

**LUPIN PHILIPPINES, INC.**  
(A Wholly Owned Subsidiary of Lupin Holdings, B.V.)

**Financial Statements**  
**March 31, 2017 and 2016**  
**and**  
**Independent Auditors' Report**

1135 Chino Roces Avenue, Makati City, Philippines

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
LUPIN PHILIPPINES, INC.  
(A Wholly Owned Subsidiary of Lupin Holdings, B.V.)  
1135 Chino Roces Avenue  
Makati City

### Report on the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of Lupin Philippines, Inc. (the "Company"), which comprise the statements of financial position as at March 31, 2017 and 2016, 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 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, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

#### *Basis for Opinion*

We conducted our audit in accordance with Philippine Standards on Auditing (PSA). 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 these 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 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 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 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 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 consolidated financial statements, including the disclosures, and whether the consolidated 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**

*Report on the Supplementary Information Required by the Bureau of Internal Revenue*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 27 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 supplementary information is the responsibility of Management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

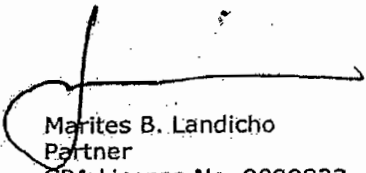
Navarro Amper & Co.

BOA Registration No. 0004, valid from December 4, 2015 to December 31, 2018

SEC Accreditation No. 0001-FR-4, issued on January 7, 2016; effective until January 6, 2019, Group A

TIN 005299331

By:



Marites B. Landicho  
Partner

CPA License No. 0090833

SEC A.N. 0356-AR-3, issued on May 1, 2015; effective until April 30, 2018, Group A

TIN 151561118

BIR A.N. 08-002552-15-2014, issued on October 3, 2014; effective until October 3, 2017

PTR No. A-3264641, issued on January 5, 2017, Taguig City

Taguig City, Philippines  
May 3, 2017



**LUPIN PHILIPPINES, INC.**

(A Wholly Owned Subsidiary of Lupin Holdings, B.V.)

**STATEMENTS OF FINANCIAL POSITION**

		March 31	
	Notes	2017	2016
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	6	P 5,175,478	P 12,946,077
Trade and other receivables - net	7	272,979,955	109,886,229
Due from a related party	13	9,155,340	-
Inventories	8	32,059,830	125,023,051
Prepayments	9	12,063,261	25,636,045
Total Current Assets		331,433,864	273,491,402
<b>Non-current Assets</b>			
Property and equipment - net	10	1,664,621	51,586
Refundable security deposits	23	22,400	22,400
Deferred tax assets	22	3,878,550	816,832
Total Non-current Assets		5,565,571	890,818
		P336,999,435	P274,382,220
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	11	P296,694,181	P 241,515,901
Due to related parties	13	P5,621,230	4,013,919
Total Current Liabilities		302,315,411	245,529,820
<b>Non-current Liabilities</b>			
Deferred tax liability	22	-	1,001,259
<b>Equity</b>			
Share capital	15	47,901,360	47,901,360
Deficit		(13,217,336)	(20,050,219)
		34,684,024	27,851,141
		P336,999,435	P274,382,220

*See Notes to Financial Statements*

**LUPIN PHILIPPINES, INC.**

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**STATEMENTS OF CHANGES IN EQUITY**

For the Years Ended March 31, 2017 and 2016

	Share Capital (Note 15)	(Deficit)	Total
Balance, April 1, 2015	P47,901,360	(P15,228,794)	P 32,672,566
Loss for the year	-	(4,821,425)	(4,821,425)
Balance, March 31, 2016	47,901,360	(20,050,219)	27,851,141
Profit for the year	-	6,832,883	6,832,883
<b>Balance, March 31, 2017</b>	<b>P47,901,360</b>	<b>(P13,217,336)</b>	<b>P34,684,024</b>

See Notes to Financial Statements

**LUPIN PHILIPPINES, INC.**

(A Wholly Owned Subsidiary of Lupin Holdings, B.V.)

**STATEMENTS OF CASH FLOWS**

		For the Years Ended March 31	
	Notes	2017	2016
<b>Cash Flows from Operating Activities</b>			
Profit before tax		P 10,924,964	P 1,647,799
Adjustments for:			
Unrealized forex (gain) loss - net		12,350,189	(3,337,529)
Doubtful accounts expense	7	364,685	-
Depreciation	10	334,568	168,841
Interest income	6	(7,469)	(4,644)
Gain on sale from disposal of property and equipment	10	(127,800)	-
Finance cost	12	-	451,561
Operating cash flows before working capital changes		23,839,137	(1,073,972)
Decrease (Increase) in:			
Trade and other receivables		(162,304,515)	(63,051,559)
Due from a related party		(9,155,340)	-
Inventories		92,963,221	(125,023,051)
Prepayments		5,417,726	(20,411,757)
Increase in:			
Trade and other payables		41,697,804	243,044,604
Due to related parties		1,420,683	3,746,783
Cash generated from operations		(6,121,284)	37,231,048
Interest received	6	7,469	4,644
Finance costs paid	12	-	(451,561)
Net cash from (used in) operating activities		(6,113,815)	36,784,131
<b>Cash Flows from Investing Activities</b>			
Additions to property and equipment	10	(1,947,603)	(23,660)
Proceeds from sale of property and equipment		127,800	-
Net cash used in investing activities		(1,819,803)	(23,660)
<b>Cash Flows from Financing Activity</b>			
Payment of short term borrowings	12	-	(25,000,000)
Effect Exchange Rate Changes		163,019	-
Net Increase (Decrease) in Cash		(7,770,599)	11,760,471
Cash, Beginning		12,946,077	1,185,606
Cash, End		P 5,175,478	P 12,946,077

*See Notes to Financial Statements*

**LUPIN PHILIPPINES, INC.**

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**NOTES TO FINANCIAL STATEMENTS**

**AS AT AND FOR THE YEARS ENDED MARCH 31, 2017 and 2016**

**1. CORPORATE INFORMATION AND STATUS OF OPERATIONS**

**Corporate Information**

Lupin Philippines, Inc. (the "Company") was incorporated in the Philippines, and registered with the Securities and Exchange Commission (SEC) on December 20, 2010. The Company is a wholly owned by Lupin Holdings, B.V. (the "Parent Company"), an entity registered in the Netherlands. The Company's ultimate parent is Lupin Limited (LL), an entity incorporated under the laws of India and listed in the Bombay Stock Exchange. The Company was incorporated primarily for the following purposes:

- a. To hold product registrations of LL and other in-licensed products and to enable it to invest in strategic alliances;
- b. To carry on the business of manufacturers, importers, exporters, marketers, buyers, sellers, formulators, processors, extractors, dealers, distributors and packers of pharmaceutical, medicinal and veterinary compounds, preparations and drugs of all kinds and all substances intended to be used in the diagnosis, treatment, mitigation or prevention of any disease or disorder in human beings or animals; and,
- c. To establish, develop, provide and render on commercial basis, projects, services or training in the nature of scientific research and development, technology and consultancy related thereto, for the development of, and improvement in bulk drugs, pharmaceutical and medicinal substances and finished products of all kinds and related to all branches of medicines, and to hold product registrations related to the foregoing including in-licensed products.

The Company's registered office address and principal place of business is at 1135 Chino Roces Avenue, Makati City.

**Status of Operations**

The Company commenced sales operations in 2015. Total deficit amounted to P13,281,424 and P20,050,219 as at March 31, 2017 and 2016, respectively. The Company's current performance is largely dependent upon contracts and orders from the Department of Health in the Philippines (the "Government") sold thru distributors. Hence, the Company's performance could vary year-on-year based on the contracts relating to Government supplies. The Company is also taking steps to diversify its customer base to minimize the risk of concentration with the Government. The Parent Company has committed to provide financial support for the Company's day-to-day activities. The Company has ongoing registrations of new products with the Philippines' Food and Drug Administration (FDA).





## 2. FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION

### Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which include all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC), as approved by the Financial Reporting Standards Council (FRSC) and the Board of Accountancy, and adopted by the SEC.

### Basis of Adoption

The Company is qualified to adopt the Philippine Financial Reporting Standard for Small and Medium-Sized Entities (PFRS for SMEs) under the criteria set by the SEC. However, the Company chose to adopt the full PFRS on the ground that it is a subsidiary of a parent company reporting under the full International Financial Reporting Standards ("full IFRS").

### Basis of Preparation and Presentation

The financial statements have been prepared on the historical cost basis, except for the following:

- certain financial instruments carried at amortized cost;
- inventories carried at the lower of cost and net realizable value; and

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of PFRS 2, leasing transactions that are within the scope of PAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in PAS 2 or value in use in PAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### Functional and Presentation Currency

These financial statements are presented in Philippine Peso, the currency of the primary economic environment in which the Company operates. All amounts are rounded to the nearest peso, except when otherwise indicated.



### 3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

#### Adoption of New and Revised Accounting Standards Effective in 2016

All the applicable new and revised accounting standards that have been published by the International Accounting Standards Board (IASB) and issued by the FRSC in the Philippines were adopted by the Company effective April 1, 2016 and were assessed to have no significant impact to the financial statements.

#### New Accounting Standard Effective after the Reporting Period Ended March 31, 2017

The Company will adopt the following PFRS once these become effective:

##### PFRS 9, *Financial Instruments (2014)*

This standard consists of the following three phases:

##### Phase 1: Classification and measurement of financial assets and financial liabilities

With respect to the classification and measurement under this standard, all recognized financial assets that are currently within the scope of PAS 39, *Financial Instruments Recognition and Measurements*, will be subsequently measured at either amortized cost or fair value. Specifically:

- A debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortized cost (net of any write down for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option.
- A debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at fair value through other comprehensive income (FVTOCI), unless the asset is designated at FVTPL under the fair value option.
- All other debt instruments must be measured at FVTPL.
- All equity investments are to be measured in the statement of financial position at fair value, with gains and losses recognized in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognized in profit or loss.

This standard also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. One major change from PAS 39 relates to the presentation of changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk for the liability. Under this standard, such changes are presented in other comprehensive income, unless the presentation of the effect of the change in the liability credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under PAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

##### Phase 2: Impairment methodology

The impairment model under this standard reflects expected credit losses, as opposed to incurred credit losses under PAS 39. Under the impairment approach of this standard, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.



### Phase 3: Hedge accounting

The general hedge accounting requirements for this standard retain the three types of hedge accounting mechanism in PAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of economic relationships. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

The standard is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

The Company's initial assessment of potential impact of adopting PFRS 9 to its financial statements in the future provides that it would change the classification of its financial assets but it will not affect the measurement of its current types of financial assets. The Company will continue its assessment and finalize the same upon the effective date of the new standard.

### PFRS 16, Leases

This standard specifies how a PFRS reporter will recognize, measure, present and disclose leases. It provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with PFRS 16's approach to lessor accounting substantially unchanged from its predecessor, PAS 17.

The standard is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is not permitted, until PFRS 15, *Revenue from Contracts with Customers*, is adopted.

Future adoption of this standard will result in recognition of right-of-use of asset and lease liability and additional disclosure in the Company's financial statements.

### Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions

The amendments to PFRS 2 include:

- a. Accounting for cash-settled share-based payment transactions that contain a performance condition. The amendment added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments.
- b. Classification of share-based payment transactions with net settlement features. The amendment has introduced an exception into PFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
- c. Accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendment has introduced the following clarifications:
  - On modifications, the original liability recognized in respect of the cash-settled share-based payment is derecognized and the equity-settled share-based payment is recognized at the modification date fair value to the extent services have been rendered up to the modification date.
  - Any difference between the carrying amount of the liability as at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately.



The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

The Management is still assessing the impact of the amendment on the Company's financial statements.

*Amendment to PAS 7, Disclosure Initiative*

The amendment clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendment is effective for annual reporting periods beginning on or after January 1, 2017. Earlier application is permitted.

Future adoption of this amendment will not have a significant impact on the Company's financial statements as the Company does not have liabilities arising from financing activities.

*Amendments to PAS 12, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify the following aspects:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments are effective for annual reporting periods beginning on or after January 1, 2017. Earlier application is permitted.

Future adoption of these amendments will not have a significant impact on the Company's financial statements.

**New Accounting Standards Issued by International Accounting Standard Board (IASB) which is Effective After the Reporting Period Ended March 31, 2017 but Pending for Publication by the BOA.**

The Company will adopt the following Standards once they become effective.

*IFRS 15, Revenue from Contracts with Customers*

The standard combines, enhances, and replaces specific guidance on recognizing revenue with a single standards. An entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

It defines a new five-step model to recognize revenue from customer contracts.

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment.

The standard is mandatory for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.



The Company's initial assessment of potential impact of adopting IFRS 15 to its financial statements in the future provides that its current revenue recognition policy will not be significantly affected. The Company will continue its assessment and finalize the same upon effective date of the new standard.

*PIC Q&A No. 2016-04 - Application of IFRS 15, Revenue from Contracts with Customers on Sale of Residential Properties under Pre-completion Contracts*

This interpretation applies to the accounting for revenue from the sale of a residential property unit under pre-completion stage (i.e., construction is on-going or has not yet commenced) by a real estate developer that enters into a Contract to Sell (CTS) with a buyer, and the developer has determined that the contract is within the scope of IFRS 15 by satisfying all the criteria in paragraph 9 of IFRS 15.

This interpretation does not deal with the accounting for other aspects of real estate sales such as variable considerations, financing components, commissions and other contract costs, timing of sales of completed properties, etc.

Future adoption of this interpretation will not have a significant impact on the Company's financial statements as the Company's revenues do not arise from sale of residential properties.

*Amendments to PFRS 4, Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts*

The amendments provide two options for entities that issue insurance contracts within the scope of PFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; and
- an optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

An entity applies the deferral approach for annual periods beginning on or after January 1, 2018.

Future adoption of these amendments will not have an impact on the Company's financial statements as the Company does not issue insurance contracts.

*Annual Improvements to PFRSs 2014-2016 Cycle*

The annual improvements address the following issues:

*Amendments to PFRS 1, First-time Adoption of International Financial Reporting Standards*

The amendments include the deletion of short-term exemptions stated in the appendix of PFRS 1, because they have now served their intended purpose. The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

Future adoption of these amendments will not have an impact on the Company's financial statements as the Company is no longer a first time adopter of PFRS.

*Amendments to PFRS 12, Disclosure of Interests in Other Entities*

The amendments clarify the scope of the standard by specifying that the disclosure requirements in the standard, except for those disclosures needed in the summarized financial for subsidiaries, joint ventures and associates, apply to an entity's interests that are classified as held-for-sale, as held-for-distribution or as discontinued operations in accordance with PFRS 5, *Non-current Assets Held-for-Sale and Discontinued Operations*.



The amendments are effective for annual periods beginning on or after January 1, 2017 with earlier application permitted.

Future adoption of these amendments will not have an impact on the Company's financial statements as the Company does not have interests in other entities.

#### *Amendments to PAS 28, Investments in Associates and Joint Ventures*

The amendments clarify that the election to measure at FVTPL an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

Future adoption of these amendments will not have an impact on the Company's financial statements as the Company does not have investments in associates and joint ventures.

#### *Amendments to PAS 40, Investment Property - Transfers of Investment Property*

The amendments in Transfers of Investment Property (Amendments to IAS 40) are:

- Stating that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of evidence in paragraph 57(a) - (d) was designated as non-exhaustive list of examples instead of the previous exhaustive list.

The amendments are effective for periods beginning on or after January 1, 2018. Earlier application is permitted.

Future adoption of these amendments will not have a significant impact on the Company's financial statements as the Company does not have an investment property.

#### *Philippine Interpretations IFRIC 22, Foreign Currency Transactions and Advance Consideration*

The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability.

The interpretation is effective for periods beginning on or after January 1, 2018. Earlier application is permitted.

Future adoption of this interpretation will not have a significant impact on the Company's financial statements.

## **4. SIGNIFICANT ACCOUNTING POLICIES**

### **Financial Assets**

#### Initial recognition

Financial assets are recognized in the financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Company's financial assets, except for investments classified as at FVTPL.



### Classification and subsequent measurement

Financial assets are classified into the following specified categories: financial assets at FVTPL, held-to-maturity investments (HTM), available-for-sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment and are included in current assets, except when the maturity exceeds 12 months after the end of the reporting period. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The Company's financial asset classified under this category includes cash, trade and other receivables, due from a related party and security deposit.

#### *Effective interest method*

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount on initial recognition.

### Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

#### Objective evidence of impairment

For all financial assets carried at amortized cost, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a Company of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company.



For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

#### Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost 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 financial assets carried at amortized cost is reduced directly by the impairment loss with the exception of trade receivables, wherein the carrying amount is reduced through the use of an allowance account. When trade receivables are considered uncollectible, these are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

#### Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

#### Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or when the Company transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The difference between the carrying amount of the financial asset derecognized and the consideration received or receivable is recognized in profit or loss.

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.

#### **Inventories**

Inventories are initially measured at cost. Subsequently, inventories are stated at the lower of cost and net realizable value. The cost of raw materials are calculated using the weighted average method. The cost of other materials and supplies is calculated using the moving average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.





When the net realizable value of the inventories is lower than the cost, the Company provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in profit or loss. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

### **Prepayments**

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the statements of financial position as current assets when the cost of goods or services related to the prepayments are expected to be incurred within one year or the Company's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets.

### **Property and Equipment**

Property and equipment are initially measured at cost. At the end of each reporting period, item of property and equipment are measured at cost less any subsequent accumulated depreciation, amortization and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Depreciation is computed on straight-line method based on the estimated useful lives of the assets as follows:

Transportation equipment	5 years
Office furniture and fixtures	5 years
Office equipment	3-5 years

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

### **Impairment of Tangible Assets**

At the end of each reporting period, the Company assesses whether there is any indication that any of its tangible assets may have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. A reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.



Impairment losses recognized in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized as income.

## **Financial Liabilities and Equity Instruments**

### Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument.

### Financial liabilities

#### *Initial recognition*

Financial liabilities are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Company's financial liabilities except for debt instruments classified at FVTPL.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

#### *Subsequent measurement*

Since the Company does not have financial liabilities classified at FVTPL, all financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

### Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

### Derecognition

Financial liabilities are derecognized by the Company when the obligation under the liability is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

## **Equity Instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by Company are recognized at the proceeds received, net of direct issue costs.

### Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

### Deficit

Deficit represents accumulated losses attributable to equity holders of the Company. Deficit may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.



### **Provisions**

Provisions are recognized when the Company has a present obligation, either legal or constructive, as a result of a past event; it is probable that the Company will be required to settle the obligation through an outflow of resources embodying economic benefits; and the amount of the obligation can be estimated reliably.

The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the cash flows estimated to settle the present obligation; its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

### **Share-based Payments**

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

### **Employee Benefits**

#### Short-term benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

### **Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.



### Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue from sale of goods is recognized when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

### Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### Other income

Other income is income generated outside the normal course of business and is recognized when it is probable that the economic benefits will flow to the Company and it can be measured reliably.

### **Expense Recognition**

Expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Expenses in the statements of comprehensive income are presented using the function of expense method. Cost of sales are expenses incurred that are associated with the goods sold. Operating expenses are costs attributable to administrative and other business activities of the Company.

### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.



#### The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

#### **Foreign Currency Transactions and Translation**

Transactions in currencies other than the Philippine Peso are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at closing rates. Gains and losses arising on retranslation are included in profit or loss for the year. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated.

#### **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

#### **Related Party Transactions**

A related party transaction is a transfer of resources, services or obligations between the Parent Company and a related party, regardless of whether a price is charged.

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. Key management personnel of the Company are also considered to be related parties.

#### **Taxation**

Income tax expense represents the sum of current and deferred tax expenses.

#### Current tax

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's current tax expense is calculated using the regular corporate income tax (RCIT) rate of 30% of taxable income or the minimum corporate income tax rate of 2% of defined gross income, whichever is higher.

#### Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in associates and interests in joint ventures, except when the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.



Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### Current and deferred tax for the year

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in OCI or directly in equity), in which case the tax are also recognized outside profit or loss.

#### **Events after the Reporting Period**

The Company identifies events after the end of each reporting period as those events, both favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue. The financial statements of the Company are adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting period. Non-adjusting events after the end of the reporting period are disclosed in the notes to the financial statements when material.

### **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Critical Judgment in Applying Accounting Policies**

##### Classification of lease as operating lease

Leases are classified as operating leases whenever the terms of the lease do not transfer substantially all the risk and rewards of the ownership to the lessee. Judgment is used in determining whether the significant risk and rewards of ownership are transferred to the lessee. Failure to make the right judgment would directly affect the Company's assets and liabilities.

Management believes that the lease agreements entered into by the Company did not transfer substantially all the risk and rewards over the leased assets. Accordingly, lease agreements are classified as operating lease.

The Company's operating leases are disclosed in Note 23.

#### **Key Sources of Estimation Uncertainty**

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



#### *Estimating net realizable value of inventories*

The net realizable value of inventories represents the estimated selling price for inventories less all estimated cost of completion and costs necessary to make the sale. The Company determines the estimated selling price based on the recent sale transactions of similar goods with adjustments to reflect any changes in economic conditions since the date the transactions occurred. The Company records provision for excess of cost over net realizable value of inventories. While the Company believes that the estimates are reasonable and appropriate, significant differences in the actual experience or significant changes in estimates may materially affect the profit or loss and equity.

Total inventories recognized in the Company's statements of financial position amounted to P32,059,830 and P125,023,051 as at March 31, 2017 and 2016, respectively, as disclosed in Note 8.

#### *Estimating useful lives of property and equipment*

The useful lives of the Company's property and equipment with definite life are estimated 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 Company's assets. In addition, the estimation of the useful lives is based on the Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase the recognized operating expenses and decrease non-current assets.

As at March 31, 2017 and 2016, the carrying amount of the Company's property and equipment amounted to P1,664,621 and P51,586, respectively. Total accumulated depreciation as at March 31, 2017 and 2016 amounted to P576,940 and P1,268,308, respectively, as disclosed in Note 10.

#### *Estimating allowances for doubtful accounts*

The Company estimates the allowance for doubtful accounts related to its trade and other receivables and receivables due from a related party based on assessment of specific accounts when the Company has information that certain counterparties are unable to meet their financial obligations. In these cases judgment used was based on the best available facts and circumstances including, but not limited to, the length of relationship with the counterparties and the counterparties' current credit status based on third party credit reports and known market factors. The Company used judgment to record specific reserves for counterparties against amounts due to reduce the expected collectible amounts. These specific reserves are re-evaluated and adjusted as additional information received impacts the amounts estimated.

The amounts and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in the allowance for doubtful accounts would increase the recognized operating expenses and decrease current assets.

As at March 31, 2017 and 2016, the total carrying amounts of trade and other receivables were P272,979,955 and P109,886,229, respectively, which were net of related allowances for doubtful accounts amounting to P364,685 and nil respectively, as disclosed in Note 7.



#### *Asset impairment*

The Company performs an impairment review when certain impairment indicators are present.

Determining the recoverable amounts of property and equipment using future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges.

As at March 31, 2017 and 2016, Management believes that the carrying amounts of the Company's property and equipment are not below the recoverable amounts; therefore, no impairment loss was recognized in both years.

#### *Deferred tax assets*

The Company reviews the carrying amounts at the end of each reporting period and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Total deferred tax assets recognized in the statements of financial position as at March 31, 2017 and 2016 amounted to P3,878,550 and P816,832, respectively, as disclosed in Note 22.

#### *Post-employment and other employee benefits*

The Company has the option to adopt Republic Act (RA) 7641, *Retirement Pay Law*, to qualified employees but opted not to during the financial year as there were only three employees. Management believes that the impact of retirement expense and additional retirement benefit obligation would not materially affect the financial statements.

The share-based compensation expense recognized by the Company related to stock options amounted to P213,626 and P2,105,983 in 2017 and 2016, respectively as disclosed in Notes 14 and 18.

## 6. CASH

Cash at the end of reporting period as shown in the statements of cash flows can be reconciled to the related items in the statements of financial position as follows:

	2017	2016
Cash in banks	<b>P5,155,478</b>	P12,926,077
Cash on hand	<b>20,000</b>	20,000
	<b>P5,175,478</b>	P12,946,077

Interest income earned from cash in banks at an average annual interest rate of 0.15% and 0.25% in 2017 and 2016 amounted to P7,469 and P4,644, respectively, as disclosed in Note 20.





**TRADE AND OTHER RECEIVABLES - net**

	Notes	2017	2016
Trade receivables - related party	13	<b>P236,954,880</b>	P102,187,179
Trade receivables		<b>33,202,810</b>	3,535,305
		<b>270,157,690</b>	105,722,484
Less: Allowance for doubtful accounts	18	<b>364,685</b>	-
		<b>269,793,005</b>	105,722,484
Advances to employees and others		<b>3,186,950</b>	4,163,745
		<b>P272,979,955</b>	P109,886,229

The average credit period taken on sale of goods and services is 30 to 45 days. No interest is charged on these receivables.

In determining the recoverability of trade receivables, the Company considers any change in credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited to few customers.

Movements in the allowance for doubtful accounts are as follows:

	Note	2017	2016
Balance, beginning		<b>P -</b>	P -
Doubtful accounts expense	18	<b>364,685</b>	-
Balance, end		<b>P364,685</b>	P -

**8. INVENTORIES**

The Company's inventories as at March 31, 2017 and 2016 amounted to P32,059,830 and P125,023,051, respectively.

All inventories are valued at lower of cost or net realizable value. Management believes that the net realizable values of the Company's inventories exceed their carrying values, accordingly, no loss on decline in value was recognized as at March 31, 2017 and 2016.

**9. PREPAYMENTS**

The details of the Company's prepayments are shown below:

	2017	2016
Input value-added taxes (VAT) - net	<b>P 7,025,614</b>	P20,131,892
Prepaid taxes	<b>4,311,252</b>	5,172,747
Others	<b>726,395</b>	331,406
	<b>P12,063,261</b>	P25,636,045

Input VAT is net of output VAT amounting to P60,074,852 and P6,303,162 in 2017 and 2016, respectively.

Prepaid others includes unamortized portion of business permit expenses.



10. **PROPERTY AND EQUIPMENT - net**

Movements in the carrying amounts of the Company's property and equipment are as follows:

	Note	Office Furniture & Fixtures	Office Equipment	Transportation Equipment	Total
<b>Cost</b>					
Balance, April 1, 2015		P36,182	P234,117	P1,025,936	P1,296,235
Additions		-	23,660	-	23,660
Balance, March 31, 2016		36,182	257,777	1,025,936	1,319,895
Additions		-	33,018	1,914,585	1,947,603
Disposals		-	-	(1,025,936)	(1,025,936)
Balance, March 31, 2017		36,182	290,795	1,914,585	2,241,562
<b>Accumulated Depreciation</b>					
Balance, April 1, 2015		24,965	172,184	902,319	1,099,468
Depreciation	18	7,237	47,496	114,108	168,841
Balance, March 31, 2016		32,202	219,680	1,016,427	1,268,309
Depreciation	18	1,452	25,182	307,934	334,568
Disposals		-	-	(1,025,936)	(1,025,936)
Balance, March 31, 2017	1	33,654	244,862	298,425	576,941
<b>Carrying Amount</b>					
<b>March 31, 2017</b>		<b>P 2,528</b>	<b>P 45,933</b>	<b>P1,616,160</b>	<b>P1,664,621</b>
Carrying Amount					
March 31, 2016		P 3,980	P 38,097	P 9,509	P 51,586

Proceeds from sale of property and equipment amounted to P127,800 and nil in 2017 and 2016, respectively. Gain on disposal of property and equipment amounted to P127,800 and nil in 2017 and 2016, respectively, as disclosed in Note 20.

Management believes that there is no indication of impairment in the value of its property and equipment as at March 31, 2017 and 2016.

11. **TRADE AND OTHER PAYABLES**

This account consists of:

	Note	2017	2016
Trade payables - related party	13	<b>P284,420,024</b>	P233,738,980
Trade payables		<b>5,674,539</b>	3,485,286
Non-trade payables:			
Accrued expenses		<b>3,494,406</b>	2,922,289
Statutory payables		<b>3,105,212</b>	1,369,346
		<b>P296,694,181</b>	P 241,515,901

Trade payable has an average 60-day credit term. No interest is charged on the trade payables. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Accrued other expenses include accrued demurrage and handling costs and accrued professional fees.

12. **SHORT-TERM BORROWINGS**

In 2015, the Company obtained loans worth P25 million from a local bank for working capital purposes. These loans bear annual interest rates ranging from 3.20% to 3.25%, and matured on May 29, 2015. The Company paid these loans on October and November 2015. Finance cost related to the short-term borrowings amounted to nil and P451,561 in 2017 and 2016, respectively.



### 13. RELATED PARTY TRANSACTIONS

Related party transactions and balances are summarized in the table below:

Category	Ref	Amounts		Outstanding Receivable (Payable)		Terms	Condition
		2017	2016	2017	2016		
<i>Ultimate Parent</i>							
Lupin Limited							
Purchase of goods		<b>P325,397,868</b>	P371,006,35	<b>(P284,420,024)</b>	(P233,738,980)	60 days, non-interest bearing	Unsecured
Service recharge	(a)	<b>8,637,113</b>	-	-	-	Payable on demand	Unsecured
Service rebilling	(a)	<b>9,155,340</b>	-	<b>9,155,340</b>	-	Payable on demand, non-interest bearing	Unsecured, no impairment
Share-based payments	(b)	<b>213,626</b>	2,105,983	<b>(2,507,111)</b>	(2,105,983)	Cash settled	Unsecured
<i>Fellow Subsidiary</i>							
Multicare Pharmaceutical Philippines (MPPI)							
Advances	(d)	<b>966,183</b>	1,400,800	<b>(2,434,119)</b>	(1,467,936)	Payable on demand, non-interest bearing	Unsecured
Sale of goods		<b>439,051,442</b>	297,914,422	<b>236,954,880</b>	102,187,179	30-45 days, non-interest bearing	Unsecured, no impairment
Rental	(c)	<b>240,000</b>	240,000	<b>(680,000)</b>	(440,000)	Payable on demand, non-interest bearing	Unsecured

Outstanding balance of related party receivables and payables as at March 31, 2017 and 2016 are as follows:

	Notes	2017	2016
Due from related party		<b>P 9,155,340</b>	P -
Due to a related parties		<b>5,621,230</b>	4,013,919
Trade receivables - related party	7	<b>236,954,880</b>	102,187,179
Trade payables - related party	11	<b>284,420,024</b>	233,738,980

- Service rebilling includes service recharge with 6% margin of expenses incurred of the Company's employees providing services to Lupin Limited (LL), the Company's parent, as disclosed in Note 20.
- The Company enters into a share-based payments arrangements related to LL's implementation of "Lupin Subsidiary Companies Employees Stock Option Plan 2014", as disclosed in Note 14.
- The Company has an operating and cancellable lease agreement for its corporate office with a lease term of one year, renewable by agreement of both parties, as disclosed in Note 23.
- The Company extends cash advances to MPPI and vice-versa. Advances include cost reimbursement for the Company's employees providing services to Multicare and payments of rental and utilities.



### Remuneration of Key Management Personnel

The remuneration of key management personnel of the Company are set out below in aggregate for each of the categories specified in PAS 24, *Related Party Disclosures*:

	Notes	2017	2016
Short-term employee benefits	18	<b>P5,633,333</b>	P 9,297,433
Share-based payments	14, 18	<b>213,626</b>	2,105,983
		<b>P5,846,959</b>	P11,403,416

### 14. SHARE-BASED PAYMENTS

LL implemented "Lupin Subsidiary Companies Employees Stock Option Plan 2014" (SESOP 2014) in the current year, as approved by the Shareholders of LL and the Remuneration / Compensation / Nomination and Remuneration Committee of the Board of Directors of LL.

The options are granted at an exercise price at the time of such grants. Each option entitles the holder to exercise the right to apply for and seek allotment of one equity share of LL. The options have vesting periods as stated above in accordance with the vesting schedule as per the said plans with an exercise period of ten years from the respective grant dates.

The following share based payment arrangements were in the current and prior years:

	Number	Grant Date	Expiry Date	Exercise Price	Fair value at grant date
Granted on January 3, 2017	1,152	1/3/17	1/1/27	P1,505.75	P415.29
Granted on January 3, 2017	1,152	1/3/17	1/1/27	1,505.75	488.87
Granted on January 3, 2017	1,152	1/3/17	1/1/27	1,505.75	548.62
Granted on January 3, 2017	1,154	1/3/17	1/1/27	1,505.75	610.73

All options vested on their date of grant and expire within 10 years of their issue, or one month after the resignation of the executive or senior employee, whichever is the earlier.

The fair value of stock options granted in 2016 was estimated on the date of grant using the Black-Scholes option pricing model.

The share-based compensation expense recognized by the Company related to stock options amounted to P213,626 and P2,105,983 in 2017 and 2016, respectively as disclosed in Notes 13 and 18.

### 15. SHARE CAPITAL

Details of share capital are as follows:

	2017		2016	
	No. of Shares	Amount	No. of Shares	Amount
Authorized common shares at P10 par value				
Common shares at P10 par value	10,000,000	P100,000,000	10,000,000	P100,000,000
Issued, fully paid and outstanding				
Balance, end	4,790,136	P 47,901,360	4,790,136	P 47,901,360

The Company has one class of common shares which does not carry any right to fixed income.



**16. SALE OF GOODS**

Details of sale of goods are as follows:

	Note	2017	2016
Local sales	13	<b>P448,097,420</b>	P297,914,422
Foreign sales		<b>54,045,117</b>	22,002,874
		<b>P502,142,537</b>	P319,917,296

**17. COST OF GOOD SOLD**

An analysis of the Company's cost of goods sold is as follows:

	Notes	2017	2016
Inventories, beginning	8	<b>P125,023,051</b>	P -
Purchases and other direct costs	13	<b>374,958,909</b>	424,107,204
Cost of goods available-for-sale		<b>499,981,960</b>	424,107,204
Less: Inventories, end	8	<b>32,059,830</b>	125,023,051
		<b>P467,922,130</b>	P299,084,153

**18. OPERATING EXPENSES**

Details of operating expenses are as follows:

	Notes	2017	2016
Salaries, wages, and benefits		<b>P 7,655,157</b>	P10,879,352
Professional fees		<b>4,508,875</b>	360,055
Representation and entertainment		<b>2,944,582</b>	319,405
Taxes and licenses		<b>2,134,154</b>	3,191,275
Doubtful accounts expense	7	<b>364,685</b>	-
Depreciation	10	<b>334,568</b>	168,841
Rental	13, 23	<b>240,000</b>	240,000
Share-based payments	13, 14	<b>213,626</b>	2,105,983
Communication, light and water		<b>82,900</b>	77,846
Transportation and travel		<b>77,425</b>	52,142
Repairs and maintenance		<b>62,774</b>	24,877
Postage and supplies		<b>25,716</b>	23,803
Insurance expense		<b>18,717</b>	19,437
Delivery		<b>14,339</b>	11,585
Miscellaneous		<b>-</b>	4,026
		<b>P18,677,518</b>	P17,478,627

In 2017, the total operating expenses includes service recharges billed to LL amounting to P8,637,113 as disclosed in Note 13. Service recharge consists of salaries, wages and benefits, professional fees, representation and entertainment, depreciation and insurance expense.

**19. OTHER EXPENSES**

Details of other expenses are as follows:

	2017	2016
Foreign exchange loss - net	<b>P13,803,806</b>	P 52,139
Bank charges	<b>104,728</b>	128,586
Penalties and other charges	<b>-</b>	1,079,075
	<b>P13,908,534</b>	P1,259,800



20. **OTHER INCOME**

Details of other income are as follows:

	Notes	2017	2016
Service rebilling	13	P9,155,340	P -
Gain on sale from disposal of property and equipment	10	127,800	-
Interest income	6	7,469	4,644
		<b>P9,290,609</b>	<b>P4,644</b>

21. **INCOME TAXES**

Components of income tax expense are as follows:

	Note	2017	2016
Current tax expense		<b>P8,155,058</b>	P 428,684
Deferred tax benefit (expense)	22	<b>(4,062,977)</b>	6,040,540
		<b>P4,092,081</b>	<b>P6,469,224</b>

A numerical reconciliation between tax expense and the product of accounting profit multiplied by 30% in 2017 and 2016 follows:

	2017	2016
Accounting profit	<b>P10,924,964</b>	P1,647,799
Income tax at 30% statutory rate	<b>P 3,277,489</b>	P 494,340
Tax effects of:		
Non-deductible expenses	-	299,396
Net operating loss carry-over (NOLCO)	<b>28,593</b>	5,676,881
Minimum corporate income tax (MCIT)	<b>788,240</b>	-
Interest income subjected to final tax	<b>(2,241)</b>	(1,393)
	<b>P 4,092,081</b>	<b>P6,469,224</b>

Details of NOLCO are as follows:

Year Incurred	Expiry Date	2016 Balance	Addition	Applied	2017 Balance
2016	2019	P95,305	-	P95,305	P -

Details of MCIT are as follows:

Year Incurred	Expiry Date	Amount	Applied Previous Year	Applied Current Year	Expired	Unapplied
2015	2018	P359,555	P -	P359,555	P -	P -
2016	2019	428,685	-	428,685	-	-
		<b>P788,240</b>	<b>P -</b>	<b>P788,240</b>	<b>P -</b>	<b>P -</b>



22. **DEFERRED INCOME TAX**

Details of the Company's deferred tax assets are as follows:

	MCIT	NOLCO	Foreign Exchange Loss	Share based payment	Allowance for Doubtful Accounts	Total
Balance, March 31, 2016	P359,555	P5,676,881	P -	P -	P -	P6,036,436
Charged to profit or loss	428,684	(5,648,288)	-	-	-	(5,219,604)
Balance, March 31, 2017	788,239	28,593	-	-	-	816,832
Charged to profit or loss	(788,239)	(28,593)	3,705,057	64,088	109,407	3,061,718
<b>Balance, March 31, 2017</b>	<b>P -</b>	<b>P -</b>	<b>P3,705,057</b>	<b>P64,088</b>	<b>P109,407</b>	<b>P3,878,550</b>

The following the composition of deferred tax liability of the Company:

	Foreign Exchange Gain
Balance, March 31, 2015	(P 180,323)
Charged to profit or loss	(820,936)
Balance, March 31, 2016	(1,001,259)
Charged to profit or loss	1,001,259
<b>Balance, March 31, 2017</b>	<b>P -</b>

23. **LEASE COMMITMENTS**

The Company has an operating and cancellable lease agreement for its corporate office with a lease term of one year, renewable by agreement of both parties.

The Company renewed its existing lease for another period of one year up to November 30, 2016. The contract will be subject to automatic renewal every year unless terminated by either party by giving at least one month prior written notice during the renewal term and subsequent renewals. The lease agreement required the Company to pay a security deposit amounting to P22,400, as presented in the statements of financial position, under other noncurrent assets account.

Rental expenses amounted to P240,000 for the years ended March 31, 2017 and 2016.

Future minimum payments are presented below:

	2017	2016
Due within one year	<b>P160,000</b>	P160,000



## FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values together with the carrying amount of the financial assets and liabilities shown in the statements of financial position follow:

	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash	P 5,175,478	P 5,175,478	P 12,946,077	P 12,946,077
Trade and other receivables-net	272,979,955	272,979,955	109,986,229	109,986,229
Due from related party	9,155,340	9,155,340	-	-
Security deposit	22,400	22,400	22,400	22,400
	<b>P287,333,173</b>	<b>P287,333,173</b>	<b>P122,954,706</b>	<b>P122,954,706</b>
<b>Financial liabilities</b>				
Trade and other payables	P293,588,969	P293,588,969	P240,146,555	P240,146,555
Due to a related parties	5,621,230	5,621,230	4,013,919	4,013,919
	<b>P299,110,199</b>	<b>P299,10,199</b>	<b>P244,160,474</b>	<b>P244,160,474</b>

Trade and other payables are net of government payables which are not considered financial liabilities.

The carrying amount of the financial assets and liabilities approximate its fair values.

The fair values of cash, trade and other receivables, trade and other payables and due to related parties reasonably approximate their carrying amounts considering the short-term nature of these financial instruments.

The fair value of security deposit approximates its carrying amount since the Company does not anticipate the carrying amount to be significantly different from the actual value that this refundable deposit would be eventually collected.

## 25. FINANCIAL AND OPERATIONAL RISK MANAGEMENT

### Financial Risk Management Objectives and Policies

The Company's activities expose it to a variety of financial risks such as market risk (which includes foreign exchange risk, interest rate risk, credit risk and liquidity risk). The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The policies for managing specific risks are summarized below.

#### Market risk

Market risk refers to the possibility that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's profit or the value of its holdings of financial statements. The Company focuses on two market risk areas such as interest rate risk and foreign currency risk. The objective and management of these risks are discussed below.

#### Foreign exchange risk

Foreign exchange risk arises when an investment's value changes due to changes in currency exchange rate. The Company is exposed to exchange rate risk on certain transactions with one of its customer where sales/receivables are pegged in Philippine peso based on a benchmark exchange rate fixed on a certain day whereas the payments made to the supplier is made in US dollars. The time lag between the date of fixing exchange rate with its customer and the date of payment to its supplier exposes the company to fluctuations in the exchange rate. The Company believes that this risk is currently acceptable within tolerance levels. However, the Company intends to review its existing policy to refine based on changes in market conditions.





### Interest rate risk

Interest rate risk refers to the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest.

The primary source of the Company's interest rate risk relates to cash in banks and borrowings as disclosed in Notes 6 and 12.

These balances are short-term in nature and with the current interest rate level, any variation in the interest will not have a material impact on the profit of the Company.

### Credit risk

Credit risk refers to the possibility that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, when appropriate, as a means of mitigating the risk of financial loss from defaults.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained:

	2017	2016
Cash in banks	P 5,155,478	P 12,926,077
Trade and other receivables	272,979,955	109,886,229
Due from a related party	9,155,340	-
Security deposit	22,400	22,400
	<b>P287,313,173</b>	<b>P122,834,706</b>

As at March 31, 2017 and 2016, the aging analysis of the Company's financial assets is as follows:

	Neither Past Due nor Impaired	Past Due Account	Impaired Financial Assets	Total
<b>2017</b>				
Cash in banks	P 5,155,478	P -	P -	P 5,155,478
Trade and other receivables - net	272,979,955	364,685	-	273,344,640
Due from related party	9,155,340	-	-	9,155,340
Security deposits	22,400	-	-	22,400
	<b>P287,313,173</b>	<b>P364,685</b>	<b>P -</b>	<b>P287,677,858</b>
<b>2016</b>				
Cash in banks	P 12,926,077	P -	P -	P 12,926,077
Trade and other receivables - net	109,886,229	-	-	109,886,229
Security deposits	22,400	-	-	22,400
	<b>P122,834,706</b>	<b>P -</b>	<b>P -</b>	<b>P122,834,706</b>

The Company uses internal ratings to determine the credit quality of its financial assets. These have been mapped to the summary rating below:

*High Grade* - applies to highly rated financial obligors, strong corporate counterparties and personal borrowers with whom the Company has excellent repayment experience.

*Satisfactory Grade* - applies to financial assets that are performing as expected, including loans and advances to small and medium sized entities and recently established businesses.

*Acceptable Grade* - applies to counterparties with risk profiles that are subject to closer monitoring and scrutiny with the objective of managing risk and moving accounts to improved rating category.



*Low Grade* - applies to risks that are neither past due nor expected to result in loss but where the Company requires a workout of the relationship unless an early reduction in risk is achievable.

At the end of each reporting period, the credit qualities of the Company's financial assets that are neither past due nor impaired were determined to be high grade.

*Liquidity risk*

Liquidity risk arises when the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by maintaining adequate highly liquid assets in the form of cash and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company normally considers expected cash flows from financial assets in assessing and managing liquidity risk, particularly its cash resources and receivables. As at March 31, 2017 and 2016, the Company's financial assets did not exceed its non-derivative financial liabilities.

The following table details the remaining contractual maturity for the Company's non-derivative financial liabilities. The tables have been drawn up based on the earliest date on which the Company can be required to pay.

	Interest	Less than One Year	One to Five Years	Total
<b>2017</b>				
Trade and other payables		P293,588,969	P -	P293,588,969
Due to related parties		5,621,230	-	5,621,230
		<b>P299,210,199</b>	<b>P -</b>	<b>P299,210,199</b>
<b>2016</b>				
Trade and other payables		P240,146,555	P -	P240,146,555
Due to related parties		4,013,919	-	4,013,919
		<b>P244,160,474</b>	<b>P -</b>	<b>P244,160,474</b>

The accounts payables and accrued expenses are net of government payables such as withholding taxes and other government which are not considered as financial liabilities.

**26. CAPITAL RISK MANAGEMENT**

The Company's objectives when managing capital are to increase the value of stockholder's investment and maintain high growth by applying free cash flow to selective investments that would further the Company's growth. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The BOD has overall responsibility for monitoring of working capital in proportion to risk. Financial analytical reviews are made and reported in the Company's financial reports for BOD review on a regular basis. In case financial reviews indicate that the working capital sourced from Company's own operations may not support future operations or projected capital investments, the Company will obtain financial support from its related parties.

The capital structure of the Company consists of debt and equity comprising issued capital and deficit.



The Company's total liabilities and total equity in 2017 and 2016 are as follows:

	2017	2016
Total liabilities	<b>P299,210,199</b>	P244,160,474
Total equity	<b>34,619,936</b>	27,851,141

The Company is not subject to externally-imposed capital requirements.

**27. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR) UNDER REVENUE REGULATIONS NO. 15-2010**

The following supplementary information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

*Output VAT*

	Sales	VAT Rate	Output VAT
Vatable Sales	P448,097,420	12%	P53,771,690
Exempt Sales	54,045,117	0%	-
	<b>P502,142,537</b>		<b>P53,771,690</b>

*Input VAT*

Details of the Company's input VAT claimed for 2016 are as follows:

<b>Input VAT - Beginning Balance</b>	<b>P26,435,054</b>
Current year's domestic purchases:	
Services lodged under cost of goods sold	236,601
Services lodged under other accounts	365,907
Importation of goods other than capital goods	40,062,904
<b>Total available input VAT</b>	<b>67,100,466</b>
Less: Input VAT claimed during the year	-
<b>Balance at the end of the year</b>	<b>P67,100,466</b>

*Taxes on importation of goods*

Total landed cost of imports in 2016 amounted to P433,452,206. Total custom duties and tariff fees paid and accrued in relation to the imports amounted to P5,886,566 in 2017.

*Withholding taxes*

Tax on compensation and benefits	<b>P2,094,193</b>
Creditable withholding taxes - expanded	<b>7,293,563</b>
	<b>P9,387,756</b>

*Other taxes*

Details of the Company's other taxes and licenses and permit fee paid or accrued in 2016 are as follows:

Payments to Bureau of Food and Drugs	<b>P1,355,935</b>
Payments to Local Government	<b>576,921</b>
Other taxes and license fees	<b>201,298</b>
	<b>P2,134,154</b>



28. **APPROVAL OF FINANCIAL STATEMENTS**

The financial statements of the Company were approved and authorized for issuance by the Board of Directors on May 3, 2017.

\* \* \*



**Lupin Philippines, Inc.**

List of Effective Standards and Interpretations under the Philippine Financial Reporting Standards (PFRS) as of March 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>		✓		
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	<i>First-time Adoption of Philippine Financial Reporting Standards</i>			✓
	<i>Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>			✓
	<i>Amendments to PFRS 1: Additional Exemptions for First-time Adopters</i>			✓
	<i>Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters</i>			✓
	<i>Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters</i>			✓
	<i>Amendments to PFRS 1: Government Loans</i>			✓
	<i>Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PFRS 1: First-Time Adoption of PFRS</i>			✓
	<i>Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PFRS 1: First-time Adoption of International Financial Reporting Standards (Changes to the Basis for Conclusions only)</i>			✓
<b>PFRS 2</b>	<i>Share-based Payment</i>	✓		
	<i>Amendments to PFRS 2: Vesting Conditions and Cancellations</i>	✓		
	<i>Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions</i>	✓		
	<i>Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 2: Definition of Vesting Condition</i>	✓		
<b>PFRS 3 (Revised)</b>	<i>Business Combinations</i>			✓
	<i>Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 3: Accounting for Contingent Consideration</i>			✓
	<i>Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PFRS 3: Scope of Exception for Joint Ventures</i>			✓
<b>PFRS 4</b>	<i>Insurance Contracts</i>			✓
	<i>Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts</i>			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 5	<i>Non-current Assets Held for Sale and Discontinued Operations</i>			✓
	<i>Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PFRS 5: Changes in methods of disposal*</i>		✓	
PFRS 6	<i>Exploration for and Evaluation of Mineral Resources</i>			✓
PFRS 7	<i>Financial Instruments: Disclosures</i>	✓		
	<i>Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets</i>			✓
	<i>Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition</i>			✓
	<i>Amendments to PFRS 7: Improving Disclosures about Financial Instruments</i>	✓		
	<i>Amendments to PFRS 7: Disclosures - Transfers of Financial Assets</i>			✓
	<i>Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities</i>	✓		
	<i>Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures</i>			✓
	<i>Amendments to PFRS 7: Hedge Accounting Disclosures</i>			✓
	<i>Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PFRS 7: Servicing contracts*</i>		✓	
PFRS 8	<i>Operating Segments</i>			✓
	<i>Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 8: Aggregation of Segments and Reconciliation of Segment Assets</i>			✓
PFRS 9	<i>Financial Instruments (2014)*</i>		✓	
PFRS 10	<i>Consolidated Financial Statements</i>			✓
	<i>Amendments to PFRS 10: Consolidated Financial Statement: Transition Guidance</i>			✓
	<i>Amendments to PFRS 10: Transition Guidance and Investment Entities</i>			✓
	<i>Amendments to PFRS 10: Sales or contributions of assets between an investor and its associate/joint venture*</i>		✓	
	<i>Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception *</i>		✓	
PFRS 11	<i>Joint Arrangements</i>			✓
	<i>Amendments to PFRS 1: Joint Arrangements: Transition Guidance</i>			✓
	<i>Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations*</i>		✓	



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<b>PFRS 12</b>	<i>Disclosure of Interests in Other Entities</i>			✓
	<i>Amendments to PFRS 12: Disclosure of Interests in Other Entities: Transition Guidance</i>			✓
	<i>Amendments to PFRS 12: Transition Guidance and Investment Entities</i>			✓
	<i>Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception*</i>		✓	
<b>PFRS 13</b>	<i>Fair Value Measurement</i>	✓		
	<i>Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 13: Fair Value Measurement (Amendments to the Basis of Conclusions Only, with Consequential Amendments to the Bases of Conclusions of Other Standards)</i>			✓
	<i>Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PFRS 13: Portfolio Exception</i>			✓
<b>PFRS 14</b>	<i>Regulatory Deferral Accounts*</i>		✓	
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	<i>Presentation of Financial Statements</i>	✓		
	<i>Amendment to PAS 1: Capital Disclosures</i>	✓		
	<i>Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation</i>			✓
	<i>Amendments to PAS 1: Presentation of Items of Other Comprehensive Income</i>	✓		
	<i>Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 1: Comparative Information</i>	✓		
	<i>Amendments to PAS 1: Disclosure Initiative*</i>		✓	
<b>PAS 2</b>	<i>Inventories</i>	✓		
<b>PAS 7</b>	<i>Statement of Cash Flows</i>	✓		
<b>PAS 8</b>	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	✓		
<b>PAS 10</b>	<i>Events after the Reporting Period</i>	✓		
<b>PAS 11</b>	<i>Construction Contracts</i>			✓
<b>PAS 12</b>	<i>Income Taxes</i>	✓		
	<i>Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets</i>			✓
<b>PAS 16</b>	<i>Property, Plant and Equipment</i>	✓		
	<i>Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 16, Servicing Equipment</i>			✓
	<i>Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation</i>			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 16: <i>Clarification of Acceptable Methods of Depreciation*</i>		✓	
	Amendments to PAS 16: <i>Agriculture: Bearer Plants*</i>		✓	
<b>PAS 17</b>	<i>Leases</i>	✓		
<b>PAS 18</b>	<i>Revenue</i>	✓		
<b>PAS 19 (Amended)</b>	<i>Employee Benefits (2011)</i>			✓
	Amendments to PAS 19: <i>Defined Benefit Plans: Employee Contributions</i>			✓
	<i>Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PAS 19: Discount rate: regional market issue*</i>		✓	
<b>PAS 20</b>	<i>Accounting for Government Grants and Disclosure of Government Assistance</i>			✓
<b>PAS 21</b>	<i>The Effects of Changes in Foreign Exchange Rates</i>	✓		
	Amendment: <i>Net Investment in a Foreign Operation</i>			✓
<b>PAS 23 (Revised)</b>	<i>Borrowing Costs</i>	✓		
<b>PAS 24 (Revised)</b>	<i>Related Party Disclosures</i>	✓		
	<i>Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PAS 24: Key Management Personnel</i>	✓		
<b>PAS 26</b>	<i>Accounting and Reporting by Retirement Benefit Plans</i>	✓		
<b>PAS 27 (Amended)</b>	<i>Separate Financial Statements</i>			✓
	Amendments to PAS 27: <i>Transition Guidance and Investment Entities</i>			✓
	Amendments to PAS 27: <i>Equity Method in Separate Financial Statements*</i>		✓	
<b>PAS 28 (Amended)</b>	<i>Investments in Associates and Joint Ventures</i>			✓
	Amendments to PAS 28: <i>Sales or contributions of assets between an investor and its associate/joint venture*</i>		✓	
	Amendments to PAS 28: <i>Investment Entities: Applying the Consolidation Exception *</i>		✓	
<b>PAS 29</b>	<i>Financial Reporting in Hyperinflationary Economies</i>			✓
<b>PAS 32</b>	<i>Financial Instruments: Disclosure and Presentation</i>	✓		
	Amendments to PAS 32 and PAS 1: <i>Puttable Financial Instruments and Obligations Arising on Liquidation</i>			✓
	Amendment to PAS 32: <i>Classification of Rights Issues</i>			✓





PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	<i>Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 32: Tax Effect of Equity Distributions</i>	✓		
	<i>Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities</i>	✓		
<b>PAS 33</b>	<i>Earnings per Share</i>			✓
<b>PAS 34</b>	<i>Interim Financial Reporting</i>			✓
	<i>Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 34: Interim Reporting of Segment Assets</i>			✓
	<i>Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PAS 34: Disclosure of information 'elsewhere in the interim financial report'*</i>		✓	
<b>PAS 36</b>	<i>Impairment of Assets</i>	✓		
	<i>Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets</i>			✓
<b>PAS 37</b>	<i>Provisions, Contingent Liabilities and Contingent Assets</i>	✓		
<b>PAS 38</b>	<i>Intangible Assets</i>	✓		
	<i>Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization</i>	✓		
	<i>Amendments to PAS 38: Clarification of Acceptable Methods of Amortization*</i>		✓	
<b>PAS 39</b>	<i>Financial Instruments: Recognition and Measurement</i>	✓		
	<i>Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities</i>	✓		
	<i>Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions</i>			✓
	<i>Amendments to PAS 39: The Fair Value Option</i>			✓
	<i>Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts</i>			✓
	<i>Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets</i>	✓		
	<i>Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition</i>	✓		
	<i>Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives</i>			✓
	<i>Amendment to PAS 39: Eligible Hedged Items</i>			✓
	<i>Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting</i>			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 39: <i>Hedge Accounting Application</i>			✓
PAS 40	<i>Investment Property</i>			✓
	<i>Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PAS 40: Clarifying the Interrelationship of IFRS 3 and IAS 40 When Classifying Property as Investment Property or Owner-Occupied Property</i>			✓
PAS 41	<i>Agriculture</i>			✓
	<i>Amendments to PAS 41: Agriculture: Bearer Plants*</i>		✓	
<b>Philippine Interpretations</b>				
IFRIC 1	<i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>			✓
IFRIC 2	<i>Members' Share in Co-operative Entities and Similar Instruments</i>			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>	✓		
IFRIC 5	<i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>	✓		
IFRIC 9	<i>Reassessment of Embedded Derivatives</i>			✓
	<i>Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives</i>			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 11	<i>PFRS 2- Group and Treasury Share Transactions</i>			✓
IFRIC 12	<i>Service Concession Arrangements</i>			✓
IFRIC 13	<i>Customer Loyalty Programmes</i>			✓
IFRIC 14	<i>The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>			✓
	<i>Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement</i>			✓
IFRIC 16	<i>Hedges of a Net Investment in a Foreign Operation</i>			✓
IFRIC 17	<i>Distributions of Non-cash Assets to Owners</i>			✓
IFRIC 18	<i>Transfers of Assets from Customers</i>			✓
IFRIC 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<b>IFRIC 20</b>	<i>Stripping Costs in the Production Phase of a Surface Mine</i>			✓
<b>IFRIC 21</b>	<i>Levies</i>			✓
<b>SIC-7</b>	<i>Introduction of the Euro</i>			✓
<b>SIC-10</b>	<i>Government Assistance - No Specific Relation to Operating Activities</i>			✓
<b>SIC-15</b>	<i>Operating Leases - Incentives</i>			✓
<b>SIC-21</b>	<i>Income Taxes- Recovery of Revalued Non-depreciable Assets</i>			✓
<b>SIC-25</b>	<i>Income Taxes - Changes in the Tax Status of an Entity or its Shareholders</i>			✓
<b>SIC-27</b>	<i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>	✓		
<b>SIC-29</b>	<i>Service Concession Arrangements: Disclosures</i>			✓
<b>SIC-31</b>	<i>Revenue - Barter Transactions Involving Advertising Services</i>			✓
<b>SIC-32</b>	<i>Intangible Assets - Web Site Costs</i>			✓
<b>PIC Q&amp;A No. 2006-01</b>	<i>Revenue Recognition for Sales of Property Units Under Pre-Completion Contracts</i>			✓
<b>PIC Q&amp;A No. 2006-02</b>	<i>Clarification of Criteria for Exemption from Presenting Consolidated Financial Statements</i>			✓
<b>PIC Q&amp;A No. 2007-03</b>	<i>Valuation of Bank Real and Other Properties Acquired (ROPA)</i>			✓
<b>PIC Q&amp;A No. 2008-01</b>	<i>Rate Used in Discounting Post-employment Benefit Obligations</i>			✓
<b>PIC Q&amp;A No. 2008-02</b>	<i>Accounting for Government Loans with Low Interest Rates under the Amendments to PAS 20</i>			✓
<b>PIC Q&amp;A No. 2009-01</b>	<i>Financial Statements Prepared on a Basis Other than Going Concern</i>			✓
<b>PIC Q&amp;A No. 2010-01</b>	<i>Rate Used in Determining the Fair Value of Government Securities in the Philippines</i>			✓
<b>PIC Q&amp;A No. 2010-02</b>	<i>Basis of Preparation of Financial Statements</i>	✓		
<b>PIC Q&amp;A No. 2010-03</b>	<i>Current/non-current Classification of a Callable Term Loan</i>			✓
<b>PIC Q&amp;A No. 2011-02</b>	<i>Common Control Business Combinations</i>			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<b>PIC Q&amp;A No. 2011-03</b>	<i>Accounting for Inter-company Loans</i>	✓		
<b>PIC Q&amp;A No. 2011-04</b>	<i>Costs of Public Offering of Shares</i>			✓
<b>PIC Q&amp;A No. 2011-05</b>	<i>Fair Value or Revaluation as Deemed Cost</i>			✓
<b>PIC Q&amp;A No. 2011-06</b>	<i>Acquisition of Investment Properties – Asset Acquisition or Business Combination?</i>			✓
<b>PIC Q&amp;A No. 2012-01</b>	<i>Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements</i>			✓
<b>PIC Q&amp;A No. 2012-02</b>	<i>Cost of a New Building Constructed on Site of a Previous Building</i>			✓
<b>PIC Q&amp;A No. 2013-03</b>	<i>Accounting for Employee Benefits under a Defined Contribution Plan Subject to Requirement of Republic Act (RA) 7641: The Philippine Retirement Law</i>			✓

\*These are the new and revised accounting standards and interpretations that are effective for annual period beginning on or after the reporting period ended March 31, 2017.

