

Praj Far East Philippines Limited Inc.

Financial Statements
March 31, 2025 and 2024

and

Independent Auditors' Report

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, 2025 and 2024, 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, 2025 and 2024, 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 Other Legal and Regulatory Requirements

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 and the transaction with related parties 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.

Sd/-

Valenbert C. Juan

Certified Public Accountant

CPA Certificate No. 106735, Valid until February 14, 2026

BOA/PRC Reg. No. 2883, March 1, 2024 Valid until February 28, 2026

SEC Accreditation No. 106735-SEC (Group C)

Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions

Tax Identification No. 228-464-264

BIR Accreditation No. AN 06-005719-1-2023, January 12, 2023, valid until January 12, 2026

PTR No. 7032892, January 3, 2025, City of Manila

April 15, 2025

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

I have audited the financial statements of Praj Far East Philippines Limited, Inc. for the year ended March 31, 2025, on which I have rendered the attached report dated April 15, 2025.

In compliance with Securities Regulation Code Rule 68, I am stating that the above Company has only one (1) stockholder owning one hundred (100) or more shares.

Sd/-

Valenbert C. Juan

Certified Public Accountant

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April 15, 2025

PRAJ FAR EAST PHILIPPINES LIMITED INC.
STATEMENTS OF FINANCIAL POSITION

	March 31	
	2025	2024
ASSETS		
Current Assets		
Cash and bank balance (Note 5)	₱694,704	₱6,477,766
Trade and other receivables (Note 6)	669,878	1,400,177
Other current assets (Note 7)	16,375,999	16,595,371
	17,740,581	24,473,314
Noncurrent Assets		
Construction-in-progress (Note 11)	-	-
	-	-
TOTAL ASSETS	₱17,740,581	₱24,473,314
LIABILITY AND EQUITY		
Current Liabilities		
Trade and other payables (Note 9)	₱398,092	₱6,929,908
Income tax payable (Note 14)	-	-
	398,092	11,126,282
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)	9,029,208	9,230,125
Total Equity	17,342,489	17,543,406
TOTAL LIABILITY AND EQUITY	₱17,740,581	₱24,473,314

See accompanying Notes to Financial Statements.

PRAJ FAR EAST PHILIPPINES LIMITED INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Year ended March 31	
	2025	2024
REVENUES FROM CONSTRUCTION		
CONTRACTS AND SERVICES (Notes 8 and 10)	₱6,054,120	₱2,972,085
COST OF CONSTRUCTION CONTRACTS AND		
SERVICES (Note 11)	2,449,443	2,596,284
GROSS PROFIT	3,604,677	375,801
OPERATING EXPENSES (Note 12)	3,931,316	1,686,062
OTHER INCOME (EXPENSES) (Note 13)		
Other income	185,135	–
Foreign exchange gains	6,909	–
	192,044	–
INCOME (LOSS) BEFORE INCOME TAX	(134,595)	(1,310,261)
PROVISION FOR (BENEFIT FROM)		
INCOME TAX (Note 14)	66,322	6,577
NET INCOME (LOSS)	(200,917)	(1,316,838)
OTHER COMPREHENSIVE INCOME	–	–
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱200,917)	(₱1,316,838)

See accompanying Notes to Financial Statements.

PRAJ FAR EAST PHILIPPINES LIMITED INC.**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED March 31, 2025 and 2024**

	Capital stock	Retained earnings (Note 15)	Total
Balances at March 31, 2023	₱8,313,281	₱10,546,963	₱18,860,244
Total comprehensive loss for the year	–	(1,316,838)	(1,316,838)
Balances at March 31, 2024	8,313,281	9,230,125	17,543,406
Total comprehensive income for the year	–	(200,917)	(200,917)
Balances at March 31, 2025	₱8,313,281	₱9,029,208	₱17,342,489

See accompanying Notes to Financial Statements.

PRAJ FAR EAST PHILIPPINES LIMITED INC.**STATEMENTS OF CASH FLOWS**

	Years Ended March 31	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	(₱134,595)	(₱1,310,261)
Adjustment for:		
Foreign exchange gain	(6,909)	–
Provision for impairment loss	–	315,037
Operating income (loss) before working capital changes	(141,504)	(995,224)
Decrease (increase) in:		
Trade and other receivables	730,299	5,827,361
Other current assets	219,372	2,275,338
Construction-in-progress	–	–
Increase (decrease) in trade and other payables	(615,816)	(3,512,185)
Net cash flows from operations	192,351	3,595,290
Income taxes paid	(66,322)	(690,766)
Net cash flows from operating activities	126,029	2,904,524
CASH FLOWS FROM A FINANCING ACTIVITY		
Dividends paid	(5,916,000)	–
NET INCREASE IN CASH	(5,789,971)	2,904,524
EFFECT OF FOREIGN EXCHANGE LOSSES	6,909	–
CASH AT BEGINNING OF PERIOD	6,477,766	3,573,242
CASH AT END OF PERIOD	₱694,704	₱6,477,766

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, 2025, and 2024 were authorized for issue by the Board of Directors (BOD) on April 15, 2025.

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.

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 2025 and 2024, the Company has no provision for impairment losses on its nonfinancial assets.

Provision for impairment on trade receivables

The Company uses a specific identification on impairment of receivables for trade receivables. The provision rates are based on days past due of each member that have similar loss pattern.

The provision for impairment loss on the Company's trade receivables amounted to nil and ₱315,037 in 2025 and 2024 respectively (see Note 6). Trade receivables, net of allowance for impairment loss, amounted to ₱669,878 and ₱1,400,177 as at March 31, 2025 and 2024, respectively (see Note 6).

5. Cash and Bank Balance

The Company's cash and bank balance consists of:

	2025	2024
Cash in bank	₱669,704	₱6,449,355
Cash on hand	25,000	28,411
	₱694,704	₱6,477,766

Cash in bank represents current deposits maintained by the Company with a commercial bank.

6. Trade and Other Receivables

	2025	2024
Trade receivables	₱984,915	₱1,715,214
Other	-	-
	984,915	1,715,214
Less allowance for impairment loss	315,037	315,037
	₱669,878	₱1,400,177

Trade and other receivables are noninterest-bearing and are generally on a 30-day term. As of March 31, 2025 and 2024, the Company's allowance for impairment loss on receivables amounted to ₱315,037, respectively.

7. Other Current Assets

	2025	2024
Input VAT	₱15,951,049	₱16,080,355
Creditable withholding taxes	424,950	491,271
Advances to suppliers	-	23,745
	₱16,375,999	₱18,870,709

8. Related Party Transactions

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.

The Company has the following transactions with related parties as at March 31, 2025 and 2024:

	2025	2024
<i>Parent Company:</i>		
Praj Industries Ltd.		
Dividends payable (Note 9 and 15)	₱-	₱5,916,000
Trade payable (Note 9)	52,412	159,565

Trade payables from the parent company pertains to service fee charges in 2025 and 2024. The transactions with related parties are payable in cash and due and demandable. In 2025 and 2024, the Company's sales of service to its parent company amounting to ₱6,054,120 and ₱1,410,177, respectively (see Note 10). While purchase of services amounted to ₱52,412 and ₱ 212,329 in 2025 and 2024, respectively.

9. Trade and Other Payables

	2025	2024
Trade payables	₱52,412	₱251,313
Dividends payable (Notes 8 and 15)	-	5,916,000
Output VAT	-	194,400
Withholding tax payable	34,834	117,993
Others	310,846	450,202
	₱398,092	₱6,929,908

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. Others pertains to interest, statutory dues, bank guarantee fee and other non-trade payables.

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.

Details of revenues from construction contracts in 2025 and 2024 are as follows:

	2025	2024
Construction billings to date and services	₱6,054,120	₱1,400,177
Add:		
Opening balance of CIP	-	1,571,908
Closing balance of CIP (due to customers)	-	-
	₱-	₱2,972,085

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.

In 2025 and 2024, the Company's sales of service to its parent company amounting to ₱6,054,120 and ₱1,410,177, respectively (see Note 8).

11. Cost of Construction Contracts and Services

	2025	2024
Personnel cost	₱1,080,592	₱1,071,502
Site expenses	756,692	819,493
Site allowance and charges	198,000	193,500
Local travel and conveyance	69,964	137,363
Entertainment and recreation	19,595	36,424
Communication	12,600	20,311
Bank guarantee commission	-	27,200
Subcontractor costs	-	14,491
Others	312,000	276,000
	₱2,449,443	₱2,596,284

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

	2025	2024
Professional fee	₱1,217,733	₱1,083,341
Impairment loss on receivables (see Note 6)	-	315,037
Taxes and licenses	2,598,807	61,936
Bank charges	27,769	12,132
Interest and penalties	34,595	165
Others	52,412	213,451
	₱3,931,316	₱1,686,062

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 and other miscellaneous income.

14. Income Taxes

The Company's provision for income tax in 2025 and 2024 pertains to minimum corporate income tax (MCIT) amounting to ₱66,465 and ₱6,577, respectively. The reconciliation of income before tax to income tax due is as follows:

	2025	2024
Income tax at statutory rate of 20%	(₱26,919)	(₱262,052)
Additions to (reductions in) income tax arising from:		
Net operating loss carry over (NOLCO)	26,919	199,045
Non-deductible expenses	–	63,007
MCIT	66,322	6,577
	₱66,322	₱6,577

Details of the net operating loss carry-over (NOLCO) and minimum corporate income tax (MCIT) are as follows:

NOLCO:

Year of Recognition	Availment Period	NOLCO	Applied	Expired	Balance
2024	2025-2027	₱995,224	₱–	₱–	₱995,224
2025	2026-2028	134,595	–	–	134,595
		₱1,129,819	₱–	₱–	₱1,129,819

MCIT:

Year of Recognition	Availment Period	MCIT	Applied	Expired	Balance
2024	2025-2027	₱6,577	₱–	₱–	₱6,577
2025	2026-2028	66,322	–	–	66,322
		₱72,899	₱–	₱–	₱72,899

The CREATE Act is the second package of the Comprehensive Tax Reform Program that reduces the corporate income tax (CIT) rate from 30% to 20%. The following are its salient features:

1. CIT rate is reduced from 30% to 25% for large corporations, and 20% for small and medium corporations with net taxable income not exceeding P5 million, and total assets not exceeding P100 million (excluding land) effective July 1, 2020;
2. Minimum CIT (MCIT) rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023;
3. Percentage Tax is reduced from 3% to 1% effective July 1, 2020 to June 30, 2023;
4. The improperly accumulated earnings tax shall no longer be imposed on corporations upon the effectivity of the CREATE onwards;
5. Qualified export enterprises shall be entitled to four to seven years Income Tax Holiday (ITH) to be followed by 10 years 5% Special CIT (SCIT) or enhanced deductions;

6. Qualified domestic market enterprises shall be entitled to four to seven years ITH to be followed by five years enhanced deductions;
7. Registered enterprises are exempt from customs duty on importation of capital equipment, raw materials, spare parts, or accessories directly and exclusively used in the registered project or activity;
8. Value-Added Tax (VAT) exemption on importation and VAT zero-rating on local purchases shall only apply to goods and services directly and exclusively used in the registered project or activity by a Registered Business Enterprise (RBE);

For investments prior to the effectivity of CREATE, RBEs granted only an ITH shall continue with the availment of the ITH for the remaining period of the ITH while RBEs granted an ITH + 5% Gross Income Tax (GIT) or currently enjoying 5% GIT shall be allowed to avail of the 5% GIT for 10 years.

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.

Outstanding balance of dividends payable as at March 31, 2025 and 2024 amounted to nil and ₱5,916,000. The payment of the dividends must be completed within 10 years from the time it became due, as per statute of limitations in the Philippines. The Company paid in full the dividends due to the parent company in 2025.

16. Report on Other Legal and Regulatory Requirements

Disclosure requirement of RR 34-2020

The Company is not covered by the requirement and procedures for related party transactions provided under RR 34-2020.

Disclosure requirement of RR 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, 2025.

	Gross Receipts	Output VAT
Gross receipts	₱-	₱-
Zero-rated	6,054,120	-
	₱6,054,120	₱-

Zero-rated are services to PEZA registered companies.

- b. Details of input VAT consist of:

Balance at April 1, 2023, net carry-forward output VAT	₱16,080,355
Current year's domestic purchases/payments for:	
Purchase of service	71,041
	<u>16,151,396</u>
Less: Application against output VAT and others	(200,347)
Balance at March 31, 2024	₱15,951,049

Withholding Taxes

The details of the Company's withholding taxes as at March 31, 2025 are as follows:

Expanded withholding taxes	₱90,412
Withholding tax on wages	195,478

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 income.

Business permit	₱37,302
Others	2,561,505
	<u>2,598,807</u>

Tax Assessment

During the fiscal year March 31, 2025, the Company was assessed for all revenue taxes and settled for the fiscal year 2021 for all taxes and paid amounting to ₱2,537,898.