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Report of Independent Certified Public Accountants to Accompany Income Tax Return

The Board of Directors
VA Tech Wabag (Philippines) Inc.
(A Wholly Owned Subsidiary of VA Tech Wabag Limited)
7th Floor, Peninsula Court Building
8735 Paseo de Roxas Avenue, Makati City

We have audited the financial statements of VA Tech Wabag (Philippines) Inc. (the Company) for the fiscal year ended March 31, 2023, on which we have rendered the attached report dated June 19, 2024.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholder of the Company.

PUNONGBAYAN & ARAULLO

By: **Edcel U. Costales**
Partner

CPA Reg. No. 0134633
TIN 274-543-395
PTR No. 10076139, January 3, 2024, Makati City
SEC Group A Accreditation
Partner - No. 134633-SEC (until financial period 2026)
Firm - No. 0002 (until financial period 2024)
BIR AN 08-002551-045-2023 (until Jan. 24, 2026)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

June 19, 2024

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Report of Independent Auditors

The Board of Directors
VA Tech Wabag (Philippines) Inc.
(A Wholly Owned Subsidiary of VA Tech Wabag Limited)
7th Floor, Peninsula Court Building
8735 Paseo de Roxas Avenue, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of VA Tech Wabag (Philippines) Inc. (the Company), which comprise the statements of financial position as at March 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the fiscal years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying 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 fiscal years then ended, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are 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 our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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, 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our 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 our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' 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.

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the fiscal year ended March 31, 2023 required by the Bureau of Internal Revenue as disclosed in Note 22 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Edcel U. Costales**
Partner

CPA Reg. No. 0134633
TIN 274-543-395
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June 19, 2024

JUN 21 2024
BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 - MAKATI
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VA TECH WABAG (PHILIPPINES) INC.
(A Wholly Owned Subsidiary of VA Tech Wabag Limited)
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	March 31, 2023	March 31, 2022 (As Restated – see Note 2)	April 1, 2021 (As Restated – see Note 2)
ASSETS				
CURRENT ASSETS				
Cash	4	P 14,034,884	P 12,553,706	P 33,626,556
Contract and other receivables - net	5	868,859,133	961,604,541	826,449,907
Prepayments and other current assets - net	6	84,604,666	83,217,043	104,725,220
Total Current Assets		967,498,683	1,057,375,290	964,801,683
NON-CURRENT ASSETS				
Property and equipment - net	7	1,323,304	1,380,102	3,198,231
Right-of-use assets - net	8	6,112,881	7,607,140	-
Refundable deposits	8	11,759,580	16,661,501	3,193,252
Deferred tax assets	16	19,726,248	17,046,842	15,192,895
Total Non-current Assets		38,922,013	42,695,585	21,584,378
TOTAL ASSETS		P 1,006,420,696	P 1,100,070,875	P 986,386,061
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade and other payables	9	P 567,344,298	P 474,736,339	P 427,640,819
Interest-bearing loans and borrowings	10	67,513,129	136,353,243	-
Lease liabilities	8	1,558,554	1,480,962	-
Due to related parties	17	255,404,102	365,305,938	210,715,382
Total Current Liabilities		891,820,083	977,876,482	638,356,201
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings		-	-	175,552,928
Lease liabilities	8	4,761,979	6,193,945	-
Post-employment defined benefit obligation	15	2,100,501	2,356,573	5,227,448
Total Non-current Liabilities		6,862,480	8,550,518	180,780,376
Total Liabilities		898,682,563	986,427,000	819,136,577
EQUITY				
Capital stock	18	8,570,200	8,570,200	8,570,200
Revaluation reserves	15, 16	2,994,807	2,419,845	(149,867)
Retained earnings	18	96,173,126	102,653,830	158,829,151
Net Equity		107,738,133	113,643,875	167,249,484
TOTAL LIABILITIES AND EQUITY		P 1,006,420,696	P 1,100,070,875	P 986,386,061

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See Notes to Financial Statements.

VA TECH WABAG (PHILIPPINES) INC.
(A Wholly Owned Subsidiary of VA Tech Wabag Limited)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED MARCH 31, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	2023	2022 (As Restated – see Note 2)
CONTRACT REVENUES	11	**P 140,064,147**	P 106,066,625
CONTRACT COSTS	12	**(374,521,839)**	(310,363,043)
GROSS LOSS		**(234,457,692)**	(204,296,418)
OTHER INCOME (CHARGES) - Net			
Other operating income	13	**304,153,417**	212,755,914
Other operating expenses	12	**(69,524,306)**	(53,645,586)
Finance costs	14	**(7,429,292)**	(12,733,439)
		227,199,819	146,376,889
LOSS BEFORE TAX		**(7,257,873)**	(57,919,529)
TAX INCOME	16	**777,169**	1,744,208
NET LOSS		**(6,480,704)**	(56,175,321)
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of post-employment benefit obligation	15	**766,616**	3,429,669
Tax expense	16	**(191,654)**	(859,957)
		574,962	2,569,712
TOTAL COMPREHENSIVE LOSS		**(P 5,905,742)**	(P 53,605,609)

See Notes to Financial Statements.

VA TECH WABAG (PHILIPPINES) INC.
(A Wholly Owned Subsidiary of VA Tech Wabag Limited)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED MARCH 31, 2023 AND 2022
(Amounts in Philippine Pesos)

	Capital Stock (see Note 18)	Revaluation Reserves (see Notes 15 and 16)	Retained Earnings Appropriated (see Note 18)	Retained Earnings Unappropriated (see Note 18)	Retained Earnings Total	Net Equity
Balance at April 1, 2022						
As previously stated	P 8,570,200	P 2,419,845	P 130,000,000	P 15,753,118	P 145,753,118	P 156,743,163
Effect of restatement	-	-	-	(43,099,288)	(43,099,288)	(43,099,288)
As restated	8,570,200	2,419,845	130,000,000	(27,346,170)	102,653,830	113,643,875
Total comprehensive loss during the year	-	574,962	-	(6,480,704)	(6,480,704)	(5,905,742)
Balance at March 31, 2023	**P 8,570,200**	**P 2,994,807**	**P 130,000,000**	**(P 33,826,874)**	**P 96,173,126**	**P 107,738,133**
Balance at April 1, 2021						
As previously stated	P 8,570,200	(P 149,867)	P 130,000,000	P 31,127,633	P 161,127,633	P 169,547,966
Effect of restatement	-	-	-	(2,298,482)	(2,298,482)	(2,298,482)
As restated	8,570,200	(149,867)	130,000,000	28,829,151	158,829,151	167,249,484
Total comprehensive loss during the year	-	2,569,712	-	(56,175,321)	(56,175,321)	(53,605,609)
Balance at March 31, 2022	P 8,570,200	P 2,419,845	P 130,000,000	(P 27,346,170)	P 102,653,830	P 113,643,875

See Notes to Financial Statements.

VA TECH WABAG (PHILIPPINES) INC.
(A Wholly Owned Subsidiary of VA Tech Wabag Limited)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	2023	2022 (As Restated – see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(P 7,257,873)	(P 57,919,529)
Adjustments for:			
Unrealized foreign currency loss - net	12	15,907,988	13,286,473
Interest expense	8, 10, 15	7,429,292	12,733,439
Depreciation and amortization	7, 8	1,882,447	1,997,721
Gain on sale of property and equipment	7	(160,000)	(261,229)
Operating profit (loss) before working capital changes		17,801,854	(30,163,125)
Decrease (increase) in contract and other receivables		92,745,408	(135,154,634)
Decrease (increase) in other current assets		(3,481,514)	20,538,481
Decrease (increase) in refundable deposits		4,901,921	(13,468,249)
Increase in trade and other payables		92,607,959	47,095,520
Increase (decrease) in due to related parties		(109,901,836)	154,590,556
Increase in post-employment defined benefit obligation		377,633	351,787
Net Cash From Operating Activities		95,051,425	43,790,336
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	7	(331,390)	-
Proceeds from disposal of equipment	7	160,000	625,005
Net Cash From (Used in) Investing Activities		(171,390)	625,005
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loans payable	10	(68,840,114)	(39,199,685)
Interest paid		(6,934,755)	(12,378,033)
Repayment of lease liabilities	8	(1,716,000)	(624,000)
Cash Used in Financing Activities		(77,490,869)	(52,201,718)
Effect of Foreign Exchange Rate Changes on Cash		(15,907,988)	(13,286,473)
NET INCREASE (DECREASE) IN CASH		1,481,178	(21,072,850)
CASH AT BEGINNING OF YEAR		12,553,706	33,626,556
CASH AT END OF YEAR		P 14,034,884	P 12,553,706

Supplemental Information on Non-cash Investing and Financing Activities -

In 2022, the Company recognized right-of-use assets and lease liabilities amounting to P8.2 million arising from its lease contract for rent of office space (see Note 8).

See Notes to Financial Statements.

VA TECH WABAG (PHILIPPINES) INC.
(A Wholly Owned Subsidiary of VA Tech Wabag Limited)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Corporate Information

VA Tech Wabag (Philippines) Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission on June 21, 2011, and started its commercial operations on the same date. The Company is incorporated to provide general, process and civil works and other services relating to water and wastewater treatment plant, pumping stations and piping networks.

The Company is a wholly owned subsidiary of VA Tech Wabag Limited (the parent company), a company incorporated and domiciled in India. The parent company is primarily engaged in the planning, completion and operation of drinking water and wastewater plants for both the municipal and industrial sectors. The parent company's shares of stock are listed in the National Stock Exchange of India Ltd.

The Company's registered office address, which is also its principal place of business, is located at 7th Floor, Peninsula Court Building, 8735 Paseo de Roxas Avenue, Makati City. The registered office address of the parent company is at No. 17, 200 Feet Thoraipakkam – Pallavaram Main Road, Sunnambu Kolathur, Chennai, IN-600 117, India.

1.2 Approval of Financial Statements

The financial statements of the Company as of and for the fiscal year ended March 31, 2023 (including the comparative financial statements as of and for the fiscal year ended March 31, 2022) were authorized for issue by the Company's Board of Directors (BOD) on June 19, 2024.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents all items of income, expenses and other comprehensive income or losses in a single statement of comprehensive income.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

The Company recorded prior period adjustments and reclassifications, as discussed in Note 2.1 *(d)*, that resulted in retrospective restatement of certain accounts in the comparative financial statements as at March 31, 2022. The Company presented a third statement of financial position to present the impact to the balances as at April 1, 2021.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

(d) Prior Period Adjustments and Reclassifications

In 2023, the Company restated its previously issued financial statements due to prior period errors on certain accounts in the statement of financial position. The correction of the prior period errors included the reversal of certain project cost accruals which led to a re-estimation of the percentage of completion of certain projects. Consequently, the change in the percentage of completion resulted to a reversal in the Contract Revenues and the related Construction contract receivables.

Further, the Company made reclassifications to certain profit or loss accounts and cash flow activities. These reclassifications were made to provide a more appropriate and reliable information to the users of the financial statements, and to conform it with the current period presentations and classifications.

The effects of the prior period adjustments and reclassifications in the statement of financial position as at March 31, 2022 and the corresponding figures as at April 1, 2021 are summarized as follows:

	As Previously Reported	Prior Period Adjustments	As Restated
As at March 31, 2022			
Changes in assets:			
Contract and other receivables	P 1,554,232,270	(P 592,627,729)	P 961,604,541
Other current assets – net	98,397,541	(15,180,498)	83,217,043
		(P 607,808,227)	
Change in liability –			
Trade and other payables	P 1,039,445,279	(P 564,708,940)	P 474,736,339
Change in equity –			
Retained earnings	P 145,753,118	(P 43,099,288)	P 102,653,830
As at April 1, 2021			
Changes in assets:			
Contract and other receivables	P 1,419,077,636	(P 592,627,729)	P 826,449,907
Other current assets – net	119,905,718	(15,180,498)	104,725,220
		(P 607,808,227)	
Change in liability –			
Trade and other payables	P 1,033,150,564	(P 605,509,745)	P 427,640,819
Change in equity –			
Retained earnings	P 161,127,633	(P 2,298,482)	P 158,829,151

The effects of the prior period adjustments and reclassifications in the statement of comprehensive income for the year ended March 31, 2022 are summarized as follows:

	As Previously Reported	Prior Period Adjustments	As Restated
Changes in profit or loss:			
Contract revenues	P 146,867,431	(P 40,800,806)	P 106,066,625
Contract costs	(262,653,743)	(47,709,300)	(310,363,043)
Other operating expenses	(114,088,325)	60,442,739	(53,645,586)
Finance costs	-	(12,733,439)	(12,733,439)
		(P 40,800,806)	

The effects of the prior period adjustments and reclassifications in the statement of cash flows for the year ended March 31, 2022 are summarized as follows:

	As Previously Reported	Prior Period Adjustments	As Restated
Changes in cash flows from financing activities:			
Repayment of loans payable	(P 51,577,718)	P 12,378,033	(P 39,199,685)
Interest paid	-	(12,378,033)	(12,378,033)
		P -	

2.2 *Adoption of Amended PFRS*

(a) Effective in Fiscal Year 2023 that are Relevant to the Company

The Company adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

Discussed below and in the succeeding page are the relevant information about these pronouncements.

(i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use.* The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the Company's financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.

(ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract.* The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Company's policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous. The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Company's financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.

(iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact are relevant to the Company's financial statements:

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities.* The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives.* The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) Effective to Fiscal Year 2023 that are not Relevant to the Company

Among the amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2022, the following are not relevant to the Company's financial statements:

(i) PFRS 3 (Amendments), *Business Combinations - Reference to the Conceptual Framework* (effective from January 1, 2022)

(ii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are not relevant to the Company:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*

- PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) Effective Subsequent to Fiscal Year 2023 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to fiscal year 2023, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, none of these are expected to have significant impact on the Company's financial statements:

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)

(ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)

(iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)

(iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

2.3 Financial Instruments

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the financial instrument.

(a) Financial Assets

For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation.* All other non-derivative financial instruments are treated as debt instruments.

(i) Classification and Measurement of Financial Assets

The classification and measurement of financial assets are driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. All of the Company's financial assets are classified as financial assets at amortized cost.

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, *Revenue from Contracts with Customers*, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. All financial assets are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit loss (ECL).

The Company's financial assets at amortized cost are presented in the statement of financial position as Cash, Contract and Other Receivables [excluding Advances to suppliers and others (with respect to salary loans)], and Refundable deposits (the current portion of which is presented as part of Other Current Assets account).

For purposes of cash flows reporting and presentation, cash includes cash on hand and demand deposits readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the statement of comprehensive income as part of Other Operating Income.

(ii) Impairment of Financial Assets

At the end of the reporting period, the Company assesses and recognizes its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcomes.

The Company applies the simplified approach in measuring ECL for all contract and other receivables. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. The Company uses its historical experience, external indicators, and other qualitative factors (including possible offsetting) to calculate the ECL using the provision matrix. The Company also assesses impairment of contract and other receivables on a collective basis as they possess shared credit risk characteristics.

The Company determines whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life of the financial asset between the reporting date and the date of the initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that may indicate an actual or expected deterioration of the credit quality of the financial assets.

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.

- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral or effect of any credit enhancement.

- *Exposure at default* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

If applicable, the Company recognizes an impairment loss in profit or loss for all financial instruments subject to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account.

(iii) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(b) Financial Liabilities

Financial liabilities, which include Trade and Other Payables [except tax-related payables, Advances from customers and others (with respect to salary loans)], Interest-bearing Loans and Borrowings, Due to Related Parties, and Lease Liabilities, are recognized when the Company becomes a party to the contractual terms of the instrument. All interest-related charges incurred on financial liability are recognized as an expense in profit or loss and presented as part of Other Operating Expenses in the statement of comprehensive income.

Trade and other payables, interest-bearing loans and borrowings, and due to related parties are recognized initially at their fair values and subsequently measured at amortized cost, using the effective interest method for those with maturities beyond one year, less settlement payments.

Interest-bearing loans and borrowings were availed of for working capital requirements. Finance charges are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

(c) Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Company currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period; that is, it is not contingent on a future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.4 Other Assets

Other current assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably. These are subsequently charged to profit or loss as utilized or reclassified to another asset account, if capitalizable.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.11).

2.5 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expenses as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Transportation equipment	5 years
Office furniture and equipment	3 years

Amortization of leasehold improvements is recognized over the estimated useful lives of improvements of two years or the term of the lease, whichever is shorter.

If there is an indication that there has been a significant change in the useful life or residual value of an asset, the depreciation or amortization of that asset is revised prospectively to reflect the new expectations.

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

The residual values, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.11).

An item of property and equipment, including the related accumulated depreciation, amortization and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.6 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements.

Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, these are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.7 Revenue and Expense Recognition

Revenue arises mainly from rendering of construction services.

To determine whether to recognize revenue, the Company follows a five-step process:

(1) identifying the contract with a customer;
(2) identifying the performance obligation;
(3) determining the transaction price;
(4) allocating the transaction price to the performance obligations; and,
(5) recognizing revenue when/as performance obligations are satisfied.

The Company determines whether a contract with a customer exists by evaluating whether the following gating criteria are present:

(i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
(ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
(iii) the payment terms for the goods or services to be transferred or performed can be identified;
(iv) the contract has commercial substance (i.e., the risk, timing, or amount of the future cash flows is expected to change as a result of the contract); and,
(v) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Company satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

(i) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
(ii) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
(iii) the Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

The Company often enters into transactions involving construction services and other contracts containing performance obligations, such as engineering services, with counterparties.

Revenue from construction services is recognized over time as the service is provided. The Company uses the percentage-of-completion method to determine the appropriate amount to recognize as contract revenue in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. Revenue from other contracts containing performance obligations, such as engineering services, are also recognized as the performance obligations are fulfilled over time.

The Company presents a contract asset when it transfers control of goods or performs services before the customer pays consideration or before payment is due. A contract asset is the Company's right to consideration in exchange for goods or services that the Company has transferred to a customer.

The Company presents a contract liability when a customer pays the consideration, or the Company has the right to an amount of consideration that is unconditional (i.e., a receivable), before the Company transfers goods or performs services to the customer. A contract liability is the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer.

Contract liability also includes cash received from customers which are applied to subsequent progress billings for construction contracts and are presented as Advances from customers under Trade and Other Payables account in the statement of financial position (see Note 9).

The Company incurs incremental costs in obtaining customer contracts (i.e., biddings costs on construction contracts). These costs are expensed when incurred as these are incurred regardless whether the contract is obtained and is presented as part of Other Operating Expenses in the statement of comprehensive income.

The Company also incurs costs in fulfilling contracts with customers. These costs are divided into: (i) costs that give rise to an asset; and, (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Company first considers any other applicable standards. If other standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Company applies the following criteria, which, if met, result in capitalization:

(i) the costs directly relate to a contract or to a specifically identifiable anticipated contract;
(ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and,
(iii) the costs are expected to be recovered.

2.8 Foreign Currency Transactions and Translation

The accounting records of the Company are maintained in Philippine pesos, its functional currency. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.9 Leases – Company as a Lessee

The Company considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;

- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequently, the Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.11).

On the other hand, the Company measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed payments) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets and lease liabilities have been presented separately from property and equipment and other liabilities, respectively.

2.10 Employee Benefits

The Company's employee benefits are recognized and measured as follows:

(a) Post-employment Defined Benefit Plan

The Company does not maintain a formal post-employment defined benefit plan and only conforms to the minimum regulatory benefit under the Republic Act (R.A.) No. 7641, *The Retirement Pay Law*, which is considered a defined benefit plan.

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service, and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Company.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero-coupon government bonds [using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL)], that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period unless there is a plan amendment, curtailment, or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability during the period as a result of benefit payments. Interest is reported as part of Other Operating Expenses under Other Charges section of the statement of comprehensive income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(b) *Post-employment Defined Contribution Plans*

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity. The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. These are included as part of Trade and Other Payables account in the statement of financial position at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

(d) Termination Benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

2.11 Impairment of Non-financial Assets

The Company's property and equipment, right-of-use assets, and other non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level. Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts, which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2.12 Borrowing Costs

Borrowing costs are recognized as expense in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.13 Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or current tax liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or current tax liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for, using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The measurement of deferred tax assets and deferred tax liabilities reflect the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.14 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; and, (b) individuals owning directly or indirectly, an interest in 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 the legal form.

2.15 Equity

Capital stock represents the nominal value of shares that have been issued.

Revaluation reserves comprise remeasurements of post-employment defined benefit obligation and related deferred tax income relating to origination and reversal of temporary differences.

Retained earnings, the appropriated portion of which is not available for distribution, represent all current and prior period results of operations as reported in the statement of comprehensive income.

2.16 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Determination of ECL on Contract and Other Receivables

The Company uses a provision matrix to calculate ECL for contract and other receivables. The provision rates are based on days past due (age buckets). The provision matrix is based on the Company's historical observed default rates. The Company's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Company's contract and other receivables are disclosed in Note 20.2*(b)*.

(b) Determination of Timing of Satisfaction of Performance Obligations

The Company determines that its revenue from construction services shall be recognized over time. In making its judgment, the Company uses the percentage-of-completion method to determine the appropriate amount to recognize as contract revenue in a given period. The Company provides the construction services without the need of reperformance of other companies. This demonstrates that the customers simultaneously receive and consume the benefits of the Company's rendering of construction services as it performs.

In determining the best method of measuring the progress of the Company's rendering of construction services, management considers the input method under PFRS 15 because of the direct relationship between the Company's effort, in terms of incurred contract costs, and the transfer of service to the customer.

(c) Determination of Transaction Price and Amounts Allocated to Performance Obligations

The transaction price for a contract is allocated amongst the material right and other performance obligations identified in the contract based on their stand-alone selling prices, which are all observable. The transaction price for a contract excludes any amounts collected on behalf of third parties [e.g., value-added taxes (VAT)].

(d) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.6 and disclosures on relevant provisions and contingencies are presented in Note 19.

3.2 Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are presented below and in the succeeding pages.

(a) Revenue Recognition Using the Percentage-of-Completion Method

The Company uses the percentage-of-completion method in accounting for its construction contract revenues and costs. The use of the percentage-of-completion method requires the Company to estimate the stage of completion based on its efforts or inputs (i.e., actual costs incurred) to the satisfaction of a performance obligation relative to the total expected construction costs to be incurred on a per project basis.

Review of the benchmarks set by management necessary for the determination of percentage-of-completion is done regularly. Actual data is being compared to the related benchmarks and critical judgment is exercised to assess the reliability of the percentage-of-completion procedures which are currently in place and make the necessary revisions in the light of current progress. If the proportion of the percentage-of-completion projects or the total estimated costs per project differs from management's estimates, the amount of profit or loss would have changed.

(b) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Company measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Company's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(c) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost is an area that required the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of the customer defaulting and resulting losses).

The Company uses credit loss rate approach to calculate ECL for contract and other receivables. The provision rates are based on historical credit loss with forward-looking information (i.e., forecast of economic condition). The details on how the credit loss rate approach is applied is detailed in Note 20.2*(b)*.

(d) Estimation of Useful Lives of Property and Equipment and Right-of-use Assets

The Company estimates the useful lives of property and equipment and right-of-use assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. For the right-of-use assets, the Company bases the useful lives on the lease terms agreed upon in each lease contract.

The carrying amounts of property and equipment and right-of-use assets are analyzed in Notes 7 and 8.1, respectively. Based on management's assessment as at March 31, 2023 and 2022, there is no change in estimated useful lives of those assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(e) Determination of Realizable Amount of Deferred Tax Assets

The Company reviews its deferred tax assets at the end of the reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The carrying value of deferred tax assets as at March 31, 2023 and 2022 is fully recoverable within the next two to three years based on management's analysis and estimate (see Note 16).

(f) Evaluation of Impairment of Non-financial Assets

The Company's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.11. Though management believes that the assumptions used in the estimation of fair values are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Certain non-financial assets were deemed to be impaired by management, as described in Note 6.

4. CASH

This account is composed of the following:

	2023	2022
Cash on hand	P 802,912	P 802,912
Cash in banks	13,231,972	11,750,794
	P 14,034,884	P 12,553,706

All cash in banks comprise of current accounts hence, do not earn interest both in 2023 and 2022.

5. CONTRACT AND OTHER RECEIVABLES

This account is composed of the following:

	Note	2023	2022 [As restated – see Note 2.1*(d)*]
Construction contract receivables:	17.1		
Unbilled		P 575,876,982	P 675,215,997
Billed		86,741,820	72,841,162
		662,618,802	748,057,159
Advances to suppliers		198,202,599	205,374,337
Others		8,434,647	8,173,045
		869,256,048	961,604,541
Allowance for impairment		(396,915)	-
		P 868,859,133	P 961,604,541

Construction contract receivables pertain to receivables from customers for contract revenue recognized over the period of the contract based on the percentage-of-completion. Portion of this remains unbilled due to pending required documentations as set out in the agreements. These documents include signed contract and approved unit cost estimate for variation order, testing certificates and manuals.

The contract revenues were presented in the statements of comprehensive income as Contract Revenues amounting to P140.1 million and P106.1 million for the fiscal years ended March 31, 2023 and 2022, respectively (see Note 11). Contract costs incurred and recognized related to contracts in progress for the fiscal years ended March 31, 2023 and 2022 amounted to P374.5 million and P310.4 million, respectively, and is presented as Contract Costs in the statements of comprehensive income (see Note 12.2).

Advances to suppliers pertain to advances made for construction materials and other items used in operations. These include international and domestic suppliers.

Other receivables include salary loans provided by the Company to its employees, and provisions. The salary loans will be paid through salary deduction.

The Company's contract and other receivables were assessed for any ECL using the provisional matrix determined by the management. Based on the matrix, the Company recognized a provision for ECL of P0.4 million in 2023, presented as part of Impairment loss under Other Operating Expenses in the 2023 statement of comprehensive income (see Note 12.1). None of the receivables are impaired in 2022 [see Note 20.2*(b)*].

6. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account is shown below.

	2023	2022 [As restated – see Note 2.1*(d)*]
Input VAT	P **27,971,860**	P 16,289,048
Creditable withholding tax	**38,294,161**	39,951,916
Advances for liquidation	**16,103,113**	24,331,801
Prepaid taxes	**9,201,099**	8,570,447
Prepaid insurance	**-**	181,885
	91,570,233	89,325,097
Allowance for impairment	**(6,965,567)**	(6,108,054)
	P 84,604,666	P 83,217,043

Advances for liquidation pertain to advances to employees for the daily expenditures of the Company.

Prepaid taxes include custom duties paid in advance, as well as claims for withholding taxes for which the related certificates are yet to be collected from customers, by the Company.

Prepaid insurance pertains to insurance policies covering the Company's performance bonds related to its ongoing projects. In 2022, certain insurance policies expired which were renewed by the Company in the same period but were also fully amortized during the fiscal year.

Other assets are assessed for impairment. As of March 31, 2023 and 2022, management assessed that certain unsupported creditable withholding taxes are impaired; hence, a loss on impairment was recognized under Other Operating Expenses in the statements of comprehensive income (see Note 12.1).

A reconciliation of the allowance for impairment of these assets is shown below.

	Note	2023	2022
Balance at beginning of year		P **6,108,054**	P 5,020,375
Additional impairment	12.1	**857,513**	1,087,679
Balance at end of year		**P 6,965,567**	P 6,108,054

7. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2023 and 2022 are as follows:

	Transportation Equipment	Office Furniture and Equipment	Leasehold Improvements	Total
March 31, 2023				
Cost	P 9,582,613	P 13,884,300	P 11,493,402	P 34,960,315
Accumulated depreciation and amortization	(8,608,803)	(13,592,767)	(11,435,441)	(33,637,011)
Net carrying amount	**P 973,810**	**P 291,533**	**P 57,961**	**P 1,323,304**
March 31, 2022				
Cost	P 10,402,903	P 13,552,910	P 11,493,402	P 35,449,215
Accumulated depreciation and amortization	(9,205,129)	(13,428,543)	(11,435,441)	(34,069,113)
Net carrying amount	P 1,197,774	P 124,367	P 57,961	P 1,380,102
April 1, 2021				
Cost	P 11,704,688	P 13,552,910	P 11,493,402	P 36,751,000
Accumulated depreciation and amortization	(9,549,438)	(12,567,890)	(11,435,441)	(33,552,769)
Net carrying amount	P 2,155,250	P 985,020	P 57,961	P 3,198,231

A reconciliation of the carrying amounts of property and equipment at the beginning and end of fiscal years 2023 and 2022 is shown below.

	Transportation Equipment	Office Furniture and Equipment	Leasehold Improvements	Total
Balance at April 1, 2022, net of accumulated depreciation and amortization	P 1,197,774	P 124,367	P 57,961	P 1,380,102
Additions	-	331,390	-	331,390
Depreciation and amortization charges for the year	(223,964)	(164,224)	-	(388,188)
Balance at March 31, 2023, net of accumulated depreciation and amortization	**P 973,810**	**P 291,533**	**P 57,961**	**P 1,323,304**
Balance at April 1, 2021, net of accumulated depreciation and amortization	P 2,155,250	P 985,020	P 57,961	P 3,198,231
Disposals	(363,776)		-	(363,776)
Depreciation and amortization charges for the year	(593,700)	(860,653)	-	(1,454,353)
Balance at March 31, 2022, net of accumulated depreciation and amortization	P 1,197,774	P 124,367	P 57,961	P 1,380,102

In 2023 and 2022, the Company disposed certain transportation equipment with proceeds of P0.2 million and P0.6 million, respectively, resulting to a gain on sale amounting to P0.2 and P0.3 million, respectively. This is presented as part of Other Operating Income in the statements of comprehensive income (see Note 13).

Depreciation and amortization is presented under Other Operating Expenses in the statements of comprehensive income (see Note 12.1). Cost of fully depreciated assets that are still in use as of 2023 and 2022 amounted to P33.8 million and P32.0 million, respectively.

8. LEASES

The Company is a lessee under non-cancellable operating leases covering office spaces, each with terms of one year with renewal options. Each lease is reflected in the statement of financial position as a right-of-use asset and as lease liability. The Company classifies its right-of-use assets and lease liabilities as separate line items in the statements of financial position.

In December 2021, the Company secured a new lease contract with a lease terms of five years and with renewal options which resulted to recognition of new right-of-use asset and lease liability.

The required security deposits for the lease agreements amounting to P11.8 million and P16.7 million as of March 31, 2023 and 2022, respectively, are presented as part of Refundable deposits under the Non-current Asset in the statements of financial position.

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantial termination fee.

The Company is prohibited from selling or pledging the underlying leased assets as security. Further, the Company is to incur maintenance fees on such items in accordance with the lease contracts.

8.1 Right-of-use Assets

The carrying amounts of the Company's right-of-use assets as at March 31 and the movements during the period are shown below.

	Note	2023	2022
Balance at beginning of year		**P 7,607,140**	P -
Amortization	12.1	**(1,494,259)**	(543,368)
Additions		**-**	8,150,508
Balance at end of year		**P 6,112,881**	P 7,607,140

The right-of-use assets are measured at an amount equal to the lease liabilities, as shown in Note 8.2, and adjusted by prepayments relating to those leases at the date of initial application.

Amortization is presented as part of Depreciation and amortization under Other Operating Expenses in the statements of comprehensive income (see Note 12.1).

8.2 Lease Liabilities

Lease liabilities are presented in the statements of financial position as follows:

	2023	2022
Current	**P 1,558,554**	P 1,480,962
Non-current	**4,761,979**	6,193,945
	P 6,320,533	P 7,674,907

The movements in the lease liabilities recognized in the statements of financial position are as follows:

	2023	2022
Balance at beginning of year	**P 7,674,907**	P -
Repayment of lease liabilities including interest	**(1,716,000)**	(624,000)
Accretion of interest	**361,626**	148,399
Additions	**-**	8,150,508
Balance at end of year	**P 6,320,533**	P 7,674,907

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at March 31, 2023 and 2022 are as follows:

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
March 31, 2023						
Lease payments	P 1,872,000	P 1,872,000	P 1,872,000	P 1,404,000	P -	P 7,020,000
Finance charges	(313,446)	(224,155)	(129,749)	(32,117)	-	(699,467)
Net present values	**P 1,588,554**	**P 1,647,845**	**P 1,742,251**	**P 1,371,883**	**P -**	**P 6,320,533**
March 31, 2022						
Lease payments	P 1,872,000	P 1,872,000	P 1,872,000	P 1,872,000	P 1,248,000	P 8,736,000
Finance charges	(391,038)	(306,193)	(216,487)	(121,642)	(25,733)	(1,061,093)
Net present values	P 1,480,962	P 1,565,807	P 1,655,513	P 1,750,358	P 1,222,267	P 7,674,907

8.3 Lease Payments Not Recognized as Liabilities

The Company has elected not to recognize lease liabilities for short-term leases. Payments made under such leases are expensed on a straight-line basis. The Company has no lease commitments in relation to these lease agreements.

The expenses relating to short-term lease agreements amounted to P5.6 million and P14.0 million in 2023 and 2022, respectively, and is presented as Rentals under Other Operating Expenses in the statements of comprehensive income (see Note 12.1).

8.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases, including short-term leases mentioned in Note 8.3, amounted to P7.3 million and P14.7 million in 2023 and 2022, respectively. Interest expense in relation to lease liabilities amounted to P0.4 million and P0.1 million in 2023 and 2022, respectively, and is presented as part of Interest expense under Other Operating Expenses in the statements of comprehensive income (see Note 12.1).

9. TRADE AND OTHER PAYABLES

This account consists of:

	2023	2022 [As restated – see Note 2.1*(d)*]
Trade payables	**P 290,407,770**	P 235,655,291
Accrued expenses	**170,794,477**	139,800,008
Advances from customers	**60,447,523**	59,097,614
Withholding tax payable	**42,602,649**	36,877,889
Others	**3,091,879**	3,305,537
	P 567,344,298	P 474,736,339

Advances from customers include advance payments for ongoing projects, which are subsequently applied to the billings made by the Company. It also includes accommodation of expenses by customers on behalf of the Company, subject to liquidation and reimbursement. The details of advances from customers account are shown below.

	2023	2022 [As restated – see Note 2.1*(d)*]
Balance at beginning of year	**P 59,097,614**	P 54,547,807
Advances made by customer during the year	**2,076,059**	5,856,227
Revenue recognized	**(726,150)**	(1,306,420)
Balance at end of year	**P 60,447,523**	P 59,097,614

Other payables include other statutory and government dues.

10. INTEREST-BEARING LOANS AND BORROWINGS

In prior years, the Company obtained unsecured, short-term interest-bearing loans from local banks for working capital requirements. These loans were subject to annual interest rates ranging from 5.00% to 9.75% both for the fiscal years ended March 31, 2023 and 2022.

The Company restructured its outstanding notes payable, including accrued interest, in both 2022 and 2023. The 2022 restructuring resulted in a loan due and demandable in November 2022. Consequently, the outstanding balance as of March 31, 2022 amounted to P136.4 million and was presented under Current Liabilities section in 2022 statement of financial position.

In 2023, the restructured loan will be due and demandable in September 2023. The outstanding balance as of March 31, 2023 amounting to P67.5 million is presented under Current Liabilities section in the 2023 statement of financial position.

The reconciliation of the amount of the Company's interest-bearing loans and borrowings as of March 31 is shown below.

	2023	2022
Balance at beginning of year	**P 136,353,243**	P 175,552,928
Repayments of loans	**(68,840,114)**	(39,199,685)
Balance at end of year	**P 67,513,129**	P 136,353,243

Interest expense incurred on these loans in fiscal years 2023 and 2022 amounted to P6.9 million and P12.4 million, respectively, and is presented as Interest expense under Finance Costs in the statements of comprehensive income (see Note 14).

11. CONTRACT REVENUES

Presented below are the details of revenues earned by the Company for the year ended March 31.

	2023	2022 [As restated – see Note 2.1*(d)*]
Ongoing projects	**P 139,651,595**	P 53,663,872
Completed projects	**412,552**	52,402,753
	P 140,064,147	P 106,066,625

The Company is presently engaged in services relating to water and wastewater treatment plant, pumping stations, and pumping networks (see Note 1.1).

12. OPERATING EXPENSES

12.1 Operating Expenses by Nature

The details of operating expenses by nature are shown below.

	Notes	2023	2022 [As restated – see Note 2.1*(d)*]
Contract loss		**P 139,692,724**	P 47,709,298
Material cost	17.1, 17.2	**122,053,954**	139,356,461
Salaries and employee benefits	15.1, 17.3	**54,183,261**	43,978,850
Outside services	17.1, 17.2	**38,623,258**	44,544,356
Insurance		**16,672,353**	3,139,082
Unrealized foreign currency loss		**15,907,988**	13,286,473
Impairment loss	5, 6, 17.2	**12,423,437**	1,087,679
Freight charges		**10,952,701**	26,077,775
Transportation, travel and representation		**6,272,690**	1,168,940
Rentals	8.3	**5,585,329**	14,040,336
Utilities		**5,023,256**	1,247,171
Professional fees		**4,654,049**	2,281,834
Processing fees		**3,194,939**	14,325,269
Depreciation and amortization	7, 8.1	**1,882,447**	1,997,721
Taxes and licenses		**721,362**	68,179
Bank charges		**663,218**	641,563
Repairs and maintenance		**495,702**	255,657
Miscellaneous		**5,043,477**	8,801,985
		P 444,046,145	P 364,008,629

The operating expenses are classified in the statements of comprehensive income as follows:

	Note	2023	2022 [As restated – see Note 2.1*(d)*]
Contract costs	12.2	**P 374,521,839**	P 310,363,043
Other operating expenses		**69,524,306**	53,645,586
		P 444,046,145	P 364,008,629

12. OPERATING EXPENSES

12.1 Operating Expenses by Nature

The details of operating expenses by nature are shown below.

	Notes	2023	2022 [As restated – see Note 2.1*(d)*]
Contract loss		**P 139,692,724**	P 47,709,298
Material cost	17.1, 17.2	**122,053,954**	139,356,461
Salaries and employee benefits	15.1, 17.3	**54,183,261**	43,978,850
Outside services	17.1, 17.2	**38,623,258**	44,544,356
Insurance		**16,672,353**	3,139,082
Unrealized foreign currency loss		**15,907,988**	13,286,473
Impairment loss	5, 6, 17.2	**12,423,437**	1,087,679
Freight charges		**10,952,701**	26,077,775
Transportation, travel and representation		**6,272,690**	1,168,940
Rentals	8.3	**5,585,329**	14,040,336
Utilities		**5,023,256**	1,247,171
Professional fees		**4,654,049**	2,281,834
Processing fees		**3,194,939**	14,325,269
Depreciation and amortization	7, 8.1	**1,882,447**	1,997,721
Taxes and licenses		**721,362**	68,179
Bank charges		**663,218**	641,563
Repairs and maintenance		**495,702**	255,657
Miscellaneous		**5,043,477**	8,801,985
		P 444,046,145	P 364,008,629

The operating expenses are classified in the statements of comprehensive income as follows:

	Note	2023	2022 [As restated – see Note 2.1*(d)*]
Contract costs	12.2	**P 374,521,839**	P 310,363,043
Other operating expenses		**69,524,306**	53,645,586
		P 444,046,145	P 364,008,629

12.2 Contract Costs

The details of contract costs are shown as follows:

	Notes	2023	2022 [As restated – see Note 2.1*(d)*]
Contract loss		**P 139,692,724**	P 47,709,298
Material cost	17.1, 17.2	**122,053,954**	139,356,461
Outside services	17.1. 17.2	**38,623,258**	44,544,356
Salaries and employee benefits	15.1	**36,793,425**	26,852,355
Insurance		**16,600,234**	3,139,082
Freight charges		**10,952,701**	26,077,775
Processing fees		**3,194,939**	14,325,269
Utilities		**3,077,502**	1,102,349
Rentals		**1,153,836**	4,944,756
Transportation, travel and representation		**991,449**	820,450
Repairs and maintenance		**276,560**	168,011
Bank charges		**8,979**	48,522
Miscellaneous		**1,102,278**	1,274,359
	12.1	**P 374,521,839**	P 310,363,043

Freight charges, processing fees, and bank charges are expenses directly related to the Company's importations.

Transportation, travel and representation expense include expenses incurred by the Company's consultants during the design phase of the project.

13. OTHER OPERATING INCOME

The details of other operating income are shown below.

	Notes	2023	2022
Income from other services	17.1, 17.2	**P 303,993,417**	P 175,027,900
Gain on sale of equipment	7	**160,000**	261,229
Others		**-**	37,466,785
		P 304,153,417	P 212,755,914

In 2023 and 2022, income from other services includes marketing services amounting to rendered to the parent company for its project in India amounting to P151.2 million and P175.0 million, respectively (see Note 17.1). In 2023, income from other services also consists of business development services, write backs, and scrip sales.

Others include gains recognized from reversal of accrued expenses which were no longer expected to be claimed against or settled by the Company. No similar transaction occurred in fiscal year 2023.

14. FINANCE COSTS

The details of this account are as follows.

	Notes	2023	2022 [As restated – see Note 2.1 *(d)*]
Interest on loans	10	**P 6,934,755**	P 12,378,033
Interest on lease	8.2	**361,626**	148,399
Interest on post-employment defined benefit	15.2	**132,911**	207,007
		P 7,429,292	P 12,733,439

15. EMPLOYEE BENEFITS

15.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below.

	Notes	2023	2022
Salaries and wages		**P 53,805,628**	P 43,627,063
Post-employment benefits	15.2	**377,633**	351,787
	12.1	**P 54,183,261**	P 43,978,850

The amount of salaries and employee benefits is allocated as follows:

	Note	2023	2022
Contract costs	12.2	**P 36,793,425**	P 26,852,355
Other operating expenses		**17,389,836**	17,126,495
	12.1	**P 54,183,261**	P 43,978,850

15.2 Post-employment Defined Benefits

(a) Characteristics of the Post-employment Defined Benefit Plan

The Company maintains a non-contributory defined benefit retirement plan covering all regular full-time employees and is computed using the projected unit credit method.

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with a minimum of five years of credited service and late retirement after age 60, both subject to the approval of the Company's BOD. Normal retirement benefit is an amount equivalent to 100% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the post-employment defined benefit costs and amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2023, including the comparative year 2022.

In 2023 and 2022, post-employment defined benefit obligation amounting to P2.1 million and P2.4 million, respectively, is recognized under the non-current liabilities in the statements of financial position.

The movements in the present value of the post-employment defined benefit obligation recognized in the books are as follows:

	2023	2022
Balance at beginning of year	P 2,356,573	P 5,227,448
Current service cost	377,633	351,787
Interest cost	132,911	207,007
Remeasurements –		
Actuarial gains arising from:		
Experience adjustments	(524,048)	(2,775,678)
Changes in financial assumptions	(242,568)	(617,083)
Changes in demographic assumptions	-	(36,908)
Balance at end of year	P 2,100,501	P 2,356,573

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	2023	2022
Recognized in profit or loss:		
Current service cost	P 377,633	P 351,787
Net interest expense	132,911	207,007
	P 510,544	P 558,794
Recognized in other comprehensive income:		
Actuarial gains arising from:		
Experience adjustments	P 524,048	(P 2,775,678)
Changes in financial assumptions	242,568	(617,083)
Changes in demographic assumptions	-	(36,908)
	P 766,616	(P 3,429,669)

Current service costs are presented as part of Salaries and employee benefits under Other Operating Expenses while the net interest expense is presented as part of Finance Costs under Other Operating Income (Charges) – net in the statements of comprehensive income (see Note 12.1).

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the post-employment defined benefit obligation, the following significant actuarial assumptions were used:

	2023	2022
Discount rate	**6.49%**	5.64%
Salary increase rate	**2.00%**	2.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 18.0 years. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero-coupon government bonds with terms to maturity approximating to the terms of the retirement obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

The information on the sensitivity analysis for certain significant actuarial assumptions and the timing and uncertainty of future cash flows related to the retirement plan are described as follows:

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment defined benefit obligation:

		Impact on Post-employment Defined Benefit Obligation	
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
March 31, 2023			
Discount rate	**+/- 1.0%**	**(P 242,426)**	**P 289,385**
Salary growth rate	**+/- 1.0%**	**300,137**	**(254,442)**
March 31, 2022			
Discount rate	+/- 1.0%	(P 284,478)	P 342,981
Salary growth rate	+/- 1.0%	352,663	(296,344)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the post-employment defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the post-employment defined benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Funding Arrangements and Expected Contributions

As of March 31, 2023 and 2022, the Company has no formal plan of funding its post-employment defined benefit obligation yet. While there are no minimum funding requirements in the country, the size of the underfunding may pose a cash flow risk in about 20 years' time when a significant number of employees is expected to retire.

The expected maturity of undiscounted expected benefits payment from the plan for the next ten years as of March 31 are presented as follows:

	2023	2022
Within one year	P -	P -
Within two years	-	-
Within three years	-	320,508
Within four years	724,520	-
Within five years	164,982	872,890
From six to ten years	801,821	546,325
	P 1,691,323	P 1,739,723

The weighted average duration of the defined benefit obligation at the end of the reporting period is 12.7 years.

16. TAXES

The components of tax expense as reported in the statements of comprehensive income are as follows:

	2023	2022
Reported in profit or loss:		
Current tax expense –		
Minimum corporate income tax (MCIT) at 1%	P 2,093,884	P 969,696
Deferred tax expense (income):		
Relating to origination and reversal of temporary difference	(777,169)	(2,405,830)
Excess MCIT over RCIT	(2,093,884)	(969,696)
Effect of the change in income tax rate	-	661,622
	(2,871,053)	(2,713,904)
	(P 777,169)	(P 1,744,208)
Reported in other comprehensive loss:		
Deferred tax expense relating to origination and reversal of temporary differences	P 191,654	P 857,417
Effect of the change in income tax rate	-	2,540
	P 191,654	P 859,957

The reconciliation of tax on pretax loss computed at the applicable statutory rates to tax expense reported in the statements of comprehensive income is as follows:

	2023	2022
Tax on pretax loss at 25%	(P 1,814,468)	(P 4,279,681)
Expiration of MCIT	1,037,299	-
Effect of the change in income tax rate	-	661,622
Non-deductible expense	-	1,873,851
Tax income	(P 777,169)	(P 1,744,208)

The net deferred tax assets relate to the following as of March 31:

	Statements of Financial Position		Statements of Comprehensive Income			
			Profit or Loss		Other Comprehensive Loss (Income)	
	2023	2022	2023	2022	2023	2022
Net operating loss carryover (NOLCO)	P 12,743,120	P 12,060,240	(P 682,873)	P 1,005,415	P -	P -
MCIT	3,271,804	2,215,219	(1,056,585)	(969,696)	-	-
Creditable withholding tax	1,741,392	1,527,013	(214,379)	(209,165)	-	-
Unrealized foreign exchange gain	1,293,665	638,286	(655,379)	(2,446,622)	-	-
Retirement benefit obligation	525,125	589,143	(127,636)	(76,895)	191,654	859,957
Impairment of receivable	99,229	-	(99,229)	-	-	-
Effect of adoption of PFRS 16	51,913	16,941	(34,972)	(16,941)	-	-
Net deferred tax assets	P 19,726,248	P 17,046,842				
Net deferred tax expense (income)			(P 2,871,053)	(P 2,713,904)	P 191,654	P 859,957

The Company is subject to MCIT computed at 1% of gross income in 2023 and 2022, net of allowable deductions as defined under the tax regulations or RCIT, whichever is higher. In 2023 and 2022, the Company recognized MCIT as the Company is in tax loss position in both years.

The movements in the Company's MCIT are presented below.

Year Incurred	Amount	Applied/ Expired	Remaining Balance	Valid Until
2023	P 2,093,884	P -	P 2,093,884	2026
2022	969,696	-	969,696	2025
2021	208,224	-	208,224	2024
2020	1,037,299	(1,037,299)	-	2023
	P 4,309,103	(P 1,037,299)	P 3,271,804	

The Company incurred NOLCO in 2021, which can be claimed as deduction from gross income until 2026, in accordance with R.A. No. 11494, *Bayanihan to Recover as One Act.* As per Revenue Memorandum Circular (RMC) No. 137-2020, the NOLCO incurred in 2023 can be claimed until 2026.

Year Incurred	Amount	Applied/ Expired	Remaining Balance	Valid Until
2023	P 2,731,497	P -	P 2,731,497	2026
2021	48,240,981	-	48,240,981	2026
	P 50,972,478	P -	P50,972,478	

For the fiscal years ended March 31, 2023 and 2022, the Company opted to claim itemized deductions for tax purposes.

17. RELATED PARTY TRANSACTIONS

The Company's related parties include its parent company, entities under common ownership, key management personnel and others as described in Note 2.14. The summary of the Company's outstanding balances and significant transactions with its related parties as of and for the fiscal years ended March 31, 2023 and 2022 are presented below.

		2023		2022	
	Note	**Amount of Transactions**	**Outstanding Balance**	Amount of Transactions	Outstanding Balance
Parent Company:	17.1				
Services rendered		**P 151,237,733**	**P -**	P 175,027,900	P 28,565,112
Purchases of construction materials		**-**	**(118,030,408)**	89,907,025	(113,528,733)
Advances obtained (paid)		**-**	**-**	(67,916,784)	-
Technical and consultancy services		**-**	**(60,971,611)**	1,922,527	(58,968,225)
Reimbursements		**1,671,819**	**-**	-	-
Under Common Ownership:	17.2				
Advances obtained		**128,295,658**	**(66,115,891)**	110,642,174	(174,923,313)
Purchases of construction materials		**13,297,653**	**(10,286,192)**	14,379,671	(14,520,571)
Advances granted		**(11,169,009)**	**-**	-	-
Research and development		**-**	**-**	3,365,096	(3,365,096)
Key Management Personnel –	17.3				
Key management compensation		**8,246,854**	**-**	11,596,458	-

The outstanding payables (net of overpayments) from these transactions, shown as Due to Related Parties in the statements of financial position, amounted to P255.4 million and P365.3 million as of March 31, 2023 and 2022, respectively. The outstanding liabilities to related parties are unsecured, noninterest-bearing and generally payable in cash upon demand.

17.1 Transactions with Parent Company

In fiscal years 2023 and 2022, the Company provided marketing and engineering services to the parent company on some of their projects. Income earned from these transactions amounted to P151.2 million and P175.0 million, respectively, and are presented as part of Other Operating Income in the statements of comprehensive income (see Note 13).

As of March 31, 2023 and 2022, the amount of outstanding receivables from these transactions amounted to nil and P28.6 million, respectively, and are presented as part of Construction contract receivables under Contract and Other Receivables in the statements of financial position (see Note 5).

The Company purchased construction materials from its parent company amounting to nil and P89.9 million in 2023 and 2022, respectively. These are presented as part of Material cost under Contract Costs in the 2022 statement of comprehensive income (see Note 12.2). The outstanding payable in relation to these purchases amounted to P118.0 million and P113.5 million as at March 31, 2023 and 2022, respectively, and are presented as part of Due to Related Parties in the statements of financial position.

In the normal course of business, the Company obtains noninterest-bearing cash advances to its parent company for working capital requirements. In 2021, the Company obtained cash advances from its parent company amounting to P67.9 million, which is outstanding as of March 31, 2021, and is presented as part of Due to Related Parties in the 2021 statement of financial position. These advances are unsecured and generally payable in cash upon demand. In 2022, these advances had been fully paid by the Company.

The parent company also renders technical and consultancy services to the Company amounting to P1.9 million in 2022 (nil in 2023), which are presented as part of Outside services under Contract Costs in the 2022 statement of comprehensive income (see Note 12.2). The outstanding payable in relation to these services amounted to P61.0 million and P59.0 million as at March 31, 2023 and 2022, respectively, and are presented as part of Due to Related Parties in the statements of financial position.

In 2023, the parent company incurred expenses for its employees' project-related works in the Philippines, which were initially paid by the Company on behalf of the parent company, resulting in a reimbursement claim amounting to P1.7 million. No similar transaction occurred in fiscal year 2022.

17.2 Transactions with Related Parties Under Common Ownership

In 2022, the Company obtained cash advances from VA Tech Wabag Singapore, VA Tech Wabag AT, and VA Tech Wabag Belasa, related parties under common ownership, for working capital requirements with total amount of P110.6 million (nil in 2023). The outstanding balances as of March 31, 2023 and 2022 are presented as part of Due to Related Parties in the statements of financial position.

As at March 31, 2022, the Company has outstanding payables to VA Tech Wabag Swiss and VA Tech Wabag Bahrain, related parties under common ownership, amounting to P13.3 million and P128.3 million, for cash advances obtained in September 2019 and July 2021, respectively. In 2023, these payables were written off from the books as agreed among the parties. The Company recognized income from the writeoff the payables which is presented as part of Other Operating Income in the 2023 statement of comprehensive income (see Note 13).

The Company granted cash advances to VA Tech Wabag Malaysia, related party under common ownership, in April 2019 amounting to P11.2 million which was outstanding as at March 31, 2022. In 2023, the Company wrote off this receivable from the books and recognized the loss as part of Impairment loss under Other Operating Expenses (see Note 12.1). There was no similar transaction in 2022.

The Company also purchased construction materials from VA Tech Wabag Austria and VA Tech Wabag Swiss amounting to P13.3 million and P14.4 million in 2023 and 2022, respectively. These purchases are included as part of Material cost under Contract Costs in the statements of comprehensive income (see Note 12). The outstanding payables in relation to these purchases amounted to P10.3 million and P14.5 million as at March 31, 2023 and 2022, respectively, and are presented as part of Due to Related Parties in the statements of financial position.

VA Tech Wabag GMBH, Austria, a related party under common ownership, incurred research and development costs on behalf of the Company amounting to P3.4 million for the fiscal year ended March 31, 2022. These are presented as part of Outside services under Other Operating Expenses in the 2022 statement of comprehensive income (see Note 12.1). The outstanding payable in relation to these costs is presented as part of Due to Related Parties in the 2022 statement of financial position. There was no similar transaction in 2023.

17.3 Key Management Personnel Compensation

The total remuneration (including salaries and benefits) of the Company's managers and other members of key management amounted to P8.2 million and P11.6 million for the fiscal years 2023 and 2022, respectively. These are presented as part of Salaries and wages under Other Operating Expenses in the statements of comprehensive income (see Note 12.1).

		2023		2022
Short-term benefits	**P**	**8,081,917**	P	11,360,158
Post-employment benefits		**164,937**		236,300
	P	**8,246,854**	P	11,596,458

18. EQUITY

18.1 Capital Stock

The Company has 15,000,000 shares of authorized capital stock, of which 8,570,200 shares are issued and outstanding, with a par value of P1 per share, as of March 31, 2023 and 2022.

As of March 31, 2023 and 2022, the Company has only one stockholder owning 100 or more shares of the Company's capital stock.

18.2 Retained Earnings

On April 27, 2018, the Company's BOD authorized the appropriation of P50.0 million for the rehabilitation, retrofitting and process improvement of La Mesa Water Treatment Plant 2 which is initially expected to be completed in fiscal year 2023. The project is expected to be completed on July 30, 2024 based on the reassessment made in 2023, hence, the appropriation is retained.

As of March 31, 2023 and 2022, the total appropriated retained earnings of the Company amounted to P130.0 million.

As of March 31, 2023 and 2022, the Company's unrestricted retained earnings exceeded its paid-in capital. Management expects to utilize the excess earnings to fund the Company's operations.

18.3 Capital Management Objectives, Policies and Procedures

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing services commensurate with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position. Capital for the reporting periods is summarized below.

	2023	2022 [As restated – see Note 2.1*(d)*]
Total liabilities	**P 898,682,563**	P 986,427,000
Total equity	**107,738,133**	113,643,875
Debt-to-equity ratio	**8.34 : 1:00**	8.68 : 1.00

19. COMMITMENTS AND CONTINGENCIES

There are other commitments and contingencies arising from the Company's operations. As of March 31, 2023 and 2022, management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Company's financial statements.

20. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks which result from both its operating and investing activities. The Company's risk management is coordinated with its parent company, in close cooperation with the BOD, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial risks.

The Company does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are described below and in the succeeding pages.

20.1 Market Risk

The Company is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from both its operating and investing activities.

(a) Foreign Currency Risk

Exposures to currency exchange rates arise from trade and other payables and due to related parties which are primarily denominated in United States (U.S.) dollar, and Euro. The Company also holds U.S. dollar-denominated cash.

To mitigate the Company's exposure to foreign currency risk, non-Philippine peso cash flows are regularly monitored. Foreign currency denominated financial assets and financial liabilities in U.S. dollars and Euro translated into Philippine pesos at the respective closing rates are presented below.

	U.S. Dollar	Euro
March 31, 2023		
Financial assets	P 42,182,154	P -
Financial liabilities	(110,327,460)	(3,449,942)
Net exposure	**(P 68,145,306)**	**(P 3,449,942)**
March 31, 2022		
Financial assets	P 57,050,251	P -
Financial liabilities	(221,631,789)	(8,369,622)
Net exposure	(P 164,581,538)	(P 8,369,622)

The sensitivity of the net results in regards to the Company's financial assets and financial liabilities and peso exchange rate assumes a +/-17.79% and +/-12.19% change for U.S. dollar – Philippine peso while +/-34.46% and +/-21.33% for Euro – Philippine peso in 2023 and 2022, respectively.

The following table illustrates the sensitivity of the profit or loss before tax and equity with respect to changes in the value of Philippine peso against foreign currencies. The percentage changes have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 99% confidence level.

	2023			2022		
	Reasonably possible change in rate	**Effect in profit before tax**	**Effect in equity**	Reasonably possible change in rate	Effect in profit before tax	Effect in equity
USD-Php	**17.79%**	**(P 12,123,050)**	**(P 9,092,288)**	12.19%	(P 20,062,489)	(P 15,046,867)
Euro-Php	**34.46%**	**(1,188,850)**	**(891,638)**	21.33%	(1,785,240)	(1,338,930)

The effect would be the reverse if the Philippine peso would appreciate against the other currencies.

Exposures to foreign currency exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis is considered to be representative of the Company's currency risk.

(b) *Interest Rate Risk*

The Company has limited exposure to changes in market interest rates through its cash in banks, which are mostly short-term and are subject to variable interest rates. These financial instruments have historically shown small or measured changes in interest rates. All other financial assets and financial liabilities have fixed rates.

20.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments arising from granting credits to customers and placing deposits with banks. The Company continuously monitors defaults of counterparties, identified either individually or by group, and incorporate this information into its credit risk controls.

Where available at a reasonable cost, external credit ratings and/or reports on counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties.

The maximum credit risk exposure of financial assets is the total carrying amount of the financial assets as shown on the statements of financial position (or in the detailed analysis provided in the notes to financial statements), summarized as follows:

	Notes	2023	2022 [As restated – see Note 2.1 *(d)*]
Cash	4	**P 14,034,884**	P 12,553,706
Contract and other receivables	5	**671,053,449**	756,230,204
Refundable deposits	6	**11,759,581**	16,661,502
		P 696,847,914	P 785,445,412

None of the financial assets are secured by collateral or other credit enhancements, except for cash in banks described as follows:

(a) *Cash in Banks*

The credit risk for cash in banks is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) *Contract and Other Receivables and Refundable Deposits*

The Company applies the simplified approach in measuring ECL which uses a lifetime expected loss allowance for all contract and other receivables and refundable deposits.

To measure the ECL, these financial assets have been grouped based on shared credit risk characteristics. The other receivables and refundable deposits have substantially the same risk characteristics as the trade receivables. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Company has identified the interest rate to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor. The application of ECL methodology resulted to an adjustment on the Company's financial statements as of March 31, 2023. All of the contract and other receivables and refundable deposits are not impaired in 2022.

On that basis, the loss allowance as at March 31, 2023 and 2022 was determined based on months past due, as follows for both trade and other receivables:

	2023	2022
91 to 180 days past due	**P 59,552,366**	P 51,661,629
Over 180 days past due	**14,351,107**	8,906,854
	P 73,903,473	P 60,568,483

20.3 Liquidity Risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities, as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Company maintains cash to meet its liquidity requirements for up to 60-day periods. Funding for long-term liquidity needs is additionally secured from related parties.

The Company's financial liabilities (except lease liabilities – see Note 8.2) have contractual maturities of less than 12 months as presented below.

	Notes	**2023**	2022 [As restated – see Note 2.1*(d)*]
Trade and other payables	9	**P 464,294,126**	P 378,760,836
Interest-bearing loans and borrowings	10	**74,447,882**	148,731,276
Due to related parties	17	**255,404,102**	365,305,938
		P 794,146,110	P 892,798,050

These contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting period.

21. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

21.1 Carrying Amounts and Fair Values of Financial Assets and Financial Liabilities

The Company's financial assets and financial liabilities as of March 31, 2023 and 2022 that are carried at amortized cost have been determined by management to have carrying amounts approximate or equal their fair values due to their short-term nature. For those with maturities beyond one year, management also opted not to discount these financial instruments as the effects of discounting is deemed immaterial. Accordingly, the fair values of financial assets and financial liabilities are no longer presented.

See Note 2.3 for a description of the accounting policies for each category of financial instrument, including the determination of fair values. A description of the Company's risk management objectives and policies for financial instrument is provided in Note 20.

21.2 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy levels are presented as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When the Company uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

The Company has no financial assets and financial liabilities measured at fair value or that are not carried at fair value but are required to be disclosed as at March 31, 2023 and 2022. Nevertheless, if its financial instruments are presented in the fair value hierarchy, only cash can be considered Level 1; all the rest are considered Level 3.

21.3 Offsetting of Financial Assets and Financial Liabilities

The following financial assets and financial liabilities with net amounts presented in the statements of financial position are subject to offsetting and similar agreements:

	Gross Amount Recognized	Amount Set-off	Net Amount Presented
2023 :			
Financial assets –			
Contract and other receivables	**P 867,871,756**	**P 987,377**	**P 866,884,379**
Financial liabilities –			
Trade and other payables	**P 568,331,676**	**P 987,377**	**P 567,344,299**

	Gross Amount Recognized	Amount Set-off	Net Amount Presented
2022 [As restated – see Note 2.1*(d)*]::			
Financial assets –			
Contract and other receivables	P 962,195,003	P 590,462	P 961,604,541
Financial liabilities –			
Trade and other payables	P 475,326,801	P 590,462	P 474,736,339

For financial assets and financial liabilities on the foregoing subject similar arrangements, each agreement between the Company and counterparties allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis; however, each party to the similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party and upon the instruction of the parent company. There are no other potential financial assets and financial liabilities which can be set off as of March 31, 2023 and 2022.

22. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below and in the succeeding pages is the supplementary information which is required by the Bureau of Internal Revenue (BIR) under Revenue Regulation (RR) No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

(a) Output VAT

In fiscal year 2023, the Company declared output VAT amounting to P16,807,698 arising from rendering of services. The tax base amounting to P140,064,147 is presented as Contract Revenues in the 2023 statement of comprehensive income.

There is no outstanding output VAT payable as of March 31, 2023.

(b) Input VAT

The movements in input VAT in 2023 are summarized below.

Balance at beginning of period	P	16,289,047
Services lodged under cost of services		18,120,443
Domestic purchases of goods other than capital goods		9,219,872
Capital goods		1,150,196
Applied against output VAT	(	16,807,698)
Balance at end of period	P	27,971,860

The balance of Input VAT as of March 31, 2023 is presented as part of Other Current Assets account in the 2023 statement of financial position.

(c) Taxes on Importation

In fiscal year 2023, the total landed cost of the Company's importations for use in business amounted to P136,201,595. This includes customs duties and tariff fees totaling P3,194,939 presented as part of Processing fees under Contract Costs in the 2023 statement of comprehensive income.

(d) Excise Tax

The Company did not have any transactions in fiscal year 2023 which are subject to excise tax.

(e) Documentary Stamp Tax

The Company did not incur documentary stamp tax for the fiscal year 2023.

(f) Taxes and Licenses

The details of taxes and licenses in fiscal year 2023 are as follows:

Business permits	P	499,230
Annual registration fee		500
Others		221,632
	P	721,362

Taxes and licenses are presented as part of Other Operating Expenses in the 2023 statement of comprehensive income.

(g) Withholding Taxes

The details of total withholding taxes for the fiscal year 2023 are shown below.

Expanded	P	163,114
Compensation and employee benefits		477,487
	P	640,601

(h) Deficiency Tax Assessments and Tax Cases

As at March 31, 2023, the Company has no other outstanding deficiency tax assessments with the BIR nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.