

## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
EPL Propack Philippines, Inc.  
(formerly known as *Essel Propack Philippines, Inc.*)

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of EPL Propack Philippines, Inc. (formerly known as *Essel Propack Philippines, Inc.*) [the Company], a wholly-owned subsidiary of Lamitube Technologies Limited, 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 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 years then ended in accordance with Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs).

#### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's 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 audit 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 for SMEs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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 auditor's 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 PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 the Supplementary Information Required under Revenue Regulations 34-2020 and 15-2010**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 34-2020 and 15-2010 in Note 20 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of EPL Propack Philippines, Inc. (*formerly known as Essel Propack Philippines, Inc.*). The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

  
Dyole S. Garcia

Partner

CPA Certificate No. 0097907

Tax Identification No. 201-960-347

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 97907-SEC (Group A)

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

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-102-2021, September 16, 2021, valid until September 15, 2024

PTR No. 9564626, January 3, 2023, Makati City

April 20, 2023



**EPL PROPACK PHILIPPINES, INC.**  
*(formerly known as Essel Propack Philippines, Inc.)*  
**[A Wholly-Owned Subsidiary of Lamitube Technologies Limited]**

**BALANCE SHEETS**

	<b>March 31</b>	
	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Note 4)	<b>₱2,495,219</b>	₱8,400,515
Receivables (Note 5)	<b>172,982,248</b>	149,158,146
Inventories (Note 6)	<b>112,462,484</b>	72,022,299
Other current assets (Note 7)	<b>13,911,833</b>	7,044,277
<b>Total Current Assets</b>	<b>301,851,784</b>	236,625,237
<b>Noncurrent Assets</b>		
Property and equipment (Note 8)	<b>27,542,145</b>	34,323,365
Deferred income tax assets - net (Note 16)	<b>4,845,448</b>	5,304,524
Other noncurrent assets (Note 9)	<b>2,549,895</b>	4,695,379
<b>Total Noncurrent Assets</b>	<b>34,937,488</b>	44,323,268
<b>TOTAL ASSETS</b>	<b>₱336,789,272</b>	₱280,948,505
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses (Notes 10 and 17)	<b>₱118,511,219</b>	₱87,904,382
Dividends payable (Notes 17 and 19)	<b>52,900,691</b>	42,855,000
Income tax payable	<b>5,429,783</b>	5,586,274
<b>Total Current Liabilities</b>	<b>176,841,693</b>	136,345,656
<b>Noncurrent Liabilities</b>		
Pension liabilities (Note 11)	<b>15,835,522</b>	16,583,558
<b>Total Liabilities</b>	<b>192,677,215</b>	152,929,214
<b>Equity</b>		
Capital stock - ₱100 par value		
Authorized - 400,000 shares		
Issued - 375,593 shares	<b>37,559,300</b>	37,559,300
Retained earnings (Note 19)	<b>106,552,757</b>	90,459,991
<b>Total Equity</b>	<b>144,112,057</b>	128,019,291
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱336,789,272</b>	₱280,948,505

See accompanying Notes to Financial Statements.



**EPL PROPACK PHILIPPINES, INC.**  
*(formerly known as Essel Propack Philippines, Inc.)*  
**[A Wholly-Owned Subsidiary of Lamitube Technologies Limited]**

**STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Years Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
<b>NET SALES</b>	<b>₱515,727,127</b>	<b>₱413,237,215</b>
<b>COST OF SALES</b> (Notes 12 and 17)	<b>(362,999,927)</b>	<b>(290,913,326)</b>
<b>GROSS PROFIT</b>	<b>152,727,200</b>	<b>122,323,889</b>
<b>DISTRIBUTION AND SELLING EXPENSES</b> (Note 13)	<b>(13,839,002)</b>	<b>(9,779,187)</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Notes 14 and 17)	<b>(44,011,475)</b>	<b>(41,289,583)</b>
<b>OTHER INCOME (CHARGES)</b>		
Foreign exchange loss - net	<b>(888,089)</b>	<b>(3,631,322)</b>
Interest income (Note 4)	<b>11,363</b>	<b>16,998</b>
Others – net	<b>(1,473,153)</b>	<b>2,575,808</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>92,526,844</b>	<b>70,216,603</b>
<b>PROVISION FOR INCOME TAX</b> (Note 16)		
Current	<b>23,074,312</b>	<b>17,240,493</b>
Deferred	<b>459,075</b>	<b>75,349</b>
	<b>23,533,387</b>	<b>17,315,842</b>
<b>NET INCOME</b>	<b>68,993,457</b>	<b>52,900,761</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>–</b>	<b>–</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱68,993,457</b>	<b>₱52,900,761</b>

*See accompanying Notes to Financial Statements.*



**EPL PROPACK PHILIPPINES, INC.**  
*(formerly known as Essel Propack Philippines, Inc.)*  
**[A Wholly-Owned Subsidiary of Lamitube Technologies Limited]**

**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED MARCH 31, 2023 AND 2022**

	<b>Capital Stock</b>	<b>Retained Earnings (Note 19)</b>	<b>Total</b>
<b>BALANCES AT MARCH 31, 2021</b>	<b>₱37,559,300</b>	<b>₱80,414,230</b>	<b>₱117,973,530</b>
Total comprehensive income for the year	–	52,900,761	52,900,761
Cash dividends - ₱114.10 per share (Note 19)	–	(42,855,000)	(42,855,000)
<b>BALANCES AT MARCH 31, 2022</b>	<b>₱37,559,300</b>	<b>₱90,459,991</b>	<b>₱128,019,291</b>
Total comprehensive income for the year	–	68,993,457	68,993,457
Cash dividends - ₱140.85 per share (Note 19)	–	(52,900,691)	(52,900,691)
<b>BALANCES AT MARCH 31, 2023</b>	<b>₱37,559,300</b>	<b>₱106,552,757</b>	<b>₱144,112,057</b>

*See accompanying Notes to Financial Statements.*



**EPL PROPACK PHILIPPINES, INC.**  
*(formerly known as Essel Propack Philippines, Inc.)*  
**[A Wholly-Owned Subsidiary of Lamitube Technologies Limited]**

---

**STATEMENTS OF CASH FLOWS**

	<b>Years Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱92,526,844</b>	₱70,216,603
Adjustments for:		
Depreciation and amortization (Notes 8, 9, 12 and 14)	<b>10,485,947</b>	10,569,574
Unrealized foreign exchange loss (gain)	<b>(908,347)</b>	996,506
Movement in pension liabilities (Note 11)	<b>(748,036)</b>	86,026
Interest income (Note 4)	<b>(11,363)</b>	(16,998)
Operating income before working capital changes	<b>101,345,045</b>	81,851,711
Decrease (increase) in:		
Receivables	<b>(23,911,425)</b>	(18,070,366)
Inventories	<b>(40,440,185)</b>	(6,019,150)
Other current assets	<b>(6,867,555)</b>	2,304,186
Increase (decrease) in accounts payable and accrued expenses	<b>31,600,078</b>	(9,738,515)
Net cash generated from operations	<b>61,725,958</b>	50,327,866
Income tax paid, including creditable withholding tax	<b>(23,230,803)</b>	(15,513,442)
Interest received	<b>11,363</b>	16,998
Net cash from operating activities	<b>38,506,518</b>	34,831,422
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Property and equipment (Note 8)	<b>(3,574,113)</b>	(3,094,705)
Computer software (Note 9)	-	(49,634)
Decrease in other noncurrent assets	<b>2,014,870</b>	20,428
Net cash used in investing activities	<b>(1,559,243)</b>	(3,123,911)
<b>CASH FLOWS USED IN FINANCING ACTIVITY</b>		
Payments of cash dividends (Note 19)	<b>(42,855,000)</b>	(29,335,000)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<b>2,429</b>	(305,915)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(5,905,296)</b>	2,066,596
<b>CASH AT BEGINNING OF YEAR</b>	<b>8,400,515</b>	6,333,919
<b>CASH AT END OF YEAR (Note 4)</b>	<b>₱2,495,219</b>	₱8,400,515

*See accompanying Notes to Financial Statements.*



## **EPL PROPACK PHILIPPINES, INC.**

*(formerly known as Essel Propack Philippines, Inc.)*

**[A Wholly-Owned Subsidiary of Lamitube Technologies Limited]**

---

### **NOTES TO FINANCIAL STATEMENTS**

---

#### **1. Corporate Information and Authorization for Issuance of the Financial Statements**

##### Corporate Information

EPL Propack Philippines, Inc. *(formerly known as Essel Propack Philippines, Inc.)* [the Company] was incorporated in the Philippines and is a wholly-owned subsidiary of Lamitube Technologies Limited (Lamitube), a company incorporated in Mauritius. Its parent company is EPL Limited [formerly known as EPL Propack Limited (EPL)], a company incorporated in India and is listed in Bombay Stock Exchange and National Stock Exchange. The Company was registered with the Philippine Securities and Exchange Commission (SEC) on March 27, 1992 for the purpose of engaging in the business of manufacturing, importing, exporting, buying, selling, or otherwise dealing in, at wholesale of laminated plastic tubes and other packaging products, and goods of similar nature, and all equipment, materials, supplies used or employed in or related to the manufacture of finished products.

The Company's ultimate parent is Blackstone Inc., an alternative investment management company based in New York City, New York and is listed in the New York Stock Exchange.

On October 19, 2020, the Board of Directors approved to change the Company's corporate name from "Essel Propack Philippines, Inc." to "EPL Propack Philippines, Inc." On July 17, 2021, the Philippine SEC approved the amended articles of incorporation and by-laws.

The Company's registered office address is Building No. 11, Phase 2, Vita Compound, 108 Marcos Alvarez Avenue, Bo. Talon I, Las Piñas City.

##### Authorization for Issuance of the Financial Statements

The financial statements of the Company were approved and authorized for issuance by the Board of Directors (BOD) on April 20, 2023.

---

#### **2. Summary of Significant Accounting Policies and Financial Reporting Practices**

##### Basis of Preparation

The financial statements of the Company have been prepared using the historical cost basis and are presented in Philippine peso, the Company's functional and presentation currency. All amounts are rounded to the nearest peso, except when otherwise indicated.

##### Statement of Compliance

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs).

##### Cash

Cash includes cash on hand and in banks.

##### Receivables

Trade receivables, which are based on normal credit terms and do not bear interest, are recognized and carried at original invoice amounts. Other receivables are recognized at face value. Where credit is extended beyond normal credit terms, receivables are measured at amortized cost using the effective interest rate method. At the end of each reporting period, the carrying amounts of trade and other





receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable.

If there is an objective evidence that an impairment loss on trade and other receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the impairment loss shall be recognized in profit or loss.

#### Inventories

Inventories are stated at the lower of cost and net realizable value (NRV). Costs incurred in bringing the inventory to its present location and condition are accounted for as follows:

Raw materials and spare parts and supplies	Determined using moving-average method based on purchase cost of inventories and other directly attributable costs.
Work-in-process	Cost includes direct materials and a proportion of direct labor and factory overhead determined using moving-average method.
Finished goods	Cost includes direct materials, direct labor and factory overhead determined using moving average method.

NRV is the (a) selling price less the costs necessary to make the sale for finished goods, (b) estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale for work-in-process and (c) current replacement cost for raw materials and spare parts and supplies.

#### Prepaid Expenses and Creditable Withholding Taxes (CWT)

Prepaid expenses are expenses paid in advance and recorded as asset before they are utilized. This account consists of prepaid real property taxes, prepaid insurance premiums and other prepaid items. Prepaid real property taxes, prepaid insurance premiums and other prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in profit or loss when incurred. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source, subject to the rules on Philippine income taxation.

Prepayments and CWTs that are expected to be realized for no more than 12 months after the reporting period are classified as current assets; otherwise, these are classified as other noncurrent assets.

#### Duty Drawback Claims

Duty drawback claims pertain to refund for tariffs and customs payment for imported inventories and are expected to be converted to tax credit certificates. Allowance for probable losses is recognized for the expected unrecoverable portion.

#### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property



and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Depreciation commences once the property and equipment are available for use and is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Machinery and equipment	3-10
Office furniture, fixtures and equipment	5

Leasehold improvements are amortized over the term of the lease or the estimated useful lives of the improvements, whichever is shorter.

Assets under installation is comprised of property and equipment that are not yet ready for their intended use as of balance sheet date.

The assets' estimated useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation are credited to or charged against profit and loss.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

#### Computer Software and Licensing Fees

The Company amortizes computer software and licensing fees shown under "Other noncurrent assets" account in the balance sheet using the straight-line method over 10 years, the estimated useful life of the computer software and licensing fees.

#### Impairment of Nonfinancial Assets

At each reporting date, the Company assesses whether there is an indication that the nonfinancial assets may be impaired. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. The recoverable amount of these assets is the greater of fair value less costs to sell and value-in-use. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (or group of related assets) in prior years. A reversal of impairment loss is recognized immediately in profit or loss.

#### Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Company is established.



#### Pension Benefits Cost

The Company has a funded, noncontributory defined benefit pension plan covering substantially all its regular employees (main plan) and an unfunded, noncontributory defined benefit pension plan covering its officers (supplemental plan). Pension benefits cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning the employee's projected salaries. Actuarial gains and losses are recognized in profit or loss for the period.

The amount recognized as pension liability is the net of the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets at balance sheet date out of which the obligations are to be settled directly.

#### Operating Lease

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating lease. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

#### Capital Stock

Capital stock is measured at par value for all shares issued and outstanding. Incremental costs incurred that are directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

#### Retained Earnings

Retained earnings represent the cumulative balance of net income and effects of changes in accounting policy, net of dividend distributions.

#### Dividend Distributions

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

#### Revenue Recognition

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

##### *Sale of goods*

Revenue from sale of goods, shown as "Net sales", is recognized when the significant risks and rewards of ownership of goods have passed to the buyer, which is at the time the goods are delivered to the customers, in case of domestic sales. For export sales, ownership is passed to the buyer upon shipment of the goods regardless of receipt by the customers. Net sales is measured at the fair value of the consideration received or receivable, taking into account the amount of rebates, discounts, returns and VAT.

##### *Interest income*

Interest income is recognized as the interest accrues using the effective interest rate method.

#### Cost and Expenses

Cost and expenses are recognized in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability, other than those relating to distributions to equity participants, has arisen that can be measured reliably.



*Cost of sales*

Cost of sales is recognized when the related goods are sold.

*Distribution and selling and general and administrative expenses*

These expenses consist of expenses incurred to sell and distribute the Company's products and expenses of administering the business which are not directly associated with the generation of revenue. These expenses are expensed as incurred.

Taxes

*Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Current income tax for the current and prior periods shall, to the extent unpaid, be recognized as a liability and is presented as "Income tax payable" in the balance sheet. If the amount already paid in respect of the current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset and is presented as part of "Other current assets" in the balance sheet.

*Deferred income tax*

Deferred income tax is provided using the balance sheet liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences can be utilized.

The net carrying amount of deferred income tax assets is reviewed at balance sheet date and is adjusted to reflect the current assessment of future taxable profits. Any adjustment is recognized in profit or loss. Deferred income tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

*Value-added tax (VAT)*

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

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as part of the "Accounts payable and accrued expenses" account in the balance sheet. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the balance sheet to the extent of the recoverable amount.

Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded using the applicable exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the applicable rate of exchange at balance sheet date. Foreign exchange gains or losses are recognized in profit or loss.



#### Events After the Balance Sheet Date

Post year-end events that provide additional information about the Company's position at balance sheet date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

---

### 3. Management's Use of Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with PFRS for SMEs requires the Company to exercise judgments and make estimates that affect the amounts reported in the financial statements and accompanying notes. The judgments and estimates used in the financial statements are based upon evaluation of relevant facts and circumstances as of balance sheet date. Future events may occur which can cause the assumptions used in arriving at those judgments and estimates to change. The effects of any changes will be reflected in the financial statements of the Company as they become reasonably determinable. 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. The following presents a summary of these significant judgments and estimates:

#### Judgments

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

#### *Assessment whether the lease agreement is a finance or operating lease*

Management assesses at the inception of the lease whether the arrangement is a finance or operating lease based on who bears substantially all the risks and rewards incidental to the ownership of the leased item.

The Company as a lessee has entered into a lease contract on its factory and administrative office where it has determined that the risks and rewards related to the property are retained by the lessor. As such, the agreement is accounted for as operating lease.

Total rent expense amounted to ₱8,442,784 and ₱8,040,757 for 2023 and 2022, respectively (see Notes 12 and 14).

#### *Impairment of property and equipment and computer software and licensing fees*

The Company performs an asset impairment test when there are indicators that the carrying values of property and equipment and computer software and licensing fees may not be recoverable. This requires an estimation of the recoverable amount of the asset which is the greater of its fair value less cost to sell or its value-in-use. Fair value less cost to sell is determined based on the fair value of the assets. Value-in-use requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of the assets and requires the Company to make estimates and assumptions that can materially affect the financial statements. As of March 31, 2023, and 2022, there are no indicators of impairment noted on the Company's property and equipment and computer software and licensing fees.

#### Estimates

The key assumptions concerning future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed on the next page:



*Estimation of allowance for doubtful accounts and allowance for rebates*

Provisions are made for specific and group of accounts where objective evidence of impairment exists. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts, such as the length of relationship with the debtor/customer, credit status of debtor based on third party reports and historical experience. Allowance for doubtful accounts amounted to ₱577,775 and ₱805,119 as of March 31, 2023 and 2022, respectively.

Provisions are made for rebates expected to be returned to the customers. The level of this allowance is evaluated at each balance sheet date based on the expected deduction against future billings to customers. Allowance for rebates amounted to ₱725,379 of March 31, 2023 (nil as of March 31, 2022).

The carrying value of receivables amounted to ₱172,982,247 and ₱149,158,146 as of March 31, 2023 and 2022, respectively (see Note 5).

*Estimation of allowance for inventory obsolescence*

Provisions are made for inventories specifically identified to be slow-moving or non-moving. The level of allowance is evaluated by management based on factors affecting the salability of goods such as such as demand of the products, competitor's market position, and laws and regulations, among others.

Allowance for inventory obsolescence amounted to ₱2,789,653 and ₱2,401,657 as of March 31, 2023 and March 31, 2022, respectively. The carrying value of inventories amounted to ₱112,462,484 and ₱72,022,299 as of March 31, 2023 and 2022, respectively (see Note 6).

*Estimation of allowance for probable losses*

Provisions are made for duty drawback claims which are not expected to be recovered. The level of allowance is evaluated by management based on historical experience of duty drawback claims not converted to tax credit certificates. Allowance for probable losses amounted to ₱222,935 as of March 31, 2023 and 2022. The carrying value of duty drawback claims amounted to ₱891,741 as of March 31, 2023 and 2022 (see Note 9).

*Estimation of the useful lives of property and equipment and computer software and licensing fees*

The useful life of each item of property and equipment and computer software and licensing fees is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on the technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear and technical obsolescence or other limits on the use of the asset.

There is no change in the useful lives of the property and equipment and computer software and licensing fees in 2023 and 2022. The carrying value of property and equipment amounted to ₱27,542,145 and ₱34,323,365 as of March 31, 2023 and 2022, respectively (see Note 8). The carrying value of computer software and licensing fees is ₱40,634 and ₱171,248 as of March 31, 2023 and 2022, respectively (see Note 9).

*Recognition of deferred income tax assets*

The Company reviews the carrying amount of deferred income tax assets at each balance sheet date and reduces them to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Gross deferred income tax assets amounted to ₱5,072,535 and ₱5,304,524 as of March 31, 2023 and 2022, respectively (see Note 16).



*Estimation of pension benefits cost and obligation*

The determination of the Company's pension benefits cost and obligation is dependent on management's selection of certain assumptions used by actuary in calculating such amounts. Those assumptions are described in Note 11 and include among others, discount rate, rate of return on plan assets and rate of salary increase. While the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Company's pension benefits cost and obligation. Net pension benefits cost amounted to ₱1,523,862 in 2023 and ₱2,086,026 in 2022. Net pension liabilities amounted to ₱15,835,522 and ₱16,583,558 as of March 31, 2023 and 2022, respectively (see Note 11).

---

4. **Cash**

	2023	2022
Cash on hand	₱9,131	₱21,746
Cash in banks	2,486,088	8,378,769
	<b>₱2,495,219</b>	<b>₱8,400,515</b>

Cash in banks earn interest at the respective bank deposit rates. Interest income amounted to ₱11,363 in 2023 and ₱16,998 in 2022.

---

5. **Receivables**

	2023	2022
Trade	₱173,343,855	₱149,298,784
Advances to officers and employees	61,583	22,000
Others	154,585	642,481
	173,560,023	149,963,265
Allowance for doubtful accounts	(577,775)	(805,119)
	<b>₱172,982,248</b>	<b>₱149,158,146</b>

Trade receivables are noninterest-bearing and are generally on a 15 to 90-day credit term.

Movements in allowance for doubtful accounts as follow:

	2023	2022
Balance at beginning of year	₱805,119	₱637,775
Provision (Note 14)	-	167,344
Reversal (Note 14)	(227,344)	-
Balance at end of year	<b>₱577,775</b>	<b>₱805,119</b>



Movements in allowance for rebates as follow:

	2023	2022
Balance at beginning of year	P-	P696,285
Provision	3,304,048	-
Reversal	(2,578,669)	(696,285)
<b>Balance at end of year</b>	<b>P725,379</b>	<b>P-</b>

Provision for allowance for rebates is recorded as deduction from "Sales" in the statement of comprehensive income.

## 6. Inventories

	2023	2022
At cost:		
Spare parts and supplies	P-	P7,613,585
At NRV:		
Work-in-process	1,187,221	1,428,348
Spare parts and supplies	10,166,841	-
Finished goods	32,716,752	15,792,863
Raw Materials	68,391,670	47,187,503
<b>At the lower of cost and NRV</b>	<b>P112,462,484</b>	<b>P72,022,299</b>

Cost of inventories carried at NRV amounted to P115,252,137 and P66,810,371 as of March 31, 2023 and 2022, respectively.

Total amount of inventories charged to cost of sales amounted to P295,872,464 in 2023 and P230,514,489 in 2022 (see Note 12).

Movement in the allowance for inventory obsolescence is as follows:

	Finished Goods	Raw Materials	Work-in-process	Spare Parts	Total
<b>Balances at March 31, 2021</b>	<b>P2,492,963</b>	<b>P876,809</b>	<b>P-</b>	<b>P-</b>	<b>P3,369,772</b>
Provisions for the year (Note 14)	310,699	2,081,370	9,588	-	2,401,656
Reversals for the year (Note 14)	(2,492,963)	(876,809)	-	-	(3,369,771)
<b>Balances at March 31, 2022</b>	<b>P310,699</b>	<b>P2,081,370</b>	<b>P9,588</b>	<b>P-</b>	<b>P2,401,657</b>
Provisions for the year (Note 14)	3,427,594	2,377,634	67,502	119,895	5,992,626
Reversals for the year (Note 14)	(2,182,263)	(3,403,190)	(19,176)	-	(5,604,630)
<b>Balances at March 31, 2023</b>	<b>P1,556,030</b>	<b>P1,055,814</b>	<b>P57,914</b>	<b>P119,895</b>	<b>P2,789,653</b>





7. Other Current Assets

	2023	2022
Prepaid expenses	P5,638,547	P3,051,755
Advances to suppliers	6,795,249	2,280,521
Current portion of deferred input VAT	1,363,451	1,597,415
Tax credit certificates	114,586	114,586
	<b>P 13,911,833</b>	<b>P7,044,277</b>

Advances to suppliers represent advanced payment made for the purchase of inventories and supplies.

8. Property and Equipment

As of March 31, 2023:

	Asset Under Installation	Machinery and Equipment	Leasehold Improvements	Office Furniture, Fixtures and Equipment	Total
<b>Cost</b>					
Beginning balance	P-	P192,484,505	P2,986,273	P6,147,510	P201,618,288
Additions	-	3,109,769	-	464,344	3,574,113
Disposal	-	(47,500)	-	(54,464)	(101,964)
Reclassification (Note 9)	-	-	-	-	-
Ending balance	-	195,546,774	2,986,273	6,557,389	205,090,436
<b>Accumulated Depreciation and Amortization</b>					
Beginning balance	-	159,947,237	2,986,273	4,361,413	167,294,923
Depreciation and amortization (Notes 12 and 14)	-	9,743,327	-	612,006	10,355,333
Disposal	-	(47,500)	-	(54,464)	(101,964)
Ending balance	-	169,643,064	2,986,273	4,918,955	177,548,292
<b>Net Book Value</b>	<b>P-</b>	<b>25,903,710</b>	<b>P-</b>	<b>P1,638,434</b>	<b>P27,542,145</b>

As of March 31, 2022:

	Asset Under Installation	Machinery and Equipment	Leasehold Improvements	Office Furniture, Fixtures and Equipment	Total
<b>Cost</b>					
Beginning balance	P2,560,704	P187,360,558	P2,986,273	P5,616,048	P198,523,583
Additions	-	2,563,243	-	531,462	3,094,705
Reclassification	(2,560,704)	2,560,704	-	-	-
Ending balance	-	192,484,505	2,986,273	6,147,510	201,618,288
<b>Accumulated Depreciation and Amortization</b>					
Beginning balance	-	150,209,807	2,986,273	3,739,743	156,935,823
Depreciation and amortization (Notes 12 and 14)	-	9,737,430	-	621,670	10,359,100
Ending balance	-	159,947,237	2,986,273	4,361,413	167,294,923
<b>Net Book Value</b>	<b>P-</b>	<b>P32,537,268</b>	<b>P-</b>	<b>P1,786,097</b>	<b>P34,323,365</b>



9. Other Noncurrent Assets

	2023	2022
Duty drawback claims	₱1,114,676	₱1,114,676
Advances to suppliers	1,024,473	–
Refundable lease and utility deposits (Note 18)	458,184	3,376,667
Noncurrent portion of deferred input VAT	134,863	255,723
Computer software and licensing fees	40,634	171,248
	2,772,830	4,918,314
Less allowance for probable losses	222,935	222,935
	₱2,549,895	₱4,695,379

Advances to suppliers represent advanced payment made for leasehold improvements.

Refundable lease and utility deposits represent security deposit for the lease of the warehouse and deposit upon application to avail electricity service. The effect of discounting the refundable lease and utility deposits is immaterial and therefore recorded at face value.

The movements in the carrying value of computer software and licensing fees follow:

	2023	2022
<b>Cost</b>		
Beginning balance	₱8,724,179	₱8,674,545
Additions	–	49,634
Ending Balance	8,724,179	8,724,179
<b>Accumulated Amortization</b>		
Beginning balance	8,552,931	8,342,457
Amortization (Notes 12 and 14)	130,614	210,474
Ending balance	8,683,545	8,552,931
<b>Net Book Value</b>	₱40,634	₱171,248

10. Accounts Payable and Accrued Expenses

	2023	2022
Trade:		
Related party (Note 17)	₱83,281,611	₱61,137,422
Third parties	13,162,626	9,673,785
Accrued expenses:		
Salaries and other employee benefits	7,943,843	7,308,734
Professional fees	1,167,793	925,564
Utilities	451,979	392,579
Software maintenance (Note 17)	–	164,064
Others	2,655,187	788,508
Due to related parties (Note 17)	2,490,136	2,700,857
Nontrade payables	628,984	1,247,055
Output VAT payable	2,697,494	2,079,638
Payable to government agencies	2,719,140	715,968
Others	1,312,426	770,208
	₱118,511,219	₱87,904,382

Trade payables are noninterest-bearing and are normally settled on a 150-day credit term.



Accrued expenses pertain to the accruals for personnel expenses, repairs and maintenance, professional fees, communication, and utilities. Others mainly represent loss on forward contracts, trucking and shipping charges. These are noninterest-bearing and are normally settled within one year.

Nontrade payables consist of payable to lessors, professionals and other utility service providers.

## 11. Pension Plan

The Company has a funded, noncontributory defined benefit pension plan covering substantially all its regular employees (main plan) and an unfunded, noncontributory defined benefit pension plan covering officers (supplemental plan). The benefits are based on the years of service and compensation of the employees. The tables below summarize the components of net pension benefits cost recognized in profit or loss and the funding status and amounts recognized in the balance sheets for the respective pension plans.

The components of net pension benefits cost recognized in profit or loss are as follows:

	Main Plan		Supplemental Plan		Total	
	2023	2022	2023	2022	2023	2022
Current service cost	₱3,008,477	₱2,872,420	₱152,170	₱179,243	₱3,160,647	₱3,051,663
Interest cost	907,511	616,875	31,865	19,537	939,376	636,412
Net actuarial loss (gain)	(2,376,262)	(1,607,347)	(199,899)	5,298	(2,576,161)	(1,602,049)
Net pension benefits cost	₱1,539,726	₱1,881,948	(₱15,864)	₱204,078	₱1,523,862	₱2,086,026

Pension liabilities as of March 31 are as follows:

	Main Plan		Supplemental Plan		Total	
	2023	2022	2023	2022	2023	2022
Present value of defined benefit obligation	₱31,434,013	₱30,969,140	₱646,443	₱662,307	₱32,080,456	₱31,631,447
Fair value of plan assets	(16,244,934)	(15,047,889)	-	-	(16,244,934)	(15,047,889)
Pension liabilities	₱15,189,079	₱15,921,251	₱646,443	₱662,307	₱15,835,522	₱16,583,558

Changes in the present value of the defined benefit obligation are as follows:

	Main Plan		Supplemental Plan		Total	
	2023	2022	2023	2022	2023	2022
Balances at beginning of year	₱30,969,140	₱28,528,610	₱662,307	₱458,229	₱31,631,447	₱28,986,839
Current service cost	3,008,477	2,872,420	152,170	179,243	3,160,647	3,051,663
Interest cost	1,685,929	1,369,977	31,865	19,537	1,717,794	1,389,514
Benefits paid from Company operating funds	(271,898)	-	-	-	(271,898)	-
Benefits paid from Retirement Fund	(897,899)	-	-	-	(897,899)	-
Actuarial loss (gain) for the year:						
Experience adjustments	(496,894)	844,652	(184,393)	20,289	(681,287)	864,941
Changes in assumptions	(2,562,842)	(2,646,519)	(15,506)	(14,991)	(2,578,348)	(2,661,510)
Balances at end of year	₱31,434,013	₱30,969,140	₱646,443	₱662,307	₱32,080,456	₱31,631,447



Changes in the fair value of plan assets are as follows:

	Main Plan		Supplemental Plan		Total	
	2023	2022	2023	2022	2023	2022
Balances at beginning of year	₱15,047,889	₱12,489,307	₱-	₱-	₱15,047,889	₱12,489,307
Interest income	778,418	753,102	-	-	778,418	753,102
Gains (losses) on return on plan assets	(683,474)	(194,520)	-	-	(683,474)	(194,520)
Contributions	2,000,000	2,000,000	-	-	2,000,000	2,000,000
Benefits paid	(897,899)	-	-	-	(897,899)	-
Balances at end of year	₱16,244,934	₱15,047,889	₱-	₱-	₱16,244,934	₱15,047,889

Actual return on plan assets amounted to ₱94,944 in 2023 and ₱558,582 in 2022. The overall expected return on plan assets is determined based on the market prices prevailing on that date applicable to the period over which the obligation is to be settled.

Movement in pension liabilities follows:

	Main Plan		Supplemental Plan		Total	
	2023	2022	2023	2022	2023	2022
Balances at beginning of year	₱15,921,251	₱16,039,303	₱662,307	₱458,229	₱16,583,558	₱16,497,532
Net pension benefits cost (gain) for the year	1,539,726	1,881,948	(15,864)	204,078	1,523,862	2,086,026
Benefits paid from Company operating funds	(271,898)	-	-	-	(271,898)	-
Contributions	(2,000,000)	(2,000,000)	-	-	(2,000,000)	(2,000,000)
Balances at end of year	₱15,189,079	₱15,921,251	₱646,443	₱662,307	₱15,835,522	₱16,583,558

The categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2023	2022
Cash	26.82%	36.32%
Loans receivable	31.91%	25.82%
Investment in unit investment trust fund	17.00%	16.09%
Equity securities	17.19%	14.44%
Investment in fixed income securities	7.07%	7.33%
		100.00%

The Company's plan assets consist of loans receivable from plan holders under the Company's Employee Loan Facility Program which started in October 2010. Under the Program, all qualified employees are eligible for loan availment with interest rate of 6% per annum subject to regular repricing. The latest actuarial valuation of the plan is as of March 31, 2023.



The principal actuarial assumptions used to determine pension benefits cost as of April 1 are as follows:

	2022	2021
Discount rate	5.70%	4.88%
Salary increase rate	6.00%	6.00%

The discount rate used as of March 31, 2023 is 6.54%.

The present value of defined benefit obligation, fair value of plan assets and experience adjustments of main plan for the current period and previous years are as follows:

	2023	2022
Present value of defined benefit obligation	(₱31,434,013)	(₱30,969,140)
Fair value of plan assets	16,244,934	15,047,889
Net liability	(15,189,079)	(15,921,251)
Actuarial loss (gain) on experience adjustments on:		
Defined benefit obligation	(496,894)	844,652
Plan assets	683,474	194,520

The present value of defined benefit obligation and experience adjustments of the supplemental plan for the current period and previous years are as follows:

	2023	2022
Present value of defined benefit obligation	646,443	₱662,307
Actuarial loss on experience adjustments on defined benefit obligation	(184,393)	20,289

## 12. Cost of Sales

	2023	2022
Raw materials used and changes in inventories (Notes 6 and 17)	₱295,872,464	₱230,514,489
Personnel costs (Note 15)	29,291,730	26,317,275
Depreciation and amortization (Notes 8 and 9)	10,076,401	10,112,405
Utilities	9,128,019	6,254,852
Rent (Note 18)	7,945,390	7,567,048
Repairs and maintenance	5,995,819	7,109,329
Others	4,690,104	3,037,928
	₱362,999,927	₱290,913,326



### 13. Distribution and Selling Expenses

	2023	2022
Freight (Note 17)	P10,794,911	P8,152,675
Marketing	1,755,178	992,895
Foreign travel	617,488	-
Transportation and local travel	614,934	614,685
Entertainment, amusement and recreation	56,491	18,932
	<b>P13,839,002</b>	<b>P9,779,187</b>

### 14. General and Administrative Expenses

	2023	2022
Personnel costs (Note 15)	P16,182,589	P16,792,883
Management fees (Note 17)	9,667,152	7,594,044
Taxes and licenses	5,112,276	5,211,424
Repairs and maintenance (Note 17)	3,200,850	2,579,955
Professional fees	2,266,087	3,441,371
Outside services	1,933,633	1,832,591
Rent (Note 18)	497,394	473,709
Depreciation and amortization (Notes 8 and 9 )	409,546	457,169
Provision for (reversal of) inventory obsolescence (Note 6)	387,996	(968,115)
Supplies	359,271	286,086
Utilities	308,479	599,108
Provision for (reversal of) doubtful accounts (Note 5)	(227,344)	167,344
Training and development	103,063	85,360
Others	3,810,483	2,736,654
	<b>P44,011,475</b>	<b>P41,289,583</b>

Depreciation and amortization consist of:

	2023	2022
Property and equipment (Note 8)	P10,355,333	P10,359,100
Computer software and licensing fees (Note 9)	130,614	210,474
	<b>P10,485,947</b>	<b>P10,569,574</b>

Depreciation and amortization as a function of expense follows:

	2023	2022
Cost of sales (Note 12)	P10,076,401	P10,112,405
General and administrative expenses (Note 14)	409,546	457,169
	<b>P10,485,947</b>	<b>P10,569,574</b>



**15. Personnel Costs**

	2023	2022
Cost of sales (Note 12):		
Direct labor	₱16,004,940	₱13,593,685
Bonus and other employee benefits	10,844,360	10,123,487
Pension benefits cost (Note 11)	902,423	1,235,334
SSS, Philhealth and HDMF contributions	1,540,007	1,364,769
	<b>29,291,730</b>	<b>26,317,275</b>
General and administrative expenses (Note 14):		
Salaries and allowances	9,332,555	8,976,663
Bonus and other employee benefits	5,851,408	6,609,029
Pension benefits cost (Note 11)	621,439	850,692
SSS, Philhealth and HDMF contributions	377,187	356,499
	<b>16,182,589</b>	<b>16,792,883</b>
	<b>₱45,474,319</b>	<b>₱43,110,158</b>

The aggregate compensation and benefits paid to the Company's key management personnel are disclosed in Note 17.

**16. Income Taxes**

- a. The provision for income tax consists of:

	2023	2022
Current	₱23,074,312	₱17,240,493
Deferred	459,075	75,349
	<b>₱23,533,387</b>	<b>₱17,315,842</b>

- b. The reconciliation of the income before income tax at statutory income tax rate of 25% in 2023 and 2022 and the provision for income tax as shown in profit or loss are as follows:

	2023	2022
Provision for income tax at statutory tax rate	₱23,131,711	₱17,554,151
Adjustments for:		
Nontaxable income	404,517	(234,059)
Interest income subjected to final tax	(2,841)	(4,250)
Effect of change in income tax rate	-	-
Nondeductible expenses	-	-
Provision for income tax	<b>₱23,533,387</b>	<b>₱17,315,842</b>



c. The components of the Company's net deferred income tax assets are as follows:

	2023	2022
Deferred tax assets:		
Pension liabilities (Note 11)	₱3,958,881	₱4,145,890
Provision for obsolete inventory (Note 6)	697,413	600,414
Unrealized foreign exchange loss	-	249,128
Provision for doubtful debts (Note 5)	144,444	201,280
Allowance for probable losses (Note 9)	55,734	55,734
Unamortized funded past service cost	34,718	52,078
Allowance for rebates (Note 5)	181,345	-
	<b>5,072,535</b>	<b>5,304,524</b>
Deferred tax liability on unrealized foreign exchange gain	(227,087)	-
	<b>₱4,845,448</b>	<b>₱5,304,524</b>

## 17. Related Party Transactions

Related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making the financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its stockholders.

a. The Company's significant transactions with related parties and related outstanding balances are as follows:

	Year	Transactions					
		Purchases (Note 12) [i]	Allocated Costs (Note 14)	Repairs and Maintenance (Note 14) [ii]	Others (Notes 6, 13) [iii]	Management Service (Note 14) [iv]	Dividends Declared (Note 19)
EPL Limited	2023	₱3,599,128	₱447,006	₱2,071,850	₱-	₱-	₱-
(Immediate Parent)	2022	7,008,193	523,097	1,902,494	-	-	-
Lamitube Technologies	2023	-	-	-	-	9,667,152	52,900,691
(Immediate Parent)	2022	-	-	-	-	7,594,044	42,855,000
EPL Packaging (Guangzhou)	2023	120,802,997	-	-	640,262	-	-
Limited [EPGL] (fellow subsidiary)	2022	58,143,526	-	-	-	-	-
EPL Packaging (Jiangsu)	2023	94,502,764	-	-	-	-	-
Limited [EPJL] (fellow subsidiary)	2022	76,032,312	-	-	-	-	-
EPL PROPACK DE	2023	-	-	-	292,099	-	-
MEXICO, S.A. de C.V. (fellow subsidiary)	2022	-	-	-	-	-	-
EPL Poland sp.z o.o.u (fellow subsidiary)	2023	-	-	-	6,357	-	-
	2022	-	-	-	-	-	-
	2023	<b>₱218,904,889</b>	<b>₱447,006</b>	<b>₱2,071,850</b>	<b>₱938,718</b>	<b>₱9,667,152</b>	<b>₱52,900,691</b>
	2022	<b>₱141,184,031</b>	<b>₱523,097</b>	<b>₱1,902,494</b>	<b>₱-</b>	<b>₱7,594,044</b>	<b>₱42,855,000</b>





	Year	Balances			
		Trade Payables (Note 10) [i]	Due to Related Parties (Note 10) [ii, iv, and v]	Accrued Expense (Note 10) [i]	Dividends Payable (Note 19)
EPL Limited	2023	P-	P634,575	P-	P-
(Immediate Parent)	2022	506,613	960,544	164,064	-
Lamitube Technologies	2023	-	1,855,561	-	44,965,587
(Immediate Parent)	2022	-	1,740,314	-	36,426,750
EPL Packaging (Guangzhou) Limited [EPGL]	2023	46,812,357	-	-	-
(fellow subsidiary)	2022	30,070,463	-	-	-
EPL Packaging (Jiangsu) Limited [EPJL]	2023	36,469,254	-	-	-
(fellow subsidiary)	2022	30,560,346	-	-	-
EPL America, LLC [EAL] (fellow subsidiary)	2023	-	-	-	-
	2022	-	-	-	-
	2023	P83,281,611	P2,490,136	P-	P 44,965,587
	2022	P61,137,422	P2,700,857	P164,064	P36,426,750

- i. Purchase of inventories and services (e.g., proofing cost charges) from EPL Limited (formerly EPL Propack Limited), EPGL (formerly EPL Packaging (Guangzhou) Ltd.) and EPJL (formerly EPL Packaging (Jiangsu) Limited). Payables are noninterest-bearing and on a 150-day credit term.
- ii. These pertains to service fees, cost allocation for the maintenance of SAP system for the group and other cost allocations incurred by EPL Limited. Due to related parties are noninterest-bearing and payable in 30 days.
- iii. These mainly pertains to service fee for proofing, freight charges and purchase of spare parts. Due to related parties are noninterest-bearing and payable in 30 days.
- iv. Management service agreement (Agreement) with Lamitube dated June 2002, which provides for an automatic yearly renewal unless terminated. Under the Agreement, Lamitube provides the management and support services in consideration of a management fee equivalent to a certain percentage of the Company's net sales per year. Due to related parties are noninterest-bearing and payable in 90 days.
- v. Due to related parties include outstanding sorting charges and labor costs done in the Philippines.



- b. Total compensation paid to key management personnel amounted to ₱13,604,639 in 2023 and ₱9,735,611 in 2022.

---

#### 18. Lease Commitment

The Company leases a land where its factory and administrative office are located and a warehouse in Las Piñas. Rent expense for the factory amounted to and ₱4,144,947 in 2023 and ₱3,947,574 in 2022 (see Notes 12 and 14).

The Company leases an additional warehouse for storage of its raw materials and finished goods. The rent expense for the additional lease of warehouse amounted to and ₱4,297,837 in 2023 and ₱4,093,183 in 2022 (see Notes 12 and 14).

Shown below is the maturity analysis of the undiscounted lease payments as of March 31:

	2023	2022
Within one year	₱6,566,618	₱8,442,794
After one year but not more than five years	-	6,566,618
	<u>₱6,566,618</u>	<u>₱15,009,412</u>

---

#### 19. Retained Earnings

On March 28, 2023 the BOD approved the cash dividend declaration amounting to ₱52,900,691 or ₱140.85 per share to all stockholders of record. Of the total, ₱12,000,000 will be paid in September 2023, ₱12,000,000 will be paid in November 2023, another ₱ 12,000,000 will be paid in January 2024 and the remaining ₱16,900,691 will be paid in March 2024.

On March 17, 2022 the BOD approved the cash dividend declaration amounting to ₱42,855,000 or ₱114.10 per share to all stockholders of record. Of the total, ₱10,000,000 was paid in September 2022, ₱10,000,000 was paid in November 2022, another ₱10,000,000 was paid in January 2023 and the remaining ₱12,855,000 was paid in March 2023.

The Company plans to declare dividends in fiscal year 2024 out of the unappropriated retained earnings.

---

#### 20. Supplementary Information Required Under Revenue Regulations No. 34-2020 and 15-2010

##### Revenue Regulations No. 34-2020

The Company is not covered by the requirements and procedures for related party transactions specifically on the submission of the Information Return on Transactions with Related Party (BIR Form No. 1709) provided under Section 2 of Revenue Regulations No. 19-2020, as amended by Revenue Regulations No. 34 - 2020.

##### Revenue Regulations No. 15-2010

On November 25, 2010, the Bureau of Internal Revenue issued Revenue Regulations (RR) 15-2010 amending certain provisions of RR 21-2002, as amended and implementing Section 6 (H) of the Tax Code of 1997 which authorize the Commissioner of Internal Revenue to prescribe additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the tax returns. These regulations require that additional disclosures in the



notes to financial statements shall be made to include information on taxes, duties and license fees paid or accrued during the taxable year.

The Company reported and/or paid the following types of taxes in fiscal year 2023:

a. Value-added tax (VAT)

The Company's sales are subject to output VAT while its purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12%.

i. Net sales and output VAT declared in the Company's VAT returns filed for fiscal year 2023:

	Net Sales/Receipts	Output VAT
VATable sales:		
Sale of goods	₱499,852,349	₱59,982,282
Zero-rated sale of goods	10,297,823	-
	510,150,172	59,982,282
Other VATable income	6,624,643	794,957
	₱516,774,815	₱60,777,239

Zero-rated sales pertain to sales to companies outside the Philippines.

ii. Input VAT

The following table shows the sources of input VAT claimed:

	Base Amount	Input VAT
Balance at April 1	₱-	₱-
Current year's purchases/payments for:		
Services - local and rendered by non-resident	43,054,143	5,166,497
Capital goods amortization for the year	3,490,047	418,806
Goods other than capital goods	344,600,935	41,352,112
Capital goods not subject to amortization	486,223	58,347
Input VAT on purchases and payments	391,631,348	46,995,762
Less input VAT on tax credit certificate used	-	-
Total input VAT	391,631,348	46,995,762
Less input VAT claimed as deduction against output VAT	391,631,348	46,995,762
Balance at March 31	₱-	₱-

VAT payments from April 2022 to March 2023 amounted to ₱13,163,621.

b. Landed cost

Details of the Company's importations are shown below:

Landed cost of imports	₱301,966,479
Customs duties	7,695,799



c. Other taxes and licenses

The following are the components of the Company's taxes and licenses:

Real property taxes	₱2,629,476
Business permits and licenses	2,470,800
Community tax certificate	10,500
Other taxes	1,500
	<u>₱5,112,276</u>

d. Withholding taxes

The following are the categories of the Company's withholding taxes:

	Payments	Outstanding Balance
Final taxes	₱1,821,304	₱213,668
Compensation and employee benefits	3,892,617	213,472
Expanded withholding taxes	9,759,321	245,775
	<u>₱15,473,242</u>	<u>₱672,915</u>

e. Tax Assessments

As of March 31, 2023, the Company has no tax deficiency assessment or tax case under preliminary investigation, litigation and/or prosecution in courts or bodies outside BIR.

