

# COVER SHEET

## for

### AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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**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	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**

<b>Branch's Email Address</b>	<b>Branch's Telephone Number</b>	<b>Mobile Number</b>
info@dwsphilippines.com	N/A	+63-9773824975
<b>No. of Stockholders</b>	<b>Annual Meeting (Month/Day)</b>	<b>Fiscal Year (Month/Day)</b>
4	1 <sup>st</sup> of July	March 31

**CONTACT PERSON INFORMATION**

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

<b>Name of Contact Person</b>	<b>Email Address</b>	<b>Telephone Number</b>	<b>Mobile Number</b>
Amol Suresh Ambhore	a.ambhore@dwsphilippines.com	N/A	09955131021

**CONTACT PERSON'S ADDRESS**

Km 37 Nepo Homes, Pulong Buhangin Sta, Maria Bulacan
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**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 shall not excuse the corporation from liability for its deficiencies.

**DIFFUSION WEAR SOLUTIONS PHILIPPINES, INC.**

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

Financial Statements

March 31, 2023 and 2022

With independent auditor's report provided by:

**ALBERTO C. AMARANTE, JR., CPA**



DWS Philippines &lt;info@dwsphilippines.com&gt;

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## Your BIR AFS eSubmission uploads were received

1 message

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**eafs@bir.gov.ph** <eafs@bir.gov.ph>  
To: INFO@dwsphilippines.com  
Cc: A.SHETTY@diffusionengineers.com

Tue, Jul 4, 2023 at 3:31 PM

Hi DIFFUSION WEAR SOLUTIONS PHILIPPINES INC.,

### Valid files

- EAFS0087046461TRTY032023.pdf
- EAFS008704646AFSTY032023.pdf

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- <None>

Transaction Code: **AFS-0-6D7E589K0GA797LKQM2QTMYN07B8F7A6C**  
Submission Date/Time: **Jul 04, 2023 03:31 PM**  
Company TIN: **008-704-646**

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- 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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**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 years ended March 31, 2023 and 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.

Albert 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



AMOL SURESH AMBHORE  
Treasurer

Signed this 31st day of May 2023.

## 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 statements of financial position as at March 31, 2023 and 2022, and the statements of income, statements of changes in owner's equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small Entities (PFRS for SEs).

#### *Basis for Opinion*

I conducted my audits 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.

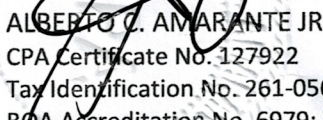
As part of an audit in accordance with PSA, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- 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 No. 15-2010 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 on taxes and license in Note 16 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 28, 2026  
BIR Accreditation No. 08-007985-001-2021  
Valid until March 4, 2024  
PTR No. 9573326  
Issued January 09, 2023, Makati City

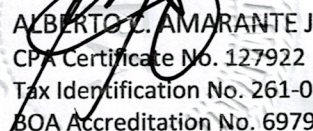
May 31, 2023  
Makati City, Metro Manila

**SUPPLEMENTAL WRITTEN STATEMENT 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, 2023, on which I have rendered my report dated May 31, 2023.

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 28, 2026  
BIR Accreditation No. 08-007985-001-2021  
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Issued January 09, 2023, Makati City

May 31, 2023  
Makati City, Metro Manila



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

**STATEMENTS OF FINANCIAL POSITION**

		<b>March 31</b>	
	Note	2023	2022
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	3	<b>₱12,163,173</b>	₱2,457,333
Trade and other receivables	4	<b>8,375,178</b>	6,303,556
Inventory	5	<b>20,174,373</b>	9,687,419
Prepayment and other current assets	6	<b>658,979</b>	457,034
Total Current Assets		<b>41,371,703</b>	18,905,342
<b>Noncurrent Assets</b>			
Property and equipment	7	<b>11,129,657</b>	5,473,409
Security deposits	15	<b>164,000</b>	135,000
Total Noncurrent Assets		<b>11,293,657</b>	5,608,409
		<b>₱52,665,360</b>	₱24,513,751
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	8	<b>₱15,608,921</b>	₱4,135,587
Income tax payable	14	<b>1,136,434</b>	–
Total Current Liabilities		<b>16,745,355</b>	4,135,587
<b>Equity</b>			
Capital stock		<b>9,000,000</b>	9,000,000
Retained earnings		<b>26,920,005</b>	11,378,164
Total Equity		<b>35,920,005</b>	20,378,164
		<b>₱52,665,360</b>	₱24,513,751

*See accompanying Notes to Financial Statements.*

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

**STATEMENTS OF INCOME**

		<b>Years Ended March 31</b>	
	Note	<b>2023</b>	<b>2022</b>
<b>SALES AND SERVICE FEES</b>	10	<b>₱55,454,513</b>	<b>₱26,001,379</b>
<b>COST OF SALES AND SERVICES</b>	11	<b>24,213,754</b>	<b>15,431,461</b>
<b>GROSS PROFIT</b>		<b>31,240,759</b>	<b>10,569,918</b>
<b>OPERATING EXPENSES</b>	12	<b>(9,915,913)</b>	<b>(9,462,100)</b>
<b>OTHER LOSS - Net</b>	13	<b>(603,604)</b>	<b>(105,160)</b>
<b>INCOME BEFORE INCOME TAX</b>		<b>20,721,242</b>	<b>1,002,658</b>
<b>PROVISION FOR CURRENT INCOME TAX EXPENSE</b>	14	<b>5,179,401</b>	<b>245,483</b>
<b>NET INCOME</b>		<b>₱15,541,841</b>	<b>₱757,175</b>

*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**

	<b>Years Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
<b>CAPITAL STOCK - ₱1 par value</b>		
Authorized - 10,000,000 shares		
Issued and outstanding - 9,000,000 shares	<b>₱9,000,000</b>	<b>₱9,000,000</b>
<b>RETAINED EARNINGS</b>		
Balance at beginning of year	<b>11,378,164</b>	10,620,989
Net income	<b>15,541,841</b>	757,175
Balance at end of year	<b>26,920,005</b>	11,378,164
	<b>₱35,920,005</b>	<b>₱20,378,164</b>

*See accompanying Notes to Financial Statements.*

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

**STATEMENTS OF CASH FLOWS**

		<b>Years Ended March 31</b>	
	Notes	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax		<b>₱20,721,242</b>	₱1,002,658
Adjustments for:			
Depreciation	7	<b>2,865,652</b>	1,881,793
Interest income	3,13	<b>(3,639)</b>	(1,604)
Operating income before working capital changes		<b>23,583,255</b>	2,882,847
Decrease (increase) in:			
Trade and other receivables		<b>(2,071,622)</b>	5,734,048
Inventory		<b>(10,486,954)</b>	3,738,426
Prepayment and other current assets		<b>(1,641,908)</b>	–
Increase (decrease) in trade and other payables		<b>11,473,334</b>	(2,901,572)
Net cash provided by operations		<b>20,856,105</b>	9,453,749
Interest received	3,13	<b>3,639</b>	1,604
Income tax paid		<b>(2,603,004)</b>	(1,435,643)
Net cash provided by operating activities		<b>18,256,740</b>	8,019,710
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property and equipment	7	<b>(8,521,900)</b>	(6,153,706)
Additional security deposit		<b>(29,000)</b>	–
Other noncurrent assets		–	(20,000)
Net cash used in investing activities		<b>(8,550,900)</b>	(6,173,706)
<b>CASH FLOW FROM A FINANCING ACTIVITY</b>			
Payment of dividend payable		–	(700,000)
<b>NET INCREASE IN CASH</b>		<b>9,705,840</b>	1,146,004
<b>CASH AT BEGINNING OF YEAR</b>		<b>2,457,333</b>	1,311,329
<b>CASH AT END OF YEAR</b>		<b>₱12,163,173</b>	<b>₱2,457,333</b>

*See accompanying Notes to Financial Statements.*

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

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**NOTES TO FINANCIAL STATEMENTS**

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**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 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 May 31, 2023.

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**2. Summary of Significant Accounting Policies**

**Basis of Preparation**

The financial statements as at and for the year ended March 31, 2023 are the first the Company has 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. In preparing these financial statements, the Company's opening statement of financial position was prepared as at April 1, 2022, the Company's transition date to PFRS for Small Entities. 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.

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### 3. Cash

This account consists of:

	2023	2022
Cash in banks	₱11,793,259	₱2,226,598
Cash on hand	369,914	230,735
	<b>₱12,163,173</b>	<b>₱2,457,333</b>

Cash in banks earn interest at prevailing bank deposit rate. Interest income amounted to ₱3,639 and ₱1,604 in 2023 and 2022, respectively (see Note 13).

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### 4. Trade and Other Receivables

This account consists of:

	2023	2022
Trade	₱8,175,178	₱6,303,556
Advances to employees	200,000	—
	<b>₱8,375,178</b>	<b>₱6,303,556</b>

Trade receivables are noninterest-bearing and are normally settled within 30-90 days. No allowance for impairment losses were provided in 2023 and 2022.

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### 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, amounted to ₱20,174,373 and ₱9,687,419 as at March 31, 2023 and 2022, 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 income is disclosed in Note 11.

No provision for inventory losses and obsolescence were provided in 2023 and 2022.

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### 6. Prepayment and Other Current Assets

This account consists of:

	2023	2022
Input VAT	₱658,979	₱—
Prepaid rent	15	55,000
Prepaid income tax	—	402,034
	<b>₱658,979</b>	<b>₱457,034</b>

## 7. Property and Equipment

Details and movements of the account follow:

2023					
Note	Production Equipment and Tools	Leasehold Improvements	Company Vehicle	Furniture and Fixtures	Total
<b>Cost</b>					
	₱7,191,070	₱2,798,064	₱920,595	₱152,633	₱11,062,362
	7,513,424	-	865,472	143,004	8,521,900
	14,704,494	2,798,064	1,786,067	295,637	19,584,262
<b>Accumulated Depreciation</b>					
	3,631,019	1,436,681	448,290	72,963	5,588,953
11,12	2,050,088	453,794	304,882	56,888	2,865,652
	5,681,107	1,890,475	753,172	129,851	8,454,605
	₱9,023,387	₱907,589	₱1,032,895	₱165,786	₱11,129,657
2022					
Note	Production Equipment and Tools	Leasehold Improvements	Company Vehicle	Furniture and Fixtures	Total
<b>Cost</b>					
	₱3,048,373	₱1,436,681	₱352,138	₱71,464	₱4,908,656
	4,142,697	1,361,383	568,457	81,169	6,153,706
	7,191,070	2,798,064	920,595	152,633	11,062,362
<b>Accumulated Depreciation</b>					
	2,018,611	1,275,836	352,138	60,575	3,707,160
11,12	1,612,408	160,845	96,152	12,388	1,881,793
	3,631,019	1,436,681	448,290	72,963	5,588,953
	₱3,560,051	₱1,361,383	₱472,305	₱79,670	₱5,473,409

Breakdown of depreciation as to classification:

	Note	2023	2022
Cost of sales and services	11	₱2,050,088	₱1,612,408
Operating expenses	12	815,564	269,385
		₱2,865,652	₱1,881,793

## 8. Trade and Other Payables

This account consists of:

	Note	2023	2022
Trade payables to related parties	9	₱15,148,669	₱3,264,362
Accrued salaries		373,160	535,886
Statutory payables		87,092	261,644
Others		-	73,695
		₱15,608,921	₱4,135,587

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

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

## 9. 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	2023		2022	
					Transactions During the Year	Outstanding Balances	Transactions During the Year	Outstanding Balances
<i>Trade payables</i>								
DEL	Ultimate Parent Company	Purchase of Inventories and capital assets	Unsecured, noninterest-bearing, payable within 90 day form invoice date		<b>₱26,246,352</b>	<b>₱15,148,669</b>	₱8,718,265	₱3,264,362

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 ₱1.3 million and ₱2.5 million in 2023 and 2022, 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.

## 10. Sales and Service Fees

This account consists of sales of:

	2023	2022
Sales of:		
Services	<b>₱43,821,469</b>	₱18,369,732
Goods	<b>11,633,044</b>	7,631,647
	<b>₱55,454,513</b>	<b>₱26,001,379</b>

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## 11. Cost of Sales and Services

Details of the account follows:

	2023	2022
Balance at beginning of year of inventories	₱9,687,419	₱13,425,845
Purchases	21,534,946	5,044,038
Freight in	1,722,644	1,117,385
Duties and taxes on importation	123,117	33,040
Total cost of goods available for sale	33,068,126	19,620,308
Less: Balance at end of year of inventories	20,174,373	9,687,419
Cost of sales	12,893,753	9,932,889
Outside services	6,972,680	2,643,500
Overhead	1,869,335	1,242,664
Depreciation	2,050,088	1,612,408
Others	427,898	-
Total cost of sales and services	₱24,213,754	₱15,431,461

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## 12. Operating Expenses

This account consists of:

	Note	2023	2022
Salaries and other benefits		₱3,584,877	₱4,057,942
Transportation and travel		1,279,756	1,032,250
Rent	15	1,181,243	1,023,855
Depreciation	7	815,564	269,385
Professional fees		678,200	699,147
Representation		496,380	438,458
Fuel and oil		376,051	220,640
Repairs and maintenance		209,523	283,458
Office supplies		112,898	172,054
Communication, light and water		106,372	260,467
Statutory contributions		80,151	55,127
Outside services		80,014	476,791
Taxes and licenses		63,534	165,229
Insurance		57,965	15,539
Bank charges		36,373	34,103
Training and seminars		21,292	-
Miscellaneous		735,720	257,655
		₱9,915,913	₱9,462,100

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**13. Other Loss - Net**

This account consists of:

	<b>2023</b>	2022
Realized foreign exchange loss	<b>(₱607,243)</b>	(₱106,764)
Interest income	<b>3,639</b>	1,604
	<b>(₱603,604)</b>	(₱105,160)

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**14. Income Tax**

Current income tax expense in 2023 and 2022 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:

	<b>2023</b>	2022
Income tax expense at statutory rate	<b>₱5,180,311</b>	₱200,532
Income tax effects of:		
Interest income not subject to final tax	<b>(910)</b>	(321)
Nondeductible expenses	-	45,272
	<b>₱5,179,401</b>	₱245,483

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**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.

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.

However, the income tax rates used in preparing the financial statements as at and for the year ended March 31, 2021 is 22.5% for RCIT, respectively.

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**15. 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.

Rent expense amounted to ₱1,181,243 and ₱1,023,855 in 2023 and 2022 (see Note 12).

Total refundable rental deposits amounted to ₱164,000 and ₱135,000 as at March 31, 2023 and 2022, respectively.

Prepaid rent amounted to ₱nil and ₱55,000 as at March 31, 2023 and 2022, respectively (see Note 6).

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

**Revenue Regulations No. 15-2010**

Output VAT

Output VAT declared in 2023 amounted to ₱6,654,542 and the revenues upon which the same was based amounted to ₱55,454,513.

Input VAT

Movements in input VAT paid for by the Company for the year ended March 31, 2023 are shown below:

Balance at beginning of year	₱-
Current year's domestic purchase/payments for:	
Importation of goods other than capital goods	2,800,708
Services	1,065,084
Goods other than capital goods	348,139
Capital goods	100,168
Applied against output VAT	(4,314,099)
Balance at end of year	₱-

Other Local and National Taxes

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

Duties and taxes on importation	₱123,117
Licenses and permits	63,534
Annual registration fee	500
Balance at end of year	₱187,151

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 income.

Withholding taxes

Details of taxes paid, accrued, and/or withheld for the year ended March 31, 2023 are presented below:

	Paid	Accrued	Total
Expanded withholding tax	₱298,260	₱37,645	₱335,905
Compensation withholding tax	218,229	30,105	248,334
	₱516,489	₱67,750	₱584,239

Tax Assessment and Tax Case


The Company has no outstanding tax assessment and tax case as at and for the year ended March 31, 2023.



**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 years ended March 31, 2023 and 2022, and have issued my report thereon dated May 31, 2023. My audits were 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, 2023, 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.  
CFA Certificate No. 127922  
Tax Identification No. 261-056-002  
BOA Accreditation No. 6979; Valid until February 28, 2026  
BIR Accreditation No. 08-007985-001-2021  
Valid until March 4, 2024  
PTR No. 9573326  
Issued January 09, 2023, Makati City

May 31, 2023  
Makati City, Metro Manila

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

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**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**

**March 31, 2023**

Unappropriated retained earnings, at beginning of the year	<b>₱11,378,164</b>
Net income during the period	<b>15,541,841</b>
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Unappropriated retained earnings, at end of year available for dividend declaration	<b>₱26,920,005</b>
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**“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, 2023. 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, 2023 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



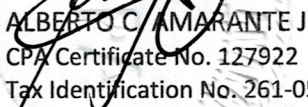
AMOL SURESH AMBHORE  
Treasurer

**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, 2023, on which I have rendered my report dated May 31, 2023.

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 28, 2026  
BIR Accreditation No. 08-007985-001-2021  
Valid until March 4, 2024  
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Issued January 09, 2023, Makati City

May 31, 2023  
Makati City, Metro Manila