

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Praj Far East Philippines Limited, Inc.
17th Floor, Liberty Center
104 H.V. Dela Costa Street, Salcedo Village
Makati City

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of Praj Far East Philippines Limited, Inc. (the Company), which comprise the statements of financial position as at March 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in 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 accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2021 and 2020, 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 have conducted my audits in accordance with Philippine Standards on Auditing (PSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (the 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 SEs, 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 auditors' report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

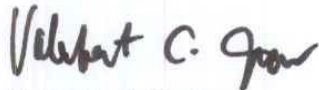
As part of an audit in accordance with PSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 15-2010

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



Valenbert C. Juan

Certified Public Accountant

CPA Certificate No. 106735

Valid until February 14, 2023

BOA/PRC Reg. No. 2883

November 16, 2020 Valid until February 14, 2024

SEC Accreditation No. 1672-A

Tax Identification No. 228-464-264

BIR Accreditation No. AN 06-005719-1-2020

January 22, 2020 Valid until January 21, 2023

PTR No. 9867706, January 18, 2021, City of Manila

April 15, 2021

PRAJ FAR EAST PHILIPPINES LIMITED INC.
STATEMENTS OF FINANCIAL POSITION

	March 31	
	2021	2020
ASSETS		
Current Assets		
Cash and bank balance (Note 5)	₱1,569,425	₱19,529,006
Trade and other receivables (Note 6)	12,362,012	21,951,525
Other current assets (Note 7)	17,566,715	17,173,154
	31,498,152	58,653,685
Noncurrent Assets		
Loans receivable (Note 8)	–	11,555,500
Construction-in-progress (Note 11)	4,725,221	–
	4,725,221	11,555,500
TOTAL ASSETS	₱36,223,373	₱70,209,185
LIABILITY AND EQUITY		
Current Liabilities		
Trade and other payables (Note 9)	₱15,685,757	₱52,365,244
Income tax payable (Note 14)	4,279,377	1,316,723
	19,965,134	53,681,967
Equity		
Capital stock - ₱1 per share		
Authorized - 8,315,000 shares		
Issued and outstanding - 8,313,281 shares	8,313,281	8,313,281
Retained earnings (Note 15)	7,944,958	8,213,937
Total Equity	16,258,239	16,527,218
TOTAL LIABILITY AND EQUITY	₱36,223,373	₱70,209,185

See accompanying Notes to Financial Statements.

PRAJ FAR EAST PHILIPPINES LIMITED INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Year ended March 31	
	2021	2020
REVENUES FROM CONSTRUCTION CONTRACTS (Note 10)	₱25,341,602	₱24,023,285
COST OF CONSTRUCTION CONTRACTS (Note 11)	9,842,089	19,570,695
GROSS PROFIT	15,499,513	4,452,590
OPERATING EXPENSES (Note 10)	824,474	797,145
OTHER INCOME (EXPENSES)		
Other income (Note 13)	211,481	733,630
Foreign exchange losses	(270,604)	(1,934)
	(59,123)	731,696
INCOME BEFORE INCOME TAX	14,615,916	4,387,141
PROVISION FOR INCOME TAX (Note 14)	4,384,895	1,316,723
NET INCOME	10,231,021	3,070,418
OTHER COMPREHENSIVE INCOME	—	—
TOTAL COMPREHENSIVE INCOME	₱10,231,021	₱3,070,418

See accompanying Notes to Financial Statements.

PRAJ FAR EAST PHILIPPINES LIMITED INC.**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED March 31, 2020 and 2019**

	Capital stock	Retained earnings (Note 15)	Total
Balances at March 31, 2019	₱8,313,281	₱41,843,519	₱50,156,800
Total comprehensive income for the year	–	3,070,418	3,070,418
Declaration of dividends	–	(36,700,000)	(36,700,000)
Balances at March 31, 2020	8,313,281	8,213,937	16,527,218
Total comprehensive income for the year	–	10,231,021	10,231,021
Declaration of dividends	–	(10,500,000)	(10,500,000)
Balances at March 31, 2021	₱8,313,281	₱7,944,958	₱16,258,239

See accompanying Notes to Financial Statements.

PRAJ FAR EAST PHILIPPINES LIMITED INC.
STATEMENTS OF CASH FLOWS

	Years Ended March 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱14,615,916	₱4,387,141
Adjustment for foreign exchange losses (gains) - net	270,604	(417,764)
Operating income before working capital changes	14,886,520	3,969,377
Decrease (increase) in:		
Trade and other receivables	9,589,513	(1,432,740)
Other current assets	(393,561)	3,742,961
Construction-in-progress	(4,725,221)	
Decrease in trade and other payables	(15,984,487)	(13,420,669)
Net cash flows from (used in) operations	3,372,764	(7,141,071)
Income taxes paid	(1,422,241)	(4,396,285)
Net cash flows from (used in) operating activities	1,950,523	(11,537,356)
CASH FLOWS FROM AN INVESTING ACTIVITY		
Decrease (increase) in loans receivables	11,555,500	(11,555,500)
CASH FLOWS FROM A FINANCING ACTIVITY		
Dividends paid	(31,195,000)	-
NET DECREASE IN CASH	(17,688,977)	(23,092,856)
EFFECT OF FOREIGN EXCHANGE LOSSES	(270,604)	417,764
CASH AT BEGINNING OF PERIOD	19,529,006	42,204,098
CASH AT END OF PERIOD	₱1,569,425	₱19,529,006

See accompanying Notes to Financial Statements.

PRAJ FAR EAST PHILIPPINES LIMITED INC.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Praj Far East Philippines Limited Inc. (the Company) was organized under the laws of the Republic of the Philippines and was authorized by the Securities and Exchange Commission (SEC) on August 17, 2012. It is primarily to engage in general construction, layout and other allied businesses including constructing, enlarging, repairing, removing, developing or otherwise engaging in any work upon buildings, plants, process equipments, roads, highways, bridges, airfields, piers, docks, mines, shafts, waterworks, railroads, railway structures, all iron, wood, masonry and earth construction, except for the construction and repair of locally-funded public works, and defense related structures, and to make, execute, bid for and take or receive any contracts or assignments of contract therefor, or in relation thereto, or connected therewith; and doing of any and all other business and contracting incidental thereto or connected therewith, and the doing and performing of any and all acts and things necessary, proper or convenient for and incidental to the furtherance and/or implementation of the purposes mentioned.

The Company's place of business is located at 17th Floor, Liberty Center, 104 H.V. Dela Costa Street, Salcedo Village, Makati City.

The financial statements of the Company as of and for the fiscal year ended March 31, 2021 and 2020 were authorized for issue by the Board of Directors (BOD) on April 15, 2021.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The accompanying financial statements have been prepared under the historical cost basis and are presented in Philippine peso, which is the Company's functional and presentation currency.

Statement of Compliance

The financial statements have been prepared in accordance with Philippine Financial Reporting Standard for Small Entities (PFRS for SE), as approved by the Philippine Financial Reporting Standards Council, Board of Accountancy and SEC.

PFRS for Small Entities

In March 2018, the Philippine Securities and Exchange Commission resolved to adopt PFRS for Small Entities (the Framework) as part of its rules and regulations on financial reporting. This Framework was developed in response to feedback of small entities that PFRS for SMEs is too complex to apply.

By reducing choices for accounting treatment, eliminating topics that are generally not relevant to small entities, simplifying methods for recognition and measurement, and reducing disclosure requirements, the Framework allows small entities to comply with the financial reporting requirements without undue cost or burden. Some of the key simplifications introduced by the Framework are as follows:

- For defined benefit plans, an entity is required to use the accrual approach in calculating benefit obligations in accordance with Republic Act (RA) 7641, The Philippine Retirement Pay Law, or company policy (if superior than RA 7641). Accrual approach is applied by calculating the expected liability as of reporting date using the current salary of the entitled employees and the employees' years of service, without consideration of future changes in salary rates and service periods;

- Investment properties can be carried either at cost or at fair value, depending on the policy choice made by the entity;
- There is no concept of “finance lease” under the Framework. All lease receipts (payments) are recognized as income (expense) as earned (incurred);
- Inventories are to be subsequently valued at the lower of cost and market value (i.e., the probable selling price to willing buyers as of reporting date); and
- Entities are given a policy choice of not recognizing deferred taxes in the financial statements.

Previously, the Company prepared its financial statements in accordance with PFRS for Small and Medium-sized Entities (PFRS for SMEs). The Company’s date of transition to PFRS for Small Entities is April 1, 2019. The transition from PFRS for SME to PFRS for SE has no significant impact and no adjustments were made.

3. Summary of Significant Accounting Policies

Cash

Cash pertains to cash on hand and with banks.

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized:

Revenue from Construction Contracts

Revenue from construction contracts is recognized using the percentage of completion method, measured principally on the basis of actual costs incurred to date to the total estimated costs for each contract. As of reporting date, any additional income and cost that should be recognized on account of unbilled additional percentage of completion on the contracts in progress (CIP) is taken up in the books. Where appropriate, the cumulative effects of revisions of estimated total contract costs and revenues are recognized in the year in which the facts requiring the revisions become known. When a loss is anticipated on a contract, the full amount thereof is charged to current operations.

Trade and other receivables

Trade and other receivables are recognized and measured at amortized cost using the effective interest rate (EIR) method. At each end of the financial reporting period, the carrying amounts of receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable.

If there is objective evidence that an impairment loss on receivables has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset’s original EIR (i.e., the EIR computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognized in the statement of comprehensive income.

Other Current Assets

Other current assets pertain to creditable withholding taxes, input value-added tax and advances to suppliers that will be utilized within 12 months after the reporting date.

Creditable Withholding Tax (CWT)

CWTs are amounts withheld from income subject to expanded withholding taxes (EWTs). CWTs 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. CWTs, which are expected to be utilized as payment for income taxes within twelve (12) months, are classified as current asset.

Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sale of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

Trade and Other Payables

Trade and other payables are obligations on the basis of normal credit terms and do not bear interest.

Capital Stock

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the consideration received, net of direct costs of issuing the equity instruments. If the payment is deferred and time value of money is material, the initial measurement is on a present value basis.

Dividend Declarations

Dividends are recognized as a liability and deducted from equity when declared and approved by the BOD of the Company. Dividends for the year that are declared and approved after the balance sheet date are dealt with as an event after the balance sheet date.

Cost and Expenses

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost and expenses are generally recognized when the services are used or the expenses arise while interest expenses are accrued in the appropriate period.

Cost of Construction Contracts

Contract costs include all direct materials and labor costs, and those indirect costs related to contract performance. Estimated liability on construction contracts are recognized immediately when it is probable that the total contract costs will exceed the total contract revenues. The amount of such loss is determined irrespective of whether or not work has commenced on the contract, the stage of completion of contract work, or the amount of profits expected to rise on other contracts that are not treated as a single construction contract. Changes in contract performance and contract conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Operating Expenses

Operating expenses consist of costs incurred in the day-to-day operations of the Company. These are generally recognized when the services are incurred or the expenses arise.

Income Taxes

Current Income Taxes

Current income tax liabilities for the current and prior year periods are measured at the amount expected to be paid to the taxation authority at the basis of tax rates and laws that have been enacted or substantively enacted as at the reporting date.

Uncertain Income Tax Positions

Uncertainty about whether the taxation authority will accept the amounts reported to them by the Company affects the amounts of current and deferred tax assets and liabilities. The Company measures current and deferred tax assets and liabilities using the probability-weighted average amount of all the possible outcomes, assuming that the taxation authority will review the amounts reported and have full knowledge of all relevant information. Changes in the probability-weighted average amount of all possible outcomes shall be based on new information and not a new interpretation by the Company on information previously available.

Related Parties

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

Contingencies

Contingent liabilities are not recognized in the Company's financial statements. These are disclosed 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 the financial statements when an inflow of economic benefits is probable.

Provisions

Provisions 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. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statements of revenues and expenses, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost

Events After the Reporting Date

Post year-end events that provide additional information about the Company's financial position at the reporting period (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.

4. Significant Accounting Judgments and Estimates

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

Judgments

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

Determination of functional currency

Based on the economic substance of underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates and it is the currency that mainly influences the sale of services and the cost of providing the services.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Asset impairment

Internal and external sources of information are reviewed at each reporting date to identify indications that property and equipment and other assets may be impaired or an impairment loss previously recognized no longer exists or may be decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount.

The Company assesses the impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results; and
- significant negative industry or economic trends.

In 2021 and 2020, the Company has no provision for impairment losses on its nonfinancial assets.

5. Cash and Bank Balance

The Company's cash and bank balance consists of:

	2021	2020
Cash in bank	₱1,492,082	₱19,453,720
Cash on hand	77,343	75,286
	₱1,569,425	₱19,529,006

Cash in bank represents current deposits maintained by the Company with a commercial bank which earns interest at bank deposit rates.

6. Trade and Other Receivables

	2021	2020
Trade receivables	₱11,903,895	₱21,730,267
Interest receivables	458,117	221,258
	₱12,362,012	₱21,951,525

Trade and other receivables are noninterest-bearing and are generally on a 30-day term. Interest receivables on loans from Praj Far East Co. Ltd., which is payable in cash and are due and demandable (see Note 8).

7. Other Current Assets

	2021	2020
Input VAT	₱16,567,284	₱15,487,476
Creditable withholding taxes	438,540	1,303,373
Advances to suppliers	560,891	382,305
	₱17,566,715	₱17,173,154

8. Loans Receivable

On May 24, 2019, the Company extended a loan amounting to ₱11,555,500 to Praj Far East Co. Ltd, an affiliate and also a subsidiary of Praj Industries Ltds (the parent company). The loan earns interest of 2%, unsecured and was paid in full on March 2021. Interest income earned from the loan in 2021 and 2020 amounted to ₱211,841 and ₱197,552, respectively.

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

9. Trade and Other Payables

	2021	2020
Trade payables	₱1,492,979	₱4,656,885
Dividends payable (Note 15)	8,925,000	31,195,000
Final withholding tax on dividends (Note 15)	1,575,000	5,505,000
Advances from customers	2,757,200	2,771,352
Withholding tax payable	116,697	381,961
Output VAT	181,378	-
Dues to customers relating to CIP (Note 11)	-	7,115,622
Others	637,503	739,424
	₱15,685,757	₱52,365,244

Trade payables pertain to due to suppliers and contractors for construction works done and material and supplies provided, these are normally non-interest bearing and settled within 30 to 60 days. Dues to customers relating to contracts in progress are obligation to customers for construction works that are excess in billing. Advances receive from customers are payments made as part of the construction agreement. These are non-interest bearing and are fully recoverable upon completion of the subcontractor's construction services.

On March 20, 2020, the Company' BOD declared cash dividends amounting to ₱36,700,000 to the stockholders on record as of March 31, 2020 (see Note 15).

10. Revenues from Construction Contracts

Revenue from construction contracts is recognized using the percentage of completion method, measured principally on the basis of actual costs incurred to date to the total estimated costs for each contract.

	2021	2020
Construction billings to date	₱13,500,759	₱30,678,556
Add:		
Opening balance of CIP	7,115,622	460,351
Closing balance of CIP (due to customers)	4,725,221	(7,115,622)
	₱25,341,602	₱24,023,285

Construction-in-progress are construction services performed by the Company that are unbilled, while due to customers are excess of billings over construction services performed.

11. Cost of Construction Contracts

	2021	2020
Subcontractor costs	₱8,498,619	₱17,105,934
Personnel cost	661,444	616,548
Site allowance and charges	154,500	207,953
Site expenses	146,352	744,351
Local travel and conveyance	137,235	139,430
Communication	53,600	25,964
Bank guarantee commission	29,251	494,950
Insurance	10,425	15,150
Taxes and licenses	6,500	67,373
Entertainment and recreation	4,761	24,007
Others	139,402	129,135
	₱9,842,089	₱19,570,795

Subcontractor cost pertains to direct construction cost incurred to complete the projects. Outside services pertains to billings for professional consultancy related to the construction contracts. Site expenses pertains to cost incurred in the construction site such as transportation, machineries and construction materials used. Others pertains to accommodation of staff in the construction site.

12. Operating Expenses

	2021	2020
Professional fee	₱780,306	₱735,120
Visa charges	27,628	40,942
Bank charges	16,138	21,083
Interest and penalties	402	–
	₱824,474	₱797,145

Professional fees are agreements for legal, accounting and other services. Visa charges are for staff immigration.

13. Other Income

Other income pertains to foreign exchange gain, interest income from loans receivable from Praj Thailand and other miscellaneous income (see Note 8).

14. Income Taxes

The Company's provision for income tax in 2021 and 2020 pertains to regular corporate income tax amounting to ₱4,384,895 and ₱1,316,723, respectively. The reconciliation of income before tax to income tax due is as follows:

	2021	2020
Income tax at statutory income tax rate of 30%	₱4,384,775	₱1,316,143
Additions to (reductions in) income tax arising from:		
Non-deductible expenses	120	580
Interest income subject to final tax	–	–
	₱4,384,895	₱1,316,723

15. Retained Earnings

On March 31, 2021, the Company's BOD declared a cash dividend amounting to ₱10,500,000 or ₱1.26 per share, to stockholders on record as at March 31, 2021 payable within 12 months after the reporting period.

On March 20, 2020, the Company's BOD declared a cash dividend amounting to ₱36,700,000 or ₱4.41 per share, to stockholders on record as at March 31, 2020 payable within 12 months after the reporting period.

Final withholding tax on the dividends amounted to ₱1,575,000 and ₱5,505,000, as at March 31, 2021 and 2020, respectively.

16. Subsequent Events

Ratification by Congress of the “Corporate Recovery and Tax Incentives for Enterprises Act” or “CREATE” Bill

On February 3, 2021, the House of Representatives and the Senate have ratified the Bicameral Committee’s version of the proposed CREATE bill, reconciling the disagreeing provisions of Senate Bill No. 1357 and House Bill No. 4157.

The said act aims to:

- Improve the equity and efficiency of the corporate tax system by lowering the rate, widening the tax base, and reducing tax distortions and leakages;
- Develop, subject to the provisions of this Act, a more responsive and globally-competitive tax incentives regime that is performance-based, targeted, time-bound, and transparent;
- Provide support to businesses in their recovery from unforeseen events such as an outbreak of communicable diseases or a global pandemic and strengthen the nation’s capability for similar circumstances in the future; and
- Create a more equitable tax incentive system that will allow for inclusive growth and generation of jobs and opportunities in all the regions of the country and ensure access and ease in the grant of these incentives especially for applicants in least developed areas.

The ratified version of the bill will be submitted to the President for his approval and upon receipt of the bill, the President may do any of the following:

- Sign the enrolled bill without vetoing any line or item therein;
- Sign the enrolled bill with line or item veto which veto may be overridden by Congress; or
- Inaction within 30 days from receipt which would result to the automatic approval of the enrolled bill as it is.

Once the ratified bill is signed into law, it is set to take effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation.

The provisions of the bill that will have an impact to the Company are the reduction of RCIT rate starting July 1, 2020 for [1] regular corporations from 30% to 25%; and [2] for other corporations with net taxable income not exceeding ₱5 million and total assets not exceeding ₱100 million from 30% to 20%. Also, the reduction of MCIT rate from July 1, 2020 to June 30, 2023 from 2% to 1%.

If enacted into law, the 20% RCIT rate and 1% MCIT rate will be applied to the net taxable income and gross income that will decrease the provision for income tax of the Company.

Based on the provision of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the pro-rated RCIT rate of the Company for FY March 31, 2021 is 22.5%. This will result in lower provision for current income tax for the fiscal year ended March 31, 2021 amounting to ₱3,288,608 or a reduction of ₱1,096,287. The reduced amount will be reflected in the Company’s 2022 financial statements.

Continuing evolvement of COVID-19 pandemic

As the Covid-19 pandemic continues to evolve, the government is implementing additional measures to address the resulting public health issues and the economic impact. The Company assessed that the impact would be minimal, by developments and measures taken after the end of the reporting period. The Company continues to monitor the Covid-19 pandemic situation and will take further action as necessary in response to these economic disruptions.

17. Supplementary Information Required Under Revenue Regulations 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 which amends certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements accompanying the tax returns. It recognizes the disclosures of taxes, duties and licenses paid or accrued during the taxable year.

In compliance with the requirements set forth by RR No. 15-2010 hereunder are information on taxes and license fees paid or accrued during the taxable year 2021.

VAT

The National Internal Revenue Code of 1997 also provides for the imposition of VAT on sales of goods and services. Accordingly, the Company's sales are subject to output VAT while its importations and purchases from the VAT-registered individuals or corporations are subject to input VAT. Republic Act No. 9337 increased the VAT rate from 10.00% to 12.00% effective January 1, 2006.

- a. Gross Receipts and Output VAT declared in the Company's VAT returns filed for the year ended March 31, 2020.

	Gross Receipts	Output VAT
Gross receipts	₱1,511,481	₱181,377
Zero-rated	23,830,121	—
	<u>₱23,603,587</u>	<u>₱181,377</u>

Zero-rated are services to PEZA registered companies.

- b. Details of input VAT consist of:

Balance at April 1, 2020, net carry-forward output VAT	₱15,487,746
Current year's domestic purchases/payments for:	
Services lodged under cost of construction contracts	1,260,915
	<u>16,748,661</u>
Less: Application against output VAT	(181,377)
Balance at March 31, 2021	<u>₱16,567,284</u>

Withholding Taxes

The details of the Company's withholding taxes as at March 31, 2020 are as follows:

Final withholding tax on dividends	₱1,575,000
Expanded withholding taxes	444,828
Withholding tax on wages	71,188

Other Taxes and License

This includes all other taxes, local and national, including real estate tax, licenses and permit fees lodged under the “Taxes and licenses” account in the statements of revenues and expenses.

The Company incurred registration and other permits payments of ₱6,500 as at March 31, 2021.