LUPIN PHILIPPINES, INC.

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

Financial Statements
March 31, 2018 and 2017
and
Independent Auditors' Report

1135 Chino Roces Avenue, Makati City, Philippines

NavarroAmper&Co.

Navarro Amper & Co.
19th Floor Net Lima Plaza
5th Avenue corner 26th Street
Bonifacio Global City, Taguig 1634
Philippines

Tel: +63 (2) 581 9000
Fax: +63 (2) 869 3676
www.deloitte.com/ph

BOA/PRC Reg. No. 0004
SEC Accreditation No. 0001-FR-4

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 Audit of 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, 2018 and 2017, 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, 2018 and 2017, 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 audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 26 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 audits 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. 08-002552-15-2017, issued on June 8, 2017; effective until June 8, 2020
PTR No. A-3745357, issued on January 5, 2018, Taguig City

Taguig City, Philippines
April 23, 2018

LUPIN PHILIPPINES, INC.

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

STATEMENTS OF FINANCIAL POSITION

	Notes	March 31 2018	2017
ASSETS			
Current Assets			
Cash	6	**P 38,678,233**	P 5,175,478
Trade and other receivables–net	7	**384,300,378**	272,979,955
Due from related parties	12	**4,732,103**	9,155,340
Inventories	8	**20,020,867**	32,059,830
Prepayments	9	**10,264,559**	12,063,261
Total Current Assets		**457,996,140**	331,433,864
Non-current Assets			
Property and equipment–net	10	**1,265,317**	1,664,621
Refundable security deposits	22	**22,400**	22,400
Deferred tax assets	21	**6,363,540**	3,878,550
Total Non-current Assets		**7,651,257**	5,565,571
		P465,647,397	P336,999,435
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11	**P425,406,855**	P296,694,181
Due to related parties	12	**9,639,880**	5,621,230
Total Current Liabilities		**435,046,735**	302,315,411
Non-current Liability			
Deferred tax liability	21	**171,917**	-
Equity			
Share capital	14	**47,901,360**	47,901,360
Deficit		**(17,472,615)**	(13,217,336)
		30,428,745	34,684,024
		P465,647,397	P336,999,435

See Notes to Financial Statements

LUPIN PHILIPPINES, INC.
(A Wholly Owned Subsidiary of Lupin Holdings, B.V.)
STATEMENTS OF COMPREHENSIVE INCOME

		For the Years Ended March 31	
	Notes	**2018**	2017
Sale of Goods	15	**P472,180,728**	P502,142,537
Cost of Goods Sold	16	**445,682,851**	467,922,130
Gross Profit		**26,497,877**	34,220,407
Other Income	19	**10,631,892**	9,290,609
		37,129,769	43,511,016
Operating Expenses	17	**19,268,441**	18,677,518
Other Expenses	18	**23,687,898**	13,908,534
		42,956,339	32,586,052
Profit (Loss) Before Tax		**(5,826,570)**	10,924,964
Income Tax Expense (Benefit)	20	**(1,571,291)**	4,092,081
Profit (Loss) for the Year		**(P 4,255,279)**	P 6,832,883

See Notes to Financial Statements

LUPIN PHILIPPINES, INC.
(A Wholly Owned Subsidiary of Lupin Holdings, B.V.)
STATEMENTS OF CHANGES IN EQUITY

	For the Years Ended March 31, 2018 and 2017		
	Share Capital (Note 14)	**Deficit**	**Total**
Balance, April 1, 2016	P47,901,360	(P20,050,219)	P27,851,141
Profit for the year	-	6,832,883	6,832,883
Balance, March 31, 2017	47,901,360	(13,217,336)	34,684,024
Loss for the year	-	(4,255,279)	(4,255,279)
Balance, March 31, 2018	**P47,901,360**	**(P17,472,615)**	**P30,428,745**

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	**2018**	2017
Cash Flows from Operating Activities			
Profit (Loss) before tax		**(P 5,826,570)**	P 10,924,964
Adjustments for:			
Unrealized forex (gain) loss–net		**6,150,889**	12,350,189
Doubtful accounts expense	7	**1,054,773**	364,685
Depreciation	10	**399,304**	334,570
Interest income	6	**(40,664)**	(7,469)
Allowance for inventory obsolescence	8	**44,748**	-
Gain on sale from disposal of property and equipment	10	**-**	(127,800)
Operating cash flows before working capital changes		**1,782,480**	23,839,139
Decrease (Increase) in:			
Trade and other receivables		**(111,802,140)**	(162,304,515)
Due from a related party		**4,423,237**	(9,155,340)
Inventories		**11,994,215**	92,963,221
Prepayments		**4,334,409**	5,417,726
Increase in:			
Trade and other payables		**122,118,657**	41,697,804
Due to related parties		**4,018,650**	1,420,683
Cash generated from operations		**36,869,508**	(6,121,282)
Interest received	6	**40,664**	7,469
Income tax paid		**(3,277,489)**	-
Net cash from (used in) operating activities		**33,632,683**	(6,113,813)
Cash Flows from Investing Activities			
Additions to property and equipment	10	**-**	(1,947,605)
Proceeds from sale of property and equipment		**-**	127,800
Net cash used in investing activities		**-**	(1,819,805)
Effects of Exchange Rate Changes		**(129,928)**	163,019
Net Increase (Decrease) in Cash		**33,502,755**	(7,770,599)
Cash, Beginning		**5,175,478**	12,946,077
Cash, End		**P 38,678,233**	P 5,175,478

See Notes to Financial Statements

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 P17,472,615 and P13,217,336 as at March 31, 2018 and 2017, 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 2017

The Company adopted all applicable accounting standards as at April 1, 2017. The new and revised accounting standards and interpretations that have been published by the International Accounting Standards Board (IASB) and issued by the FRSC in the Philippines were adopted by the Company and were assessed to have no impact on the Company's financial statements.

New Accounting Standard Effective After the Reporting Period Ended March 31, 2018

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 amendments have introduced an exception into PFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement 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 amendments have 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 fair value at the modification date to the extent services have been rendered up to the modification date; and
    - 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.

Management has assessed that the application of the amendments will not have a significant impact on the Company's financial statements as the Company's cash-settled shared based payments does not contain a performance condition.

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

The amendments provide two (2) 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 (OCI), 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.

Management has assessed that the application of the amendments will not have a significant impact on the Company's financial statements as the Company does not issue insurance contracts.

PFRS 9 - *Financial Instruments (2014)*

This standard consists of the following three (3) 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 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 (SPPI) 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 SPPI 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; and
- 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 OCI 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.

Given the nature of the Company's operations, it is expected that the new expected credit loss model under PFRS 9 will accelerate the recognition of impairment losses and lead to higher impairment allowances at the date of initial application.

Based on Management's assessment, the recognition and measurement of the Company's financial assets and financial liabilities would be the same under both PAS 39 and PFRS 9.

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 future adoption of the standard will have no effect on the Company's financial statements since the Company does not apply hedge accounting.

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

PFRS 15 - *Revenue from Contracts with Customers*

The standard combines, enhances, and replaces specific guidance on recognizing revenue with a single standard. 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; and
- Recognize 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.

Management already assessed the impact of this standard and concluded that there is no effect on the Company's financial statements since the Company does not have complex revenue transactions.

Amendments to PFRS 15 - *Clarifications to PFRS 15*

The amendments in the standard addresses three (3) topics namely identifying performance obligations, principal versus agent considerations, and licensing and provide some transition relief for modified contracts and completed contracts.

- added a clarification that the objective of the assessment of a promise to transfer goods or services to a customer is to determine whether the nature of the promise, within the context of the contract, is to transfer each of those goods or services individually or, instead, to transfer a combined item or items to which the promised goods or services are inputs;
- clarification on how to assess control in in determining whether a party providing goods or services is a principal or an agent; and
- clarification on when an entity's activities significantly affect the intellectual property by amending the application guidance.

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

Management already assessed the impact of this standard and concluded that there is no effect on the Company's financial statements since the Company does not have complex revenue transactions.

PIC Q&A No. 2016-04 - *Application of PFRS 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 with a buyer, and the developer has determined that the contract is within the scope of PFRS 15 by satisfying all the criteria in paragraph 9 of PFRS 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.

The interpretation is effective on the same date as the effective date of PFRS 15.

Management has assessed that the application of the 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.

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.

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use. An asset is typically identified by being explicitly specified in a contract, but an asset can also be identified by being implicitly specified at the time it is made available for use by the customer.

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 permitted only if PFRS 15.

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

Annual Improvements to PFRSs 2014-2017 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.

Management has assessed that the application of the amendments will not have a significant impact on the Company's financial statements since the Company is not a first time adopter of PFRS.

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.

Management has assessed that the application of the amendments will not have a significant impact on the Company's financial statements since the Company has no 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.

Management has assessed that the application of the amendments will not have a significant impact on the Company's financial statements since the Company has no investment property.

Philippine Interpretation 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 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.

Management has assessed that the application of the interpretation will not have a significant impact on the Company's financial statements since the Company does not have advance considerations for non-monetary assets or non-monetary liabilities.

New Accounting Standards Effective After the Reporting Period Ended March 31, 2018-Adopted by the FRSC but Pending for Approval by BOA

The Company will adopt the following once these become effective.

PFRS 9 - *Prepayment Features with Negative Compensation*

The amendments include:

Changes regarding symmetric prepayment options

Under the current PFRS 9 requirements, the solely payments of principal and interest (SPPI) condition is not met if the lender has to make a settlement payment in the event of termination by the borrower (also referred to as early repayment gain).

Prepayment Features with Negative Compensation amend the existing requirements in PFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at FVTOCI even in the case of negative compensation payments.

Under the amendments, the sign of the prepayment amount is not relevant, i.e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favor of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

Clarification regarding the modification of financial liabilities

The final amendments also contain a clarification regarding the accounting for a modification or exchange of a financial liability measured at amortized cost that does not result in the derecognition of the financial liability. The IASB clarifies that an entity recognizes any adjustment to the amortized cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange. A retrospective change of the accounting treatment may therefore become necessary if in the past the effective interest rate was adjusted and not the amortized cost amount.

The amendments are effective for period beginning on or after January 1, 2019. Earlier application is permitted.

Management has assessed that the application of the amendments will not have a significant impact on the Company's financial statements as the Company does not have financial instruments with prepayment features with negative compensation.

PAS 28 - *Long-term Interests in Associates and Joint Ventures*

The amendments are:

Clarification that an entity applies PFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The amendments are effective for period beginning on or after January 1, 2019. Earlier application is permitted.

Management has assessed that the application of the amendments will not have a significant impact on the Company's financial statements as the Company does not have long-term interests in associates and joint ventures.

IFRC 23 - *Uncertainty over Income Tax Treatments*

This interpretation applies in determining the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under PAS 12, *Income Taxes.*

An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

- If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings; and
- If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

An entity has to reassess its judgements and estimates if facts and circumstances change.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

Management is still evaluating the impact of interpretation on the Company's determination of taxable profit (tax loss), unused tax losses, unused tax credit and tax rate.

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 (HTM) investments, 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 (CGU) to which the asset belongs. A reasonable and consistent basis of allocation can be identified, assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest company of CGUs 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 CGU 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 (MCIT) 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.

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 22.

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 P20,020,867 and P32,059,830 as at March 31, 2018 and 2017, respectively, which is net of the related allowances for inventory obsolescence amounting to P44,748 and nil, as at those dates, 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, 2018 and 2017, the carrying amount of the Company's property and equipment amounted to P1,265,317 and P1,664,621, respectively. Total accumulated depreciation as at March 31, 2018 and 2017 amounted to P976,247 and P576,943, 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, 2018 and 2017, Management believes that the recoverability of receivables from related parties is certain amounting to P323,697,070 and P236,954,880, respectively. Accordingly, no doubtful accounts expense was recognized in both years as disclosed in Notes 7 and 12.

As at March 31, 2018 and 2017, the total carrying amounts of trade and other receivables were P60,603,308 and P36,025,075, respectively, which were net of related allowances for doubtful accounts amounting to P1,419,458 and P364,685, 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, 2018 and 2017, 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, 2018 and 2017 amounted to P6,363,540 and P3,878,550, respectively, as disclosed in Note 21.

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 P813,655 and P213,626 in 2018 and 2017, respectively, as disclosed in Notes 13 and 17.

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:

	2018	2017
Cash in banks	**P38,658,233**	P5,155,478
Cash on hand	**20,000**	20,000
	P38,678,233	P5,175,478

Interest income earned from cash in banks at an average annual interest rate of 0.18% and 0.15% in 2018 and 2017 amounted to P40,664 and P7,469, respectively, as disclosed in Note 19.

7. TRADE AND OTHER RECEIVABLES - net

	Notes	**2018**	2017
Trade receivables - related party	12	**P323,697,070**	P236,954,880
Trade receivables		**52,696,437**	33,202,810
		376,393,507	270,157,690
Less: Allowance for doubtful accounts	17	**1,419,458**	364,685
		374,974,049	269,793,005
Advances to employees and others		**9,326,329**	3,186,950
		P384,300,378	P272,979,955

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	2018	2017
Balance, beginning		**P 364,685**	P -
Doubtful accounts expense	17	**1,054,773**	364,685
Balance, end		**P1,419,458**	P364,685

8. **INVENTORIES** - net

Details of the Company's inventories are as follows:

	2018	2017
Finished goods	**P20,065,615**	P32,059,830
Less: Allowance for inventory obsolescence	**44,748**	-
	P20,020,867	P32,059,830

Loss on inventory obsolescence amounting to P44,748 and nil in 2018 and 2017, respectively, is charged to cost of goods sold as disclosed in Note 16.

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, 2018 and 2017.

9. **PREPAYMENTS**

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

	2018	2017
Prepaid taxes	**P 9,094,984**	P 4,311,252
Input value-added taxes (VAT) - net	**-**	7,025,614
Others	**1,169,575**	726,395
	P10,264,559	P12,063,261

In 2017, Input VAT is net of output VAT amounting to P60,074,852.

Prepaid others include 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 and Fixtures	Office Equipment	Transportation Equipment	Total
Cost					
Balance, April 1, 2016		P36,182	P257,777	P1,025,936	P1,319,895
Additions		-	33,020	1,914,585	1,947,605
Disposal		-	-	(1,025,936)	(1,025,936)
Balance, March 31, 2017 and 2018		36,182	290,797	1,914,585	2,241,564
Accumulated Depreciation					
Balance, April 1, 2016		32,202	219,680	1,016,427	1,268,309
Depreciation	17	1,452	25,184	307,934	334,570
Disposals				(1,025,936)	(1,025,936)
Balance, March 31, 2017		33,654	244,864	298,425	576,943
Depreciation	17	1,897	14,490	382,917	399,304
Balance, March 31, 2018		35,551	259,354	681,342	976,247
Carrying Amounts March 31, 2018		**P 631**	**P 31,443**	**P1,233,243**	**P1,265,317**
Carrying Amounts March 31, 2017		P 2,528	P 45,933	P1,616,160	P1,664,621

In 2017, proceeds and gain from sale of property and equipment amounted to P127,800 as disclosed in Note 19.

Management believes that there is no indication of impairment in the value of its property and equipment as at March 31, 2018 and 2017.

11. TRADE AND OTHER PAYABLES

This account consists of:

	Note	2018	2017
Trade payables-related party	12	**P393,127,771**	P284,420,024
Trade payables		**27,284,710**	5,674,539
Advances from employees and others		**177,848**	-
Non-trade payables:			
Statutory payables		**3,270,786**	3,105,212
Accrued expenses		**1,240,356**	3,494,406
Output VAT-net		**305,384**	-
		P425,406,855	P296,694,181

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, accrued professional fees.

In 2018, output VAT is net of input VAT amounting to P2,090,660.

12. RELATED PARTY TRANSACTIONS

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

		Amounts		Outstanding Receivable (Payable)			
Category	**Ref**	**2018**	2017	**2018**	2017	Terms	Condition
Ultimate Parent							
Lupin Limited							
Purchase of goods		**P319,656,972**	P325,397,868	**(P393,127,771)**	(P284,420,024)	60 days, non-interest bearing	Unsecured
Service recharge	(a)	**-**	8,637,113	**-**	-	Payable on demand	Unsecured
Service rebilling	(a)	**9,485,402**	9,155,340	**4,732,103**	9,155,340	Payable on demand, non-interest bearing	Unsecured, no impairment
Share-based payments	(b)	**813,655**	213,626	**(134,642)**	(2,507,111)	Cash settled	Unsecured
Fellow Subsidiary							
Multicare Pharmaceutical Philippines (MPPI)							
Advances	(d)	**6,241,645**	966,183	**(8,585,238)**	(2,434,119)	Payable on demand, non-interest bearing	Unsecured
Sale of goods		**344,860,640**	439,051,442	**323,697,070**	236,954,880	30-45 days, non-interest bearing	Unsecured, no impairment
Rental	(c)	**240,000**	240,000	**(920,000)**	(680,000)	Payable on demand, non-interest bearing	Unsecured

Outstanding balance of related party receivables and payables as at March 31, 2018 and 2017 are as follows:

	Notes	**2018**	2017
Due from related parties		**P 4,732,103**	P 9,155,340
Due to related parties		**9,639,880**	5,621,230
Trade receivables-related party	7	**323,697,070**	236,954,880
Trade payables-related party	11	**393,127,771**	284,420,024

a. 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 19.

b. 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 13.

c. 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 22.

d. 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 is set out below in aggregate for each of the categories specified in PAS 24, *Related Party Disclosures*:

	Notes	2018	2017
Short-term employee benefits	17	**P7,197,996**	P5,633,333
Share-based payments	13, 17	**813,655**	213,626
		P8,011,651	P5,846,959

13. 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 2017 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 P813,655 and P213,626 in 2018 and 2017, respectively as disclosed in Notes 12 and 17.

14. SHARE CAPITAL

Details of share capital as at March 31, 2018 and 2017 are as follows:

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

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

15. SALE OF GOODS

Details of sale of goods are as follows:

	Note	2018	2017
Local sales	12	**P367,666,973**	P448,097,420
Foreign sales		**104,513,755**	54,045,117
		P472,180,728	P502,142,537

16. COST OF GOOD SOLD

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

	Notes	2018	2017
Inventories, beginning	8	**P 32,059,830**	P125,023,051
Purchases and other direct costs	12	**433,643,888**	374,958,909
Cost of goods available-for-sale		**465,703,718**	499,981,960
Add: Loss on inventory obsolescence	8	**44,748**	-
Less: Inventories, end	8	**20,065,615**	32,059,830
		P445,682,851	P467,922,130

Included in total cost of sales are the provision for inventory obsolescence amounted to P44,748 and nil in 2018 and 2017, respectively, as disclosed in Note 8.

17. OPERATING EXPENSES

Details of operating expenses are as follows:

	Notes	2018	2017
Salaries, wages, and benefits		**P 9,304,554**	P 7,655,157
Doubtful accounts expense	7	**1,054,773**	364,685
Representation and entertainment		**2,990,500**	2,944,582
Taxes and licenses		**2,894,250**	2,134,154
Professional fees		**888,285**	4,508,875
Share-based payments	12, 13	**813,655**	213,626
Depreciation	10	**399,304**	334,568
Transportation and travel		**265,317**	77,425
Rental	12, 22	**240,000**	240,000
Insurance expense		**150,016**	18,717
Communication, light and water		**109,419**	82,900
Postage and supplies		**49,584**	25,716
Delivery		**41,401**	14,339
Repairs and maintenance		**26,130**	62,774
Miscellaneous		**41,253**	-
		P19,268,441	P18,677,518

In 2017, total operating expenses includes service recharges billed to LL amounting to P8,637,113 as disclosed in Note 12. Service recharge consists of salaries, wages and benefits, professional fees, representation and entertainment, depreciation and insurance expense.

18. OTHER EXPENSES

Details of other expenses are as follows:

	2018	2017
Foreign exchange loss - net	**P17,205,105**	P13,803,806
Penalties and other charges	**6,292,073**	-
Bank charges	**190,720**	104,728
	P23,687,898	P13,908,534

In 2018, penalties and other charges include penalty for late delivery of goods to DOH amounting to P6,175,444.

19. OTHER INCOME

Details of other income are as follows:

	Notes	2018	2017
Service rebilling	12	**P 9,485,402**	P9,155,340
Reversal of prior year accrual		**1,055,697**	-
Gain on sale from disposal of property and equipment	10	**-**	127,800
Interest income	6	**40,664**	7,469
Others		**50,129**	-
		P10,631,892	P9,290,609

Reversal of prior year accrual pertains to long outstanding brokerage fees.

20. INCOME TAXES

Components of income tax expense (benefit) are as follows:

	Note	2018	2017
Current tax expense		**P 741,782**	P8,155,058
Deferred tax benefit	22	**(2,313,073)**	(4,062,977)
		(P1,571,291)	P4,092,081

A numerical reconciliation between tax expense (benefit) and the product of accounting profit multiplied by 30% in 2018 and 2017 follows:

	2018	2017
Accounting profit (loss)	**(P5,826,570)**	P10,924,964
Income tax at 30% statutory rate	**(P1,747,971)**	P 3,277,489
Tax effects of:		
Non-deductible expenses	**(552,903)**	-
Net operating loss carry-over (NOLCO)	**-**	28,593
Minimum corporate income tax (MCIT)	**741,782**	788,240
Interest income subjected to final tax	**(12,199)**	(2,241)
	(P1,571,291)	P 4,092,081

Details of NOLCO are as follows:

Year Incurred	Expiry Date	2017 Balance	Addition	Applied	2018 Balance
2018	2021	P -	P10,461,151	P -	**P10,461,151**

Details of MCIT are as follows:

Year Incurred	Expiry Date	Amount	Applied Previous Year	Applied Current Year	Expired	**Unapplied**
2018	2021	P741,782	P -	P -	P -	**P741,782**

21. 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	P788,239	P 28,593	P -	P -	P -	P 816,832
Charged to profit or loss	(788,239)	(28,593)	3,705,057	64,088	109,405	3,061,718
Balance, March 31, 2017	-	-	3,705,057	64,088	109,405	3,878,550
Charged to profit or loss	741,782	3,138,345	(1,687,873)	(23,696)	316,432	2,484,990
Balance, March 31, 2018	**P741,782**	**P3,138,345**	**P2,017,184**	**P40,392**	**P425,837**	**P6,363,540**

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

	Foreign Exchange Gain
Balance, March 31, 2016	(P1,001,259)
Charged to profit or loss	1,001,259
Balance, March 31, 2017	-
Charged to profit or loss	(171,917)
Balance, March 31, 2018	**(P 171,917)**

22. LEASE COMMITMENTS

The Company has an operating and cancellable lease agreement with a fellow subsidiary for its corporate office with a lease term of one year, renewable by agreement of both parties, as disclosed in Note 12.

The Company renewed its existing lease for another period of one year up to November 30, 2018. 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, 2018 and 2017.

Future minimum payments are presented below:

	2018	2017
Due within one year	**P160,000**	P160,000

23. 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:

	2018		2017	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash	**P 38,678,233**	**P 38,678,233**	P 5,175,478	P 5,175,478
Trade and other receivables - net	**384,300,378**	**384,300,378**	272,979,955	272,979,955
Due from related parties	**4,732,103**	**4,732,103**	9,155,340	9,155,340
Security deposit	**22,400**	**22,400**	22,400	22,400
	P427,733,114	**P427,733,114**	P287,333,173	P287,333,173
Financial liabilities				
Trade and other payables	**P421,830,685**	**P421,830,685**	P293,588,969	P293,588,969
Due to related parties	**9,639,880**	**9,639,880**	5,621,230	5,621,230
	P431,470,565	**P431,470,565**	P299,110,199	P299,110,199

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.

24. 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.

The carrying amounts of the Company's foreign currency denominated balances are as follows:

	2018	2017
Cash in bank	**P 15,887,813**	P 1,283,427
Trade and other receivables - net	**367,687,939**	27,499,415
Due from related parties	**4,732,103**	9,155,340
Trade and other payables	**417,968,849**	290,088,946
Due to a related party	**134,642**	2,507,111

The sensitivity rate used in reporting foreign currency risk internally to key management personnel is 5% and it represents Management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes all of the Company's foreign currency denominated asset and liabilities.

A positive number below indicates an increase in profit and equity where the Peso strengthens 5% against the relevant currency. For a 5% weakening of the Peso against the relevant currency, there would be an equal and opposite impact on the profit and equity for the year.

	Effect on Profit and Equity	
	2018	2017
Cash in bank	**P 794,391**	P 64,171
Trade and other receivables - net	**18,384,397**	1,374,971
Due from related parties	**236,605**	457,767
Trade and other payables	**20,898,442**	14,504,447
Due to a related party	**6,732**	125,356

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 as disclosed in Note 6.

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:

	2018	2017
Cash in banks	**P 38,658,233**	P 5,155,478
Trade and other receivables	**384,300,378**	272,979,955
Due from related parties	**4,732,103**	9,155,340
Security deposit	**22,400**	22,400
	P427,713,114	P287,313,173

As at March 31, 2018 and 2017, the aging analysis of the Company's financial assets is as follows:

	Neither Past Due nor Impaired	Past Due Account	Impaired Financial Assets	Total
2018				
Cash in banks	**P 38,658,233**	**P -**	**P -**	**P 38,658,233**
Trade and other receivables	**384,300,378**	**-**	**1,419,458**	**385,719,836**
Due from related party	**4,732,103**	**-**	**-**	**4,732,103**
Security deposits	**22,400**	**-**	**-**	**22,400**
	P427,713,114	**P -**	**P1,419,458**	**P429,132,572**
2017				
Cash in banks	P 5,155,478	P -	P -	P 5,155,478
Trade and other receivables	272,979,955	-	364,685	273,344,640
Due from related party	9,155,340	-	-	9,155,340
Security deposits	22,400	-	-	22,400
	P287,313,173	P -	P 364,685	P287,677,858

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, 2018 and 2017, 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
2018				
Trade and other payables		**P421,830,685**	**P -**	**P421,830,685**
Due to related parties		**9,639,880**	**-**	**9,639,880**
		P431,470,565	**P -**	**P431,470,565**
2017				
Trade and other payables		P293,588,969	P -	P293,588,969
Due to related parties		5,621,230	-	5,621,230
		P299,210,199	P -	P299,210,199

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.

25. 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 2018 and 2017 are as follows:

	2018	2017
Total liabilities	**P431,470,565**	P299,210,199
Total equity	**30,428,745**	34,684,024

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

26. 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	**P367,666,972**	**12%**	**P44,120,037**
Zero-rated Sales	**104,513,755**	**0%**	**-**
	P472,180,728		**P44,120,037**

Input VAT

Details of the Company's input VAT claimed for 2018 are as follows:

Input VAT - Beginning Balance	**P 67,100,466**
Current year's domestic purchases:	
Services lodged under cost of goods sold	**-**
Services lodged under other accounts	**476,809**
Importation of goods other than capital goods	**42,653,166**
Total available input VAT	**110,230,441**
Less: Input VAT claimed during the year	**(108,139,781)**
Balance at the end of the year	**P 2,090,660**

Taxes on importation of goods

Total landed cost of imports in 2018 amounted to P413,575,726. Total custom duties and tariff fees paid and accrued in relation to the imports amounted to 5,836,808 in 2018.

Withholding taxes

Tax on compensation and benefits	**P2,273,410**
Creditable withholding taxes - expanded	**97,836**
	P2,371,246

Other taxes

Details of the Company's other taxes and licenses and permit fee paid or accrued in 2018 are as follows*:*

Payments to Bureau of Food and Drugs	**P1,766,759**
Payments to local government	**1,006,400**
Other taxes and license fees	**121,091**
	P2,894,250

27. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company were approved and authorized for issuance by the Board of Directors on April 23, 2018.

* * *

Lupin Philippines, Inc.
(A wholly-owned subsidiary of Lupin Holdings, B.V.)
List of Effective Standards and Interpretations under the Philippine Financial Reporting Standards (PFRS) as at March 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		**Adopted**	**Not Adopted**	**Not Applicable**
Conceptual Framework for Financial Reporting Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	*First-time Adoption of Philippine Financial Reporting Standards*			✓
	Amendments to PFRS 1 and PAS 27: *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*			✓
	Amendments to PFRS 1: *Additional Exemptions for First-time Adopters*			✓
	Amendment to PFRS 1: *Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters*			✓
	Amendments to PFRS 1: *Severe Hyperinflation and Removal of Fixed Date for First-time Adopters*			✓
	Amendments to PFRS 1: *Government Loans*			✓
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PFRS 1: *First-Time Adoption of PFRS*			✓
	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)*			✓
	Annual Improvements to PFRSs 2014-2016 Cycle - Amendments to PFRS 1: *Deletion of short-term exemptions for first-time adopters**		✓	
PFRS 2	*Share-based Payment*	✓		
	Amendments to PFRS 2: *Vesting Conditions and Cancellations*	✓		
	Amendments to PFRS 2: *Group Cash-settled Share-based Payment Transactions*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 2: *Definition of Vesting Condition*	✓		
	*Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions **		✓	
PFRS 3 (Revised)	*Business Combinations*			✓
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 3: *Accounting for Contingent Consideration in a business combination*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PFRS 3: *Scope of Exception for Joint Ventures*			✓
PFRS 4	*Insurance Contracts*			✓
	Amendments to PAS 39 and PFRS 4: *Financial Guarantee Contracts*			✓
	Amendments to PFRS 4: Applying PFRS 9, *Financial Instruments* with PFRS 4, *Insurance Contracts* *		✓	
PFRS 5	*Non-current Assets Held for Sale and Discontinued Operations*			✓
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PFRS 5: *Changes in methods of disposal*			✓
PFRS 6	*Exploration for and Evaluation of Mineral Resources*			✓
PFRS 7	*Financial Instruments: Disclosures*	✓		
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets*			✓
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets - Effective Date and Transition*			✓
	Amendments to PFRS 7: *Improving Disclosures about Financial Instruments*	✓		
	Amendments to PFRS 7: *Disclosures - Transfers of Financial Assets*			✓
	Amendments to PFRS 7: *Disclosures – Offsetting Financial Assets and Financial Liabilities*	✓		
	Amendments to PFRS 7: *Mandatory Effective Date of PFRS 9 and Transition Disclosures*			✓
	Amendments to PFRS 7: *Hedge Accounting Disclosures*			✓
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PFRS 7: *Servicing contracts and Applicability of the amendments to PFRS 7 to condensed interim financial statements*			✓
PFRS 8	*Operating Segments*			✓
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 8: *Aggregation of Operating Segments and Reconciliation of the reportable segments' assets to the entity's assets*			✓
PFRS 9	*Financial Instruments (2014)**		✓	
PFRS 10	*Consolidated Financial Statements*			✓
	Amendments to PFRS 10: *Consolidated Financial Statement: Transition Guidance*			✓
	Amendments to PFRS 10:*Transition Guidance and Investment Entities*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 10: *Sales or contributions of assets between an investor and its associate/joint venture**		✓	
	Amendments to PFRS 10: *Investment Entities: Applying the Consolidation Exception*			✓
PFRS 11	*Joint Arrangements*			✓
	Amendments to PFRS 1: *Joint Arrangements: Transition Guidance*			✓
	Amendments to PFRS 11: *Accounting for Acquisitions of Interests in Joint Operations*			✓
PFRS 12	*Disclosure of Interests in Other Entities*			✓
	Amendments to PFRS 12: *Disclosure of Interests in Other Entities: Transition Guidance*			✓
	Amendments to PFRS 12: *Transition Guidance and Investment Entities*			✓
	Amendments to PFRS 12: *Investment Entities: Applying the Consolidation Exception*			✓
	Annual Improvements to PFRSs 2014-2016 Cycle - Amendments to PFRS 12: *Clarification of the scope of the standard*			✓
PFRS 13	*Fair Value Measurement*	✓		
	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)*			✓
	Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PFRS 13: *Portfolio Exception*			✓
PFRS 14	*Regulatory Deferral Accounts*			✓
PFRS 15	*Revenue from Contracts with Customers**		✓	
	Amendments to PFRS 15: *Clarifications to PFRS 15**		✓	
PFRS 16	*Leases **		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	*Presentation of Financial Statements*	✓		
	Amendment to PAS 1: *Capital Disclosures*	✓		
	Amendments to PAS 32 and PAS 1: *Puttable Financial Instruments and Obligations Arising on Liquidation*			✓
	Amendments to PAS 1: *Presentation of Items of Other Comprehensive Income*	✓		
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 1: *Comparative Information*	✓		
	Amendments to PAS 1: *Disclosure Initiative*	✓		
PAS 2	*Inventories*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 7	*Statement of Cash Flows*	✓		
	Amendments to PAS 7*: Disclosure Initiative*	✓		
PAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*	✓		
PAS 10	*Events after the Reporting Period*	✓		
PAS 11	*Construction Contracts*			✓
PAS 12	*Income Taxes*	✓		
	Amendment to PAS 12: *Deferred Tax: Recovery of Underlying Assets*	✓		
	Amendment to PAS 12: *Recognition of Deferred Tax Assets for Unrealized Losses*	✓		
PAS 16	*Property, Plant and Equipment*	✓		
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 16, *Servicing Equipment*			✓
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PAS 16: *Revaluation Method - Proportionate Restatement of Accumulated Depreciation*			✓
	Amendments to PAS 16: *Clarification of Acceptable Methods of Depreciation*	✓		
	Amendments to PAS 16: *Agriculture: Bearer Plants*			✓
PAS 17	*Leases*	✓		
PAS 18	*Revenue*	✓		
PAS 19 (Amended)	*Employee Benefits (2011)*			✓
	Amendments to PAS 19: *Defined Benefit Plans: Employee Contributions*			✓
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PAS 19: *Discount rate: regional market issue*			✓
PAS 20	*Accounting for Government Grants and Disclosure of Government Assistance*			✓
PAS 21	*The Effects of Changes in Foreign Exchange Rates*	✓		
	Amendment to PAS 21: *Net Investment in a Foreign Operation*			✓
PAS 23 (Revised)	*Borrowing Costs*			✓
PAS 24 (Revised)	*Related Party Disclosures*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PAS 24: *Key Management Personnel*	✓		
PAS 26	*Accounting and Reporting by Retirement Benefit Plans*			✓
PAS 27 (Amended)	*Separate Financial Statements*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 27: *Transition Guidance and Investment Entities*			✓
	Amendments to PAS 27: *Equity Method in Separate Financial Statements*			✓
PAS 28 (Amended)	*Investments in Associates and Joint Ventures*			✓
	Amendments to PAS 28: *Investment Entities: Applying the Consolidation Exception*			✓
	Amendments to PAS 28: *Sales or contributions of assets between an investor and its associate/joint venture**		✓	
	Annual Improvements to PFRSs 2014-2016 Cycle - Amendments to PAS 28: *Measuring an associate or joint venture at fair value**		✓	
PAS 29	*Financial Reporting in Hyperinflationary Economies*			✓
PAS 32	*Financial Instruments: Disclosure and Presentation*	✓		
	Amendments to PAS 32 and PAS 1: *Puttable Financial Instruments and Obligations Arising on Liquidation*			✓
	Amendment to PAS 32: *Classification of Rights Issues*			✓
	Annual Improvements to PFRSs 2009-2011 Cycle -Amendments to PAS 32: *Tax Effect of Equity Distributions*			✓
	Amendments to PAS 32: *Offsetting Financial Assets and Financial Liabilities*			✓
PAS 33	*Earnings per Share*			✓
PAS 34	*Interim Financial Reporting*			✓
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 34: *Interim Reporting of Segment Assets*			✓
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PAS 34: *Disclosure of information 'elsewhere in the interim financial report'*			✓
PAS 36	*Impairment of Assets*	✓		
	Amendments to PAS 36: *Recoverable Amount Disclosures for Non-Financial Assets*	✓		
PAS 37	*Provisions, Contingent Liabilities and Contingent Assets*	✓		
PAS 38	*Intangible Assets*			✓
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PAS 38: *Revaluation Method - Proportionate Restatement of Accumulated Amortization*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 38*: Clarification of Acceptable Methods of Amortization*	✓		
PAS 39	Financial Instruments: *Recognition and Measurement*	✓		
	Amendments to PAS 39: *Transition and Initial Recognition of Financial Assets and Financial Liabilities*	✓		
	Amendments to PAS 39: *Cash Flow Hedge Accounting of Forecast Intragroup Transactions*			✓
	Amendments to PAS 39: *The Fair Value Option*			✓
	Amendments to PAS 39 and PFRS 4: *Financial Guarantee Contracts*			✓
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets*			✓
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets – Effective Date and Transition*			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: *Embedded Derivatives*			✓
	Amendment to PAS 39: *Eligible Hedged Items*			✓
	Amendment to PAS 39: *Novation of Derivatives and Continuation of Hedge Accounting*			✓
	Amendment to PAS 39: *Hedge Accounting Disclosures*			✓
PAS 40	*Investment Property*			✓
	Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PAS 40: *Clarifying the Interrelationship of PFRS 3 and PAS 40 When Classifying Property as Investment Property or Owner-Occupied Property*			✓
	Amendments to PAS 40: *Transfers of Investment Property**		✓	
PAS 41	*Agriculture*			✓
	Amendments to PAS 41*: Agriculture: Bearer Plants*			✓
Philippine Interpretations				
IFRIC 1	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*			✓
IFRIC 2	*Members' Share in Co-operative Entities and Similar Instruments*			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*	✓		
IFRIC 9	*Reassessment of Embedded Derivatives*			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: *Embedded Derivatives*			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 12	*Service Concession Arrangements*			✓
IFRIC 13	*Customer Loyalty Programmes*			✓
IFRIC 14	*The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*			✓
	Amendments to Philippine Interpretations IFRIC-14: *Prepayments of a Minimum Funding Requirement*			✓
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*			✓
IFRIC 17	*Distributions of Non-cash Assets to Owners*			✓
IFRIC 18	*Transfers of Assets from Customers*			✓
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*			✓
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*			✓
IFRIC 21	*Levies*			✓
IFRIC 22	*Foreign Currency Transactions and Advance Consideration**		✓	
SIC-7	*Introduction of the Euro*			✓
SIC-10	*Government Assistance - No Specific Relation to Operating Activities*			✓
SIC-15	*Operating Leases - Incentives*			✓
SIC-25	*Income Taxes - Changes in the Tax Status of an Entity or its Shareholders*			✓
SIC-27	*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	✓		
SIC-29	*Service Concession Arrangements*: *Disclosures*			✓
SIC-31	*Revenue - Barter Transactions Involving Advertising Services*			✓
SIC-32	*Intangible Assets - Web Site Costs*			✓
PIC Q&A No. 2006-01	*Revenue Recognition for Sales of Property Units Under Pre-Completion Contracts*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PIC Q&A No. 2006-02	*Clarification of Criteria for Exemption from Presenting Consolidated Financial Statements*			✓
PIC Q&A No. 2007-03	*Valuation of Bank Real and Other Properties Acquired (ROPA)*			✓
PIC Q&A No. 2008-01	*Rate Used in Discounting Post-employment Benefit Obligations*			✓
PIC Q&A No. 2009-01	*Financial Statements Prepared on a Basis Other than Going Concern*			✓
PIC Q&A No. 2010-02	*Basis of Preparation of Financial Statements*	✓		
PIC Q&A No. 2010-03	*Current/non-current Classification of a Callable Term Loan*			✓
PIC Q&A No. 2011-02	*Common Control Business Combinations*			✓
PIC Q&A No. 2011-03	*Accounting for Inter-company Loans*	✓		
PIC Q&A No. 2011-04	*Costs of Public Offering of Shares*			✓
PIC Q&A No. 2011-05	*Fair Value or Revaluation as Deemed Cost*			✓
PIC Q&A No. 2011-06	*Acquisition of Investment Properties – Asset Acquisition or Business Combination?*			✓
PIC Q&A No. 2012-01	*Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements*			✓
PIC Q&A No. 2012-02	*Cost of a New Building Constructed on Site of a Previous Building*			✓
PIC Q&A No. 2013-03 (Revised)	*Accounting for Employee Benefits under a Defined Contribution Plan Subject to Requirement of Republic Act (RA) 7641: The Philippine Retirement Law*			✓
PIC Q&A No. 2015-01	*Conforming Changes to PIC Q&As - Cycle 2015*			✓
PIC Q&A No. 2016-02	*Accounting treatment of club shares*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PIC Q&A 2016-01	*Conforming changes to PIC Q&As – Cycle 2016*			✓
PIC Q&A 2016-04	*Application of PFRS 15 “Revenue from Contracts with Customers” on Sale of Residential Properties under Pre-completion Contract**		✓	

**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, 2018.*