liabilities are measured at the undiscounted amount of cash or other consideration expected to be received or paid, less any allowance for impairment.

If the arrangement constitutes a financing transaction, the Company initially measures the financial assets and liabilities at the present value of the future payments discounted at a market rate of interest for a similar instrument. These are subsequently measured at amortized cost using the effective interest method.

The Company classifies its cash, trade and other receivables and trade and other payables (excluding statutory payables) as basic financial instruments.

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 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 pertains to hardware and software for sale and are valued at the lower of cost and estimated selling price less costs to sell. Cost is determined using the specific identification method. Cost is calculated using the first-in, first-out (FIFO) method. Cost includes purchase price, freight and handling and other cost directly attributable to acquisition of inventories. Selling price less cost to sell is the estimated selling price in the ordinary course of business, less the estimated cost of marketing and distribution. In determining the selling price less cost to sell, the Company considers any adjustments necessary for obsolescence.

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 income (loss) - net' account in the statements of comprehensive income.

Other Income. Other income is recognized when earned.

Costs and Expense Recognition

Costs and expenses are recognized in statements of comprehensive 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 determination of whether the arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A reassessment is made after inception on the lease only if one of the following applies: (a) there is a change in contractual terms, other than a renewal or extension of the arrangement; (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; (c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or (d) there is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Leases where a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the period of the lease term.

Taxes

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 and carryforward benefits of unused net operating loss carryover (NOLCO).

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.

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 comprehensive 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

Events after the reporting date that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the financial statements when material. Events after the reporting year that are non-adjusting events are disclosed in the notes to financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements requires the Company to exercise judgment, make estimates and use assumptions that affect amounts reported in the financial statements and related notes. Future events may occur which will cause the judgment and estimates to change. The effects of any change in judgment and estimates are reflected in the financial statements as these become reasonably determinable.

Judgment and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company believes that the following represents a summary of these significant judgment and estimates, and related impact and associated risks in the financial statements.

Judgments

In the process of applying the Company's accounting policies, the management has made the following judgment apart from those involving estimations, which have the most significant effect in the amounts recognized in the financial statements.

Determination of Functional Currency. Based on the economic substance of the underlying events and circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the selling price of the goods or services and the costs of sales or services.

Determining Classification of Lease Arrangement. The Company, as a lessee, has existing lease agreements covering its office space and warehouse. The Company has determined that the lessor retains all significant risks and benefits incidental to the ownership of the leased properties. Accordingly, the lease is accounted for as operating lease.

Rent expense amounted to ₱1,023,855 and ₱717,592 in 2022 and 2021, respectively (see Notes 14 and 17).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation at the statements of financial position date that have a significant risk of causing a material adjustment to the carrying amount of asset and liabilities within the next financial year are discussed below.

Estimating Impairment Losses on Trade and Other Receivables. The Company maintains allowance for impairment losses on trade receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of the factors that affect the collectability of the accounts. These factors include, but are not limited to the Company's relationship with the counterparty, counterparty's current credit status and other known market factors. The Company reviews the age and status of trade receivables and identifies accounts that are to be provided with allowance either individually or collectively. The amount and timing of recorded expenses for any period would differ if the Company made different judgment or utilized different estimates.

No impairment losses were recognized in 2022 and 2021. The carrying value of trade and other receivables amounted to ₱6,334,880 and ₱12,037,604 as at March 31, 2022 and 2021, respectively (see Note 5).

Estimating Inventory Losses. The Company writes down the cost of inventories whenever estimated selling price less cost to sell is lower than cost due to damage, physical deterioration, obsolescence, change in price levels or other causes. The lower of cost and estimated selling price less cost to sell of inventories is reviewed annually to reflect the accurate valuation in the financial statements. Inventories identified to be obsolete and unusable are also written-off and charged as expense for the year.

No inventory loss was recognized in 2022 and 2021. The carrying amount of inventories amounted to ₱9,687,419 and ₱13,425,845 as at March 31, 2022 and 2021, respectively and is lower than its estimated selling price less costs to sell (see Note 6).

Estimating Useful Lives of Property and Equipment. The Company estimates the useful lives of its property and equipment based on the periods over which these assets are expected to be available for use. The estimated useful lives of the assets are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors in the foregoing.

There was no change in the estimated useful lives of the property and equipment in 2022 and 2021.

Assessing Impairment of Property and Equipment. At each reporting date, property and equipment is reviewed to determine whether there is any indication that the assets may be impaired. If there is an indication of possible impairment, the recoverable amount of any 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.

There were no indications that property and equipment may be impaired. Accordingly, no impairment losses were recognized on property and equipment in 2022 and 2021. The carrying amount of property and equipment amounted to ₱5,473,409 and ₱1,201,496 as at March 31, 2022 and 2021, respectively (see Note 8).

4. Cash

This account consists of:

	2022	2021
Cash in banks	₱2,226,598	₱1,015,299
Cash on hand	230,735	296,030
	₱2,457,333	₱1,311,329

Cash in banks earn interest at prevailing bank deposit rate. Interest income amounted to ₱1,604 and ₱4,282 in 2022 and 2021, respectively (see Note 15).

5. Trade and Other Receivables

This account consists of:

	2022	2021
Trade	₱6,303,556	₱11,415,852
Advances to supplier	-	460,634
Advances to employees	-	51,243
Others	-	109,875
	₱6,303,556	₱12,037,604

Trade receivables are noninterest-bearing and are normally settled within 30-90 days. No allowance for impairment losses were provided in 2022 and 2021.

6. 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, amounted to ₱9,687,419 and ₱13,425,845 as at March 31, 2022 and 2021, respectively and is lower than the selling price less costs to sell.

The cost of inventories recognized as "Cost of sales" in the statements of comprehensive income is disclosed in Note 13.

No provision for inventory losses and obsolescence were provided in 2022 and 2021.

7. Prepayment and Other Current Assets

This account consists of:

	2022	2021
Prepaid income tax	₱402,034	₱-
Prepaid rent	55,000	55,000
Tax credit	-	109,139
	₱457,034	₱164,139

8. Property and Equipment

Details and movements of the account follow:

2022					
Note	Production Equipment and Tools	Leasehold Improvements	Company Vehicle	Furniture and Fixtures	Total
Cost					
Balance at beginning of year	₱3,048,373	₱1,436,681	₱352,138	₱71,464	₱4,908,656
Additions	4,142,697	1,361,383	568,457	81,169	6,153,706
Balance at end of year	7,191,070	2,798,064	920,595	152,633	11,062,362
Accumulated Depreciation					
Balance at beginning of year	2,018,611	1,275,836	352,138	60,575	3,707,160
Depreciation	13,14 1,612,408	160,845	96,152	12,388	1,881,793
Balance at end of year	3,631,019	1,436,681	448,290	72,963	5,588,953
Net Carrying Value	₱3,560,051	₱1,361,383	₱472,305	₱79,670	₱5,473,409

2021					
Note	Production Equipment and Tools	Leasehold Improvements	Company Vehicle	Furniture and Fixtures	Total
Cost					
Balance at beginning of year	₱1,978,868	₱1,436,681	₱352,138	₱57,464	₱3,825,151
Additions	1,069,505	-	-	14,000	1,083,505
Balance at end of year	3,048,373	1,436,681	352,138	71,464	4,908,656
Accumulated Depreciation					
Balance at beginning of year	1,676,926	954,147	352,138	57,464	3,040,675
Depreciation	13,14 341,685	321,689	-	3,111	666,485
Balance at end of year	2,018,611	1,275,836	352,138	60,575	3,707,160
Net Carrying Value	₱1,029,762	₱160,845	₱-	₱10,889	₱1,201,496

Breakdown of depreciation as to classification:

	Note	2022	2021
Cost of sales and services	13	₱1,612,408	₱345,564
Operating expenses	14	269,385	320,921
		₱1,881,793	₱666,485

9. Other Noncurrent Assets

This account consists of:

	2022	2021
Rental security deposit	₱135,000	₱115,000
Input VAT	-	-
	₱135,000	₱115,000

10. Trade and Other Payables

This account consists of:

	Note	2022	2021
Trade payables to related parties	11	₱3,264,362	₱5,972,122
Accrued expenses		535,886	205,976
Statutory payables		261,644	122,062
Advances from client		–	736,999
Others		73,695	–
		₱4,135,587	₱7,037,159

Trade payables are noninterest-bearing and are generally payable on a 30-90 day term.

Accrued expenses mainly pertain to accrual of salaries which are expected to be settled in the following month.

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

11. Related Party Transactions and Balances

The Company, in the normal course of business, has transactions with its related parties as summarized below:

Related party	Relationship	Nature of Transactions	Terms	Note	2022		2021	
					Transactions During the Year	Outstanding Balances	Transactions During the Year	Outstanding Balances
<i>Trade payables</i>								
DESL	Parent Company	Purchase of Inventories and capital assets	Unsecured, noninterest-bearing, collectible on demand	10	₱–	₱–	₱1,539,306	₱2,967,286
DEL	Ultimate Parent Company	Purchase of Inventories and capital assets	Unsecured, noninterest-bearing, payable within 90 day form invoice date	10	8,718,265	3,264,362	10,328,866	3,004,836
						₱3,264,362		₱5,972,122

The Company imports various stocks and items for sale needed for industrial plants engaged in mining, cement manufacturing and power plant companies. The purchases is included under “Purchases” account under “Cost of sales”.

Outstanding balance of transactions with related parties at year end are noninterest-bearing, unsecured, payable on demand are expected to be settled in cash.

Compensation of Key Management Personnel

Compensation of key management personnel of the Company, which pertains to short-term and other benefits, amounted to ₱2.5 and ₱1.4 million in 2022 and 2021, respectively.

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.

Dividends

The company has declared cash dividends of ₱2,000,000 in January 2019. The amount of ₱700,000 has remain outstanding as at December 31, 2021. It was settled in 2022.

12. Sales and Service Fees

This account consists of sales of:

	2022	2021
Sales of:		
Services	₱18,369,732	₱20,601,660
Goods	7,631,647	8,095,310
	₱26,001,379	₱28,696,970

13. Cost of Sales and Services

Details of the account follows:

	2022	2021
Balance at beginning of year of inventories	₱13,425,845	₱10,941,657
Purchases	5,044,038	12,598,416
Freight in	1,117,385	768,932
Duties and taxes on importation	33,040	221,814
Total cost of goods available for sale	19,620,308	24,530,819
Less: Balance at end of year of inventories	9,687,419	13,425,845
Cost of sales	9,932,889	11,104,974
Outside services	2,643,500	612,483
Overhead	1,242,664	942,182
Depreciation	1,612,408	345,564
Total cost of sales and services	₱15,431,461	₱13,005,203

14. Operating Expenses

This account consists of:

	Note	2022	2021
Salaries and other benefits		₱4,057,942	₱3,107,798
Transportation and travel		1,032,250	225,798
Rent	17	1,023,855	717,592
Professional fees		699,147	605,810
Outside services		476,791	1,074,608
Representation		438,458	510,608
Repairs and maintenance		283,458	131,598
Depreciation	8	269,385	320,921
Communication, light and water		260,467	102,626
Fuel and oil		220,640	—
Office supplies		172,054	80,011
Taxes and licenses		165,229	122,295
Statutory contributions		55,127	—
Bank charges		34,103	—
Insurance		15,539	84,277
Miscellaneous		257,655	90,957
		₱9,462,100	₱7,174,899

15. Other Loss - Net

This account consists of:

	2022	2021
Realized foreign exchange loss - net	(₱106,764)	(₱370,233)
Interest income	1,604	4,282
	(₱105,160)	(₱365,951)

16. Income Tax

Current income tax expense in 2022 and 2021 pertains to regular corporate income tax.

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

	2022	2021
Income tax expense at statutory rate	₱200,532	₱2,139,616
Income tax effects of:		
Nondeductible expenses	45,272	69,330
Interest income not subject to final tax	(321)	(1,124)
	₱245,483	₱2,207,822

CREATE Law

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, the MCIT was changed from 2% to 1% of gross income for a period of three years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

However, the income tax rates used in preparing the financial statements as at and for the year ended March 31, 2021 is 26.25% for RCIT, respectively.

While the income tax rates used in preparing the financial statements as at and for the year ended March 31, 2022 are 20% and 1% for RCIT and MCIT, respectively.

17. Lease Commitments

The Company, as a lessee, has existing lease agreements with third parties for its main office and warehouse for a period of 1 year. The lease agreements are renewable upon mutual agreement by the parties.

Rent expense amounted to ₱1,023,855 and ₱717,592 in 2022 and 2021 (see Note 14).

Refundable rental deposit amounted to ₱135,000 and ₱115,000 as at March 31, 2022 and 2021, respectively (see Note 9).

Prepaid rent amounted to ₱55,000 and ₱55,000 as at March 31, 2022 and 2021, respectively (see Note 7).

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

Revenue Regulations No. 15-2010

Output VAT

Output VAT declared in 2022 amounted to ₱3,120,165 and the revenues upon which the same was based amounted to ₱26,001,379.

Input VAT

Movements in input VAT paid for by the Company for the year ended March 31, 2022 are shown below:

Balance at beginning of year	₱-
Current year’s domestic purchase/payments for:	
Importation of goods other than capital goods	1,293,557
Goods other than capital goods	147,494
Services	697,569
Applied against output VAT	(2,138,620)

Balance at end of year	₱-
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Other Local and National Taxes

Details of the Company's taxes and licenses paid or accrued during the year are as follows:

Licenses and permits	₱164,729
Duties and taxes on importation	33,040
Annual registration fee	500
Balance at end of year	₱198,269

The above taxes and licenses is presented as 'Duties and taxes on importation' under 'Cost of Sales and Services' and as 'Taxes and licenses' under 'Operating Expenses' in the statements of comprehensive income.

Withholding taxes

Details of taxes paid, accrued, and/or withheld for the year ended March 31, 2022 are presented below:

	Paid	Accrued	Total
Expanded withholding tax	₱179,283	₱11,666	₱190,949
Compensation withholding tax	449,219	44,933	494,152
	₱628,502	₱56,599	₱685,101


Tax Assessment and Tax Case

The Company has no outstanding tax assessment and tax case as at and for the year ended March 31, 2022.

**REPORT OF INDEPENDENT AUDITOR
ON SUPPLEMENTARY SCHEDULES
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**

The Stockholders and the Board of Directors
DIFFUSION WEAR SOLUTIONS PHILIPPINES INC.
New Site Steet, San Gabriel
Sta. Maria, Bulacan

I have audited in accordance with Philippine Standards on Auditing the financial statements of DIFFUSION WEAR SOLUTIONS PHILIPPINES INC. (the Company), as at and for the fiscal year ended March 31, 2022 and have issued my report thereon dated June 17, 2022. My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplementary Schedule of Retained Earnings Available for Dividend Declaration as at March 31, 2022, is the responsibility of the Company's management. This schedule is presented for the purpose of complying with Securities and Exchange Commission Memorandum Circular No. 11, Series of 2008 and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements. In my opinion, the supplementary schedule fairly states, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.



ALBERTO C. AMARANTE JR
CPA Certificate No. 127922
Tax Identification No. 261-056-002
BOA Accreditation No. 6979; Valid until February 01, 2023
BIR Accreditation No. 08-007985-001-2021
Valid until March 04, 2024
PTR No. 8857977
Issued January 18, 2022, Makati City

June 17, 2022
Makati City, Metro Manila

DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC.
(A Wholly Owned Subsidiary of DIFFUSION ENGINEERS SINGAPORE LTD.)

SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION

	Years Ended March 31	
	2022	2021
Unappropriated retained earnings, at beginning of period available for dividend declaration	10,620,989	4,677,894
Net income actually earned during the period	757,175	5,943,095
Unappropriated retained earnings, at end of period available for dividend declaration	₱20,378,164	₱19,620,989

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

The Management of **DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC.** (the "Company") is responsible for all information and representations contained in the Annual Income Tax Return for the year ended March 31, 2022. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the 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 the 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 audited financial statements for the year ended March 31, 2022 and the 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 provisions of the National 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 of figures in the submitted reports arising from the preparation of financial statements pursuant to Philippine Financial Reporting Standards for Small and Medium-sized Entities and the preparation of the income tax return pursuant 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) the DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC. has filed all applicable tax 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.



PRASHANT GARG

President/Chairman of the Board



JAYARAMA SHETTY ANIL KUMAR

Treasurer

Reg'd Office: DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC.
(Philippines) *New Site Street, San Gabriel*
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**REPORT OF INDEPENDENT AUDITOR
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE
BUREAU OF INTERNAL REVENUE**

The Stockholders and the Board of Directors
DIFFUSION WEAR SOLUTIONS PHILIPPINES INC.
New Site Steet, San Gabriel
Sta. Maria, Bulacan

I have audited the accompanying financial statements of DIFFUSION WEAR SOLUTIONS PHILIPPINES INC. ("the Company") as at and for the year ended March 31, 2022, on which I have rendered my report dated June 17, 2022.

In compliance with Revenue Regulations V-20, I am stating that I am not related by consanguinity or affinity to the president, managers or owner of the Company.



ALBERTO C. AMARANTE JR.
CPA Certificate No. 127922
Tax Identification No. 261-056-002
BOA Accreditation No. 6979; Valid until February 01, 2023
BIR Accreditation No. 08-007985-001-2021
Valid until March 4, 2024
PTR No. 8857977
Issued January 18, 2022, Makati City

June 17, 2022
Makati City, Metro Manila