

MULTICARE PHARMACEUTICALS PHILIPPINES, INC.

(A Subsidiary of Nanomi B.V.)

FINANCIAL STATEMENTS
March 31, 2023 and 2022

With Independent Auditors' Report



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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Multicare Pharmaceuticals Philippines, Inc.
17th Floor Units A & B, 8 Rockwell Building
Hidalgo Drive, Rockwell Center
Poblacion, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Multicare Pharmaceuticals Philippines, Inc. (the "Company"), a subsidiary of Nanomi B.V., which comprise the statements of financial position as at March 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). 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.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, 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 PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 23 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. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

VERNILO G. YU

Partner

CPA License No. 108798

SEC Accreditation No. 1815-A, Group A, valid until August 20, 2023

Tax Identification No. 225-454-652

BIR Accreditation No. 08-001987-035-2021

Issued June 29, 2021; valid until June 28, 2024

PTR No. MKT 9563856

Issued January 3, 2023 at Makati City

May 2, 2023

Makati City, Metro Manila



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**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING
WITH THE BUREAU OF INTERNAL REVENUE**

The Board of Directors and Stockholders
Multicare Pharmaceuticals Philippines, Inc.
17th Floor Units A & B, 8 Rockwell Building
Hidalgo Drive, Rockwell Center, Poblacion, Makati City

We have audited the accompanying financial statements of Multicare Pharmaceuticals Philippines, Inc. (the "Company"), a subsidiary of Nanomi B.V., as at and for the year ended March 31, 2023, on which we have rendered our report dated May 2, 2023.

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

R.G. MANABAT & CO.

VERNILO G. YU
Partner
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SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR

The Board of Directors and Stockholders
Multicare Pharmaceuticals Philippines, Inc.
17th Floor Units A & B, 8 Rockwell Building
Hidalgo Drive, Rockwell Center, Poblacion, Makati City

We have audited the accompanying financial statements of Multicare Pharmaceuticals Philippines, Inc. (the "Company"), a subsidiary of Nanomi B.V., as at and for the year ended March 31, 2023, on which we have rendered our report dated May 2, 2023.

In compliance with Revised Securities Regulations Code Rule 68, we are stating that the said Company has thirty-four (34) stockholders owning one hundred (100) or more shares each.

R.G. MANABAT & CO.

VERNILO G. YU
Partner
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MULTICARE PHARMACEUTICALS PHILIPPINES, INC.
(A Subsidiary of Nanomi B.V.)

STATEMENTS OF FINANCIAL POSITION

		March 31	
	<i>Note</i>	2023	2022
ASSETS			
Current Assets			
Cash	5, 22	P663,209,382	P614,379,140
Trade and other receivables - net	6, 22	557,168,851	539,238,401
Inventories - net	7	224,914,773	211,148,428
Due from related parties	14, 22	23,172,029	22,281,000
Prepayments and other current assets	8	21,212,117	15,640,344
Total Current Assets		1,489,677,152	1,402,687,313
Noncurrent Assets			
Property and equipment - net	9	107,609,677	100,273,572
Intangible assets - net	10	34,145,478	5,095,929
Right-of-use assets - net	19	36,018,577	46,560,600
Deferred tax assets - net	20	57,656,168	58,961,974
Other noncurrent assets	19, 22	5,390,622	7,816,298
Total Noncurrent Assets		240,820,522	218,708,373
		P1,730,497,674	P1,621,395,686
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11, 22	P548,777,686	P528,072,175
Due to related parties	14, 22	9,986,826	9,097,215
Income tax payable		28,968,586	9,169,414
Lease liabilities - current portion	19, 22	10,032,011	9,107,806
Dividends payable	14, 15, 22	341,336	-
Total Current Liabilities		598,106,445	555,446,610
Noncurrent Liabilities			
Lease liabilities - net of current portion	19	30,143,422	40,175,432
Retirement benefits obligation	12	64,591,119	76,701,136
Total Noncurrent Liabilities		94,734,541	116,876,568
Total Liabilities		692,840,986	672,323,178
Equity			
Share capital	15	300,000,000	300,000,000
Share premium	15	28,400,000	28,400,000
Accumulated remeasurements on retirement benefits	12	32,976,832	34,966,883
Retained earnings	15	676,279,856	585,705,625
Total Equity		1,037,656,688	949,072,508
		P1,730,497,674	P1,621,395,686

See Notes to the Financial Statements.

MULTICARE PHARMACEUTICALS PHILIPPINES, INC.
(A Subsidiary of Nanomi B.V.)

STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended March 31	
	<i>Note</i>	2023	2022
NET SALES	16	P1,744,740,567	P1,734,212,614
COST OF GOODS SOLD	17	778,646,426	903,292,756
GROSS PROFIT		966,094,141	830,919,858
OPERATING EXPENSES	18	638,301,695	519,756,056
INCOME FROM OPERATIONS		327,792,446	311,163,802
OTHER INCOME (CHARGES) - Net			
Interest income	5	6,470,126	348,702
Gain on sale of property and equipment	9	5,644,457	17,196,903
Foreign exchange gains (losses) - net		2,190,159	(513,021)
Rent income	14	240,000	240,000
Reversal of allowance for impairment losses	6	85,732	374,833
Bank charges		(435,755)	(466,803)
Interest expense	19	(1,773,919)	(2,121,410)
		12,420,800	15,059,204
INCOME BEFORE TAX		340,213,246	326,223,006
INCOME TAX EXPENSE	20	82,103,824	61,836,746
NET INCOME		258,109,422	264,386,260
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement gains (losses) on retirement benefits obligation	12	(2,653,401)	3,890,394
Deferred income tax relating to remeasurement gains (losses) on retirement benefits	20	663,350	(972,599)
		(1,990,051)	2,917,795
TOTAL COMPREHENSIVE INCOME		P256,119,371	P267,304,055

See Notes to the Financial Statements.

MULTICARE PHARMACEUTICALS PHILIPPINES, INC.
(A Subsidiary of Nanomi, B.V.)

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

	Share Capital (see Note 15)	Share Premium (see Note 15)	Accumulated Remeasurements on Retirement Benefits (see Note 12)	Appropriated Retained Earnings (see Notes 15)	Unappropriated Retained Earnings (see Notes 15)	Total Retained Earnings (see Notes 15)	Total
Balance, March 31, 2021	P300,000,000	P28,400,000	P32,049,088	P -	P372,839,665	P372,839,665	P733,288,753
Net income for the year	-	-	-	-	264,386,260	264,386,260	264,386,260
Other comprehensive income for the year - remeasurement gains on retirement benefits obligation - net of tax	-	-	2,917,795	-	-	-	2,917,795
	-	-	2,917,795	-	264,386,260	264,386,260	267,304,055
Transactions with owners:							
Cash dividends	-	-	-	-	(51,520,300)	(51,520,300)	(51,520,300)
Balance, March 31, 2022	300,000,000	28,400,000	34,966,883	-	585,705,625	585,705,625	949,072,508
Net income for the year	-	-	-	-	258,109,422	258,109,422	258,109,422
Other comprehensive loss for the year - remeasurement losses on retirement benefits obligation - net of tax	-	-	(1,990,051)	-	-	-	(1,990,051)
	-	-	(1,990,051)	-	258,109,422	258,109,422	256,119,371
Transactions with owners:							
Cash dividends	-	-	-	-	(167,535,191)	(167,535,191)	(167,535,191)
Appropriations during the year	-	-	-	25,000,000	(25,000,000)	-	-
Balance, March 31, 2023	P300,000,000	P28,400,000	P32,976,832	P25,000,000	P651,279,856	P676,279,856	P1,037,656,688

See Notes to the Financial Statements.

MULTICARE PHARMACEUTICALS PHILIPPINES, INC.
(A Subsidiary of Nanomi, B.V.)
STATEMENTS OF CASH FLOWS

		Years Ended March 31	
	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before income tax		P340,213,246	P326,223,006
Adjustments for:			
Depreciation and amortization	9, 10, 18, 29	47,585,708	39,770,391
Allowance for inventory obsolescence	7	40,456,310	54,347,383
Retirement benefits cost	12	17,005,234	15,386,305
Allowance for sales returns and discount	6	15,538,279	21,641,705
Interest expense	11, 12, 19	1,773,919	2,121,410
Loss on disposal of intangible assets		137,767	-
Unrealized foreign exchange gain - net		(24,910)	-
Reversal of allowance for impairment losses on receivables	6, 18	(4,492,549)	(4,136,209)
Gain on disposal of property and equipment	9	(5,644,457)	(17,196,903)
Interest income	5	(6,470,126)	(348,702)
Cash flows before working capital changes		446,078,421	437,808,386
Decrease (increase) in:			
Trade and other receivables - net		(28,976,180)	1,494,300
Inventories - net		(54,222,655)	150,433,631
Due from related parties		(891,029)	44,135,992
Prepayments and other current assets		(5,571,773)	6,048,434
Increase (decrease) in:			
Trade and other payables		23,665,627	(177,966,272)
Due to related parties		889,611	3,887,029
Cash generated from operations		380,972,022	465,841,500
Income taxes paid		(60,335,496)	(83,405,181)
Interest paid		(1,773,919)	(1,459,523)
Interest income received	5	6,470,126	348,702
Benefits paid directly from book reserves		(876,282)	-
Contributions to retirement fund		(30,892,370)	-
Net cash generated from operating activities		293,564,081	381,325,498
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment - net	9	(41,540,408)	(63,847,219)
Proceeds from sale of property and equipment - net	9	5,766,899	17,629,095
Decrease in other noncurrent assets	19	2,425,676	(5,353,335)
Additions to intangible assets		(32,149,140)	2,882,290
Net cash used in investing activities		(65,496,973)	(48,689,169)

Forward

		Years Ended March 31	
	Note	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	15	(P167,193,855)	(P51,520,300)
Payments to lease liabilities	19	(10,881,724)	(22,232,214)
Net cash used in financing activities		(178,075,579)	(73,752,514)
NET INCREASE IN CASH		49,991,529	258,883,815
EFFECTS OF EXCHANGE RATE CHANGES ON CASH		(1,161,287)	-
CASH AT BEGINNING OF YEAR		614,379,140	355,495,325
CASH AT END OF YEAR		P663,209,382	P614,379,140

See Notes to the Financial Statements.

MULTICARE PHARMACEUTICALS PHILIPPINES, INC.
(A Subsidiary of Nanomi, B.V.)

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Multicare Pharmaceuticals Philippines, Inc. (the "Company") was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on November 9, 2001 and started commercial operations on January 3, 2002. Its primary purpose is to engage in the business of buying, selling, importing, marketing, distribution by wholesale and retail, both domestic and international, all drugs, medicines, chemicals, medical devices and allied products, pharmaceuticals and other articles pertaining to the drug business.

The Company is 51% owned by Nanomi B.V. The remaining 49% are owned by several individuals. The Company's ultimate parent is Lupin Limited, an entity incorporated under the laws of India.

The Company's registered office address and principal place of business is located at 17th Floor Units A & B, 8 Rockwell Building, Hidalgo Drive, Rockwell Center, Poblacion, Makati City, Philippines.

2. Basis of Preparation

Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards issued by the International Accounting Standards Board. PFRSs which are issued by the Philippine Financial Reporting Standards Council, consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

Basis of Measurement

The financial statements have been prepared on the historical cost basis of accounting except for retirement benefit obligation, which is recognized at the present value of the defined benefit obligation less fair value of plan assets.

Functional and Presentation Currency

The financial statements are presented in Philippine Peso, which is the Company's functional currency. All financial information presented have been rounded to the nearest peso, unless when otherwise indicated.

Authorization for Issuance of the Financial Statement

The financial statements as at and for the year ended March 31, 2023 were approved and authorized for issue by the Board of Directors of the Company on April 28, 2023.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as explained below.

Adoption of Amendments to Standards and Interpretations

The Company has adopted the following new standards, amendments to standards and interpretations starting April 1, 2022 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Company's financial statements.

- *Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16, Property, Plant and Equipment)*. The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

- *Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37, Provisions, Contingent Liabilities and Contingent Assets)*. The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

- *Annual Improvements to PFRS Standards 2018-2020*. This cycle of improvements contains amendments to four standards, of which the following are applicable to the Company:
 - *Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* (Amendment to PFRS 9, *Financial Instruments*). The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. It applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.
 - *Lease Incentives* (Amendment to Illustrative Examples accompanying PFRS 16, *Leases*). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

Amendments to Standards Issued But Not Yet Adopted

A number of amendments to standards are effective for annual periods beginning after April 1, 2022. However, the Company has not early adopted the following amendments to standards in preparing these financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the Company's financial statements.

Effective January 1, 2023

- *Definition of Accounting Estimates* (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). To clarify the distinction between changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments clarify that accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Developing an accounting estimate includes selecting a measurement technique (estimate or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in the inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The amendments apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the entity applies the amendments.

- Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2, *Making Materiality Judgments*). The amendments are intended to help companies provide useful accounting policy disclosures. The key amendment to PAS 1 include requiring entities to disclose material accounting policies rather than significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are material to the financial statements. The amendments to PFRS Practice Statement 2 provide guidance and examples on the application of materiality to accounting policy disclosures.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments clarify that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

Effective January 1, 2024

- Classification of Liabilities as Current or Noncurrent - 2020 amendments and Non-current Liabilities with Covenants - 2022 amendments (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:
 - least 12 months after the reporting period to be unconditional and instead require that the right must have substance and exist at the reporting period;
 - clarified that only covenants with which the company must comply on or before the reporting date affect the classification of a liability as current or non-current and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
 - provided additional disclosure requirements for non-current liabilities subject to conditions within 12 months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; and
 - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

The amendments will apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Companies that have early applied the 2020 amendments may retain application until the 2022 amendments are applied. Companies that will early apply the 2020 amendments after issue of the 2022 amendments must apply both amendments at the same time.

Financial Instruments

Non-derivative Financial Instruments. Non-derivative financial instruments consist of cash, security deposit, trade and other receivables, due to/from related parties, trade and other payables (excluding payables to government), short-term borrowings and dividends payable.

Recognition and Initial Measurement. Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial Assets - Classification and Subsequent Measurement. On initial recognition, the Company classifies its financial assets in the following measurement categories: measured at amortized cost; financial assets at FVTPL and financial assets at FVOCI.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

The Company has no financial assets classified as measured at: FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost using the effective interest method if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Included in this category are the Company's cash, trade and other receivables, security deposits and due from related parties.

Cash includes cash on hand and deposits held at call with the bank. They are carried in the statement of financial position at face or nominal amount. Cash in bank earns interest at the prevailing bank deposit rates.

'Day 1' Profit. Where the transaction price in a non-active market is different from the fair value from other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss, unless it qualifies for recognition as some other type of asset. In cases where use of data is made which are not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit amount.

Business Model Assessment. The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Solely Payments of Principal and Interest Assessment. Principal is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and

- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features)

Financial Liabilities - Classification, Subsequent Measurement and Gains and Losses. Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Included in this category are the Company's trade and other payables, short-term borrowings, due to related parties, lease liabilities and dividends payable.

Impairment of Financial Assets

The Company uses 'expected credit loss' (ECL) model in the impairment of its financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under PFRS 9, *Financial Instruments*, credit losses are recognized earlier than under PAS 39, *Financial Instruments: Recognition and Measurement*.

ECL is the probability-weighted estimate of credit losses over the expected life of the financial instrument, representing the present value of expected cash shortfalls. The Company applies either a 12-month ECL or a lifetime ECL. Lifetime ECL applies to the financial assets that have experienced a significant increase in credit risk or are already credit-impaired.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Internal credit rating
- External credit rating (as far as available)
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the debtor
- Significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtor and changes in the operating results of the debtor

A default on a financial asset is when the counterparty fails to make contractual payments and objective evidence of impairment exists. A financial asset is credit-impaired when an event that has a detrimental impact on the estimated future cash flows have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as default;
- it is probable that the borrower will enter bankruptcy or either financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties

Financial assets are written off when there is no reasonable expectation of recovery. The Company categorizes a receivable for write off when a debtor fails to make payments or when it is no longer probable that the receivable will be collected. Where loans or receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

Offsetting Financial Assets and Liabilities.

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets. A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes, when necessary, based on the market values, being the estimated amount for which assets could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The different levels of fair value of financial instruments carried at fair value, by valuation method have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Transfers between levels of the fair value hierarchy are recognized at the end of the reporting period during which the change has occurred.

Inventories

Inventories are initially measured at cost. Costs of inventories are assigned using the weighted average method and includes expenditures incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. Subsequently, inventories are valued at the lower of cost and NRV. NRV is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When the NRV of the inventories is lower than the cost, the Company provides 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 NRV, 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 amounts of those inventories are recognized under “Cost of Goods Sold” account in profit or loss 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 noncurrent assets.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
 - the Company has the right to operate the asset; or
 - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

The Company as Lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any less incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounting using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses the incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payment, including in-substance fixed payments;
- variable leases payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- amounts expected to be payable under a residual value guarantee.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Assets held under other leases were classified as operating leases and were not recognized in the Company's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

The Company as a Lessor

The Company recognizes lease payments received under operating lease as income on a straight-line basis over the lease term as rental income.

If an arrangement contains lease and non-lease components, the Company applies PFRS 15, *Revenue from Contracts with Customers*, to allocate the consideration in the contract.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization, and impairment losses, if any.

Initially, an item of property and equipment is measured at its cost, which consists of purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits associated with the assets, in excess of the originally assessed standard of performance, will flow to the Company.

All other subsequent expenditures are recognized as an expense in the period in which it is incurred.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives (EUL) of the assets:

	Number of Years
Transportation equipment	5
Office furniture and fixtures	5
Leasehold improvements	5 or term of the lease, whichever is shorter
Warehouse equipment	3 - 5
Office equipment	3

The useful lives and method of depreciation and amortization are reviewed at each reporting date to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized in profit or loss, whenever the carrying amount of an asset exceeds its recoverable amount or its future cash flows expected to be generated.

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.

Intangible Assets

Acquired Intangible Assets

Intangible assets that are acquired by the Company with finite useful lives are initially measured at cost. At the end of each reporting period items of intangible assets acquired are measured at cost less accumulated amortization and accumulated impairment losses. Cost includes purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable cost of preparing the intangible asset for its intended use.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization of an intangible asset with a finite useful life begins when the asset is available for use - i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The amortization period and the amortization method used for intangible assets with finite useful lives are reviewed at least at each reporting date. Changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss consistent with the function of the intangible asset.

Amortization of computer software is computed using the straight-line method over the EUL of three (3) years.

Marketing rights are being amortized on a straight-line basis over a period of ten (10) years based on the agreement.

License fees are to be amortized starting after the launching of the products, on a straight-line basis over a period of ten (10) years based on the agreement.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Impairment of Nonfinancial Assets

The carrying amount of the Company's nonfinancial assets such as property and equipment and intangible assets are reviewed for impairment on each reporting date to determine whether there is any indication that an asset may be impaired, or whether there is any indication that an impairment loss previously recognized for an asset in prior periods may no longer exist or may have decreased. If any of 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. If 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 group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

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 CGU is reduced to its recoverable amount. An impairment loss is recognized as an expense. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis.

Impairment losses recognized in prior periods are assessed at the end of each reporting period for any indication 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 in profit or loss.

Equity

Capital Stock

Capital stock is classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

Retained Earnings

The amount included in retained earnings includes earnings attributable to the Company's equity holders and reduced by dividends, if any, on share capital. Dividends on share capital are recognized as liability and deducted from equity when they are declared by the Company's stockholders. Dividends for the year that are approved after the financial reporting date are dealt as an event after the financial reporting date.

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.

If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision should be reversed.

Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

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 period. Short-term benefits given by the Company to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses, medical insurance and other non-monetary benefits.

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

Post-employment Benefits

Defined Benefit Plan

The Company classifies its retirement benefit as defined benefit plans. Under defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income (OCI) in the period in which they occur.

Remeasurement recognized in OCI is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expense or income
- Remeasurement

The Company presents the first two (2) components of defined benefit costs in profit or loss in the line item salary, wages and employee benefits. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the statements of financial position represents the actual deficit or surplus in the Company's defined benefit plans.

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.

Revenue Recognition

Revenue from Contracts with Customers

The Company's business is primarily to engage in the business of buying, selling, importing, marketing, distribution by wholesale and retail, both domestic and international, all drugs, medicines, chemicals, medical devices and allied products, pharmaceuticals and other articles pertaining to the drug business.

The Company recognizes revenue when it transfers control over a product or service to a customer. Revenue is measured based on the consideration specified in a contract with a customer.

The following is a description of principal activities from which the Company generates its revenue. Revenue is disaggregated by major products/service lines as reflected in the statements of profit or loss.

Wholesale/Regional Distributors

Goods are sold to bigger distributors (nationwide) and then the goods are ultimately sold to final customers through distributors. Distributor uses its channels to distribute the goods to customer. Revenue is recognized at the point in time when the goods have been delivered to final customers.

Direct Pharmacy/Small Drug Stores

Sales are also being made to pharmacies/small drug stores directly on the invoice of the Company. Revenue is recognized at the point in time when the goods have been delivered.

Rental Income. Revenue recognition for rental income is disclosed in the Company's policy for leases.

Interest Income. Interest income is recognized as it accrues, using the effective interest method.

Other Income. Other income is recognized when earned.

Cost and Expense Recognition

Expenses are recognized in profit or loss when a decrease in future economic benefits 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 consists of expenses incurred that are associated with the goods sold. Operating expenses are costs attributable to administrative, selling, and other business activities of the Company.

Foreign Currency Transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognized in profit or loss.

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.

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

Related Party Transactions

Transfer of resources, services or obligations between the Company and its related parties, 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. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual. An entity that has a post-employment benefit plan for the employees of the Company and the key management personnel of the Company are also considered to be related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Taxation

Income tax in profit or loss for the year comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or other comprehensive income in which case it is recognized in equity or other comprehensive income.

Current Tax

The tax currently payable 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 liability for current tax is calculated using the regular corporate tax rate enacted or substantively enacted at the end of the reporting period.

Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Events After the Reporting Date

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

4. Management's Use of Judgment and Estimates and Assumptions

The preparation of the financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Judgments, estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected.

Judgments

In the process of applying the Company's accounting policies, management has no significant judgments apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

Accounting Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty as at the reporting date that have the most significant risk of resulting in a material adjustment to the carrying amounts of assets, liabilities and equity within the next financial year are as follows:

Estimating Allowance for Impairment Losses on Receivables

The Company maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the customers, the customers' payment behavior and known market factors. The Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a regular basis. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase the recorded operating expenses and decrease current assets.

The Company provided allowance for impairment losses on receivables amounting to P10.59 million and P15.09 million as at March 31, 2023 and 2022, respectively. The carrying value of receivables amounted to P557.17 million and P539.24 million as at March 31, 2023 and 2022, respectively (see Note 6).

Estimating Net Realizable Value (NRV) of Inventories

In determining the NRV of inventories, the Company considers inventory obsolescence, physical deterioration, physical damage and changes in price levels or other causes based on specific identification and as determined by management for inventories estimated to be salable in the future. The Company adjusts the cost of inventories to recoverable value at a level considered adequate to reflect market decline in value of the recorded inventories. The Company reviews its inventories on a regular basis to identify those which are to be written down to NRV.

The carrying amounts of inventories amounted to P224.91 million and P211.15 million as at March 31, 2023 and 2022, respectively (see Note 7).

Estimating Retirement Benefits Obligation

The determination of the obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions include among others, discount rates, and salary increase rates. Actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expenses and recorded obligation in such future period.

While the Company believes that the assumptions are reasonable and appropriate, significant differences between actual experience and assumptions may materially affect the cost of employee benefits and related obligations.

The Company's retirement benefits obligation amounted to P64.59 million and P76.70 million as at March 31, 2023 and 2022, respectively (see Note 12).

Estimating Realizability of Deferred Tax Assets

The Company reviews its deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Company also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact on deferred income tax accordingly. The Company's assessment on the recognition of deferred income tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of the realizability of deferred income tax assets and may lead to future addition to the provision for deferred income tax.

The Company's deferred tax assets amounted to P57.66 million and P58.96 million as at March 31, 2023 and 2022, respectively (see Note 20).

Provisions and Contingencies

The Company is a party to certain lawsuit or claims arising from the ordinary course of business. The estimate of the probable costs of the resolution of possible claims has been developed in consultation with external legal counsel handling the Company's defense in these matters and is based upon an analysis of potential results.

As at March 31, 2023 and 2022, the Company has an accrual for liquidated damages and tax assessment penalty amounting to P22.28 million (see Note 11).

5. Cash

This account consists of:

	<i>Note</i>	2023	2022
Cash in banks	22	P346,908,476	P614,379,140
Cash on hand		9,488,912	-
Cash equivalents	22	306,811,994	-
		P663,209,382	P614,379,140

Cash in banks earns interest income at an average annual interest rate of 0.25% as at March 31, 2023 and 2022. Interest income related to cash in banks amounted to P0.05 million and P0.35 million for the years ended March 31, 2023 and 2022, respectively.

Cash on hand in 2023 pertains to undeposited checks from a customer which are cleared subsequently.

Cash equivalents earns interest income at an average annual interest rate of 4.5% as at March 31, 2023 and 2022. Interest income related to cash equivalents amounted to P6.42 million and nil for the years ended March 31, 2023 and 2022, respectively.

6. Trade and Other Receivables - net

The Company's trade and other receivables - net consists of:

	<i>Note</i>	2023	2022
Trade receivables	22	P628,988,852	P582,322,475
Less: Allowance for impairment losses		10,594,169	15,086,718
Allowance for sales returns and discount		86,917,573	71,379,294
	22	531,477,110	495,856,463
Advances to employees and others		25,691,741	43,381,938
		P557,168,851	P539,238,401

Trade and other receivables are non-interest bearing, unsecured and are generally on 60 to 90 day term.

In determining the recoverability of trade receivables, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Accordingly, management believes that there is no further credit allowance required in excess of P10.59 million and P15.09 million as at March 31, 2023 and 2022, respectively.

Movements in the allowance for impairment losses are as follows:

	<i>Note</i>	2023	2022
Balance at beginning of year		P15,086,718	P31,802,667
Allowance for impairment losses	18	-	1,910,716
Reversal of allowance for impairment losses		(4,492,549)	(6,046,925)
Write-off of allowance for impairment losses		-	(12,579,740)
Balance at end of year		P10,594,169	P15,086,718

The Company's reversal of allowance for impairment losses is presented as under "Operating expenses" in the statements of comprehensive income.

The Company provided allowance for sales discounts based on the agreement per type of products for bulk orders and early payments. The Company estimates the allowance for sales discount based on prior quarter realized discounts. Movements in the sales returns and discounts are as follows:

	2023	2022
Balance at beginning of year	P71,379,294	P49,737,589
Provision increase	15,538,279	21,641,705
Balance at end of year	P86,917,573	P71,379,294

Majority of advances to employees and other accounts pertains to advances provided to qualified employees for purposes of performing official business transactions and subject to liquidation within a reasonable period of time.

7. Inventories - net

The Company's inventories are as follows:

	2023	2022
Inventories	P279,598,118	P296,259,454
Less: Allowance for inventory obsolescence	77,387,392	99,546,901
	202,210,726	196,712,553
Semi-finished, raw and packaging materials	22,704,047	14,435,875
	P224,914,773	P211,148,428

The cost of inventories recognized as expense amounted to P778.65 million and P903.29 million for the years ended March 31, 2023 and 2022, respectively (see Note 17).

Movements in the provision for inventory write down are as follows:

	2023	2022
Balance at beginning of year	P99,546,901	P136,029,915
Provision for inventory write down	40,456,310	54,347,383
Inventory written off	(62,615,819)	(90,830,397)
Balance at end of year	P77,387,392	P99,546,901

Provision for inventory write-down were recognized for inventory that was already expired and inventories that at near expiration date based on the Company's policy and is recorded as part of purchases and other direct costs under "cost of goods sold" account (see Note 17).

8. Prepayments and Other Current Assets

The Company's prepayments and other current assets consists of:

	2023	2022
Prepayments:		
Business permits	P4,906,837	P3,636,176
Rent	3,664,729	-
Employee benefit	2,860,000	1,589,324
National conference	1,643,650	-
Systems automation	856,557	-
Promotions	453,061	1,077,382
Insurance	328,748	181,979
Deferred input value-added taxes (VAT)	6,299,165	9,155,432
Others	199,370	51
	P21,212,117	P15,640,344

9. Property and Equipment - net

The movements in this account are as follows:

	Note	Transportation Equipment	Office Equipment, and Furniture and Fixtures	Leasehold Improvements	Warehouse Equipment	Total
Costs						
March 31, 2021		P125,759,553	P8,096,292	P13,962,095	P2,593,956	P150,411,896
Additions		53,735,714	2,729,505	7,382,000	-	63,847,219
Disposals		(24,466,964)	(3,590,347)	(6,931,744)	-	(34,989,054)
March 31, 2022		155,028,303	7,235,450	14,412,351	2,593,956	179,270,060
Additions		38,033,929	3,506,479	-	-	41,540,408
Disposals		(26,806,250)	(2,228,249)	(5,859,172)	-	(34,893,671)
March 31, 2023		166,255,982	8,513,680	8,553,179	2,593,956	185,916,797
Accumulated Depreciation and Amortization						
March 31, 2021		63,671,172	6,065,016	13,088,480	2,593,956	85,418,624
Depreciation and amortization	18	25,906,918	1,452,187	775,622	-	28,134,727
Disposals		(24,458,996)	(3,560,770)	(6,537,097)	-	(34,556,863)
March 31, 2022		65,119,094	3,956,433	7,327,005	2,593,956	78,996,488
Depreciation and amortization	18	30,349,899	1,953,647	1,778,315	-	34,081,861
Disposals		(25,666,097)	(2,210,800)	(6,894,332)	-	(34,771,229)
March 31, 2023		69,802,896	3,699,280	2,210,988	2,593,956	78,307,120
Carrying Amount						
March 31, 2022		P89,909,209	P3,279,017	P7,085,346	P -	P100,273,572
March 31, 2023		P96,453,086	P4,814,400	P6,342,191	P -	P107,609,677

Proceeds from the disposal amounted to P5.77 million and P3.90 million for the years ended March 31, 2023 and 2022, respectively. Gain from disposal of property and equipment amounted to P5.64 million and P3.90 million for the years ended March 31, 2023 and 2022, respectively.

Management believes that there is no indication of impairment on its property and equipment for the years ended March 31, 2023 and 2022.

10. Intangible Assets - net

This account consists of:

	March 31, 2023	March 31, 2022
License fee	P32,149,140	P -
Marketing rights	1,996,338	4,892,211
Computer software	-	203,718
	P34,145,478	P5,095,929

The movements in marketing rights and computer software are as follows:

	Note	Marketing Rights	Computer Software
Cost			
March 31, 2022		P29,610,000	P58,036
Disposals		(1,714,710)	-
March 31, 2023		27,895,290	58,036
Amortization			
March 31, 2021		33,233,416	11,136,438
Amortization	18	3,992,083	19,345
Disposals		(12,507,710)	(11,301,465)
March 31, 2022		24,717,789	(145,682)
Amortization	18	2,758,106	203,718
Disposals		(1,576,943)	-
March 31, 2023		25,898,952	58,036
Carrying Amount			
March 31, 2022		P4,892,211	P203,718
March 31, 2023		P1,996,338	P -

Management believes that there is no indication of impairment on its intangible assets in both periods.

Marketing Rights

Marketing rights pertain to the consideration given to AstraZeneca Pharmaceuticals (Phils.), Inc. (APPI) in order to execute the following in favor of the Company:

- sell, transfer and convey the trade name "Multicare Enterprises" as duly registered with the Department of Trade and Industry;
- execute a License and Supply Agreement on certain pharmaceutical products; and
- assign to the Company its supply and other agreements, including product registrations and brand names with various suppliers.

The agreement shall be effective for a period of ten years beginning June 11, 2012 to 2022 after which, unless otherwise terminated by either party in writing six (6) months prior to effective date of termination, it is automatically renewed for the same period. The marketing rights have been amortized over a ten-year period. The agreement ended in December 2021.

In consideration for the exclusive right to distribute certain pharmaceutical products and use existing trademarks and brands owned by APPI the Company pays the former royalty fees subject to certain terms and conditions. Royalty expense recognized in profit or loss for the years ended March 31, 2023 and 2022 amounted to nil and P4.29 million, respectively (see Note 18). Related liability amounted to nil and P2.9 million as at March 31, 2023 and 2022, respectively (see Note 11).

In 2014, the Company acquired additional marketing rights of certain brands for oncology from another local company.

License fee

License fee refers to the first payment for the license and supply agreement with Favorex Pte Ltd., a company organized and existing under the laws of Singapore. This license fee pertains to right to use and sub-license the Dossiers in the Philippines for the registration and marketing of products (see Note 21). Expected launching date of Dossiers is in 2026.

11. Trade and Other Payables

This account consists of:

	<i>Note</i>	2023	2022
Trade payables:			
Related parties	14	P244,355,154	P228,425,598
Third parties		95,013,207	116,586,424
Non-trade payables:			
Accrued expenses		154,136,491	156,243,549
Payable to government agencies		22,755,578	15,201,683
Output VAT - net		23,410,155	3,809,382
Rent payables		4,390,232	2,374,636
Others		4,716,869	5,430,903
	22	P548,777,686	P528,072,175

Trade payables have an average 30-90 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.

Output VAT payable is presented as net of input VAT of P15.69 million and P8.85 million as at March 31, 2023 and 2022, respectively.

As at March 31, 2023 and 2022, output VAT payable has a gross amount of P39.10 million and P12.66 million, respectively.

Details of accrued expenses are shown below:

	<i>Note</i>	2023	2022
Salaries and employee benefits		P73,897,297	P75,914,961
Accrual for liquidated damages		22,281,000	22,281,000
Advertising and promotion		19,874,358	16,530,258
Professional fees		12,546,585	3,586,851
Distribution fees		5,743,497	18,230,561
Transportation and travel		5,516,186	2,131,872
Warehouse fee		4,390,232	-
Dues and subscription		3,534,411	1,885,677
Employee related		2,500,000	-
Utilities		1,450,420	38,293
Royalty	10	-	2,901,350
Others		2,402,505	12,742,726
		P154,136,491	P156,243,549

12. Retirement Benefit Plans

Requirement of Republic Act (RA) 7641

RA 7641 provides for the minimum retirement pay to qualified private sector employees in the Philippines. Benefits due under RA 7641 are accounted for as defined benefit plan under PAS 19, *Employee Benefits*. However, there are instances when an employer establishes a defined contribution plan and does not have an equivalent defined benefit plan covering the benefits required under RA 7641.

An employee upon reaching the age of sixty (60) years or more, but not beyond sixty-five (65) years which is declared the compulsory retirement age, who has served at least five years in the said establishment, may retire and shall be entitled to retirement pay equivalent to at least one-half (1/2) month salary for every year of service, a fraction of at least six (6) months being considered as one (1) whole year.

The Company is in compliance of the minimum requirement of RA 7641 as at March 31, 2023 and 2022, respectively.

Defined Benefit Plans

The Company sponsors funded, non-contributory defined benefit plans for all regular and permanent employees. Under the plan, the employees are entitled to retirement benefits equivalent to 200% of latest monthly salary upon reaching the retirement age of sixty (60) years subject to other terms and conditions.

The latest actuarial valuation report is at March 31, 2023.

Movements in retirement benefits obligation and fair value of plan assets are as follows:

	Defined Benefit Obligation		Fair Value of Plan Asset		Net Defined Liability (Asset)	
	2023	2022	2023	2022	2023	2022
Balance as at April 1	P101,291,466	P89,163,016	P24,590,330	P23,957,791	P76,701,136	P65,205,225
Included in Profit or Loss						
Current service cost	13,522,932	12,141,990	-	-	13,522,932	12,141,990
Interest expense	5,692,580	4,395,737	-	-	5,692,580	4,395,737
Interest income on plan assets	-	-	2,210,278	1,151,423	(2,210,278)	(1,151,423)
	19,215,512	16,537,727	2,210,278	1,151,423	17,005,234	15,386,304
Included in Other Comprehensive Income						
Actuarial gains or loss from:						
Experience adjustment	(1,687,054)	4,547,567	-	-	(1,687,054)	4,547,567
Demographic assumptions	16,403,731	(2,908)	-	-	16,403,731	(2,908)
Financial assumptions	(13,934,202)	(7,749,246)	-	-	(13,934,202)	(7,749,246)
Remeasurement loss on returns on plan assets	-	-	(1,870,926)	685,806	1,870,926	(685,806)
	782,475	(3,204,587)	(1,870,926)	685,806	2,653,401	(3,890,393)
Others						
Contributions	-	-	30,892,370	-	(30,892,370)	-
Benefits paid	(1,415,446)	(1,204,690)	(1,415,446)	(1,204,690)	-	-
Benefits paid directly from book reserves	(876,282)	-	-	-	(872,282)	-
	(2,291,728)	(1,204,690)	29,476,924	(1,204,690)	(31,768,652)	-
Balance as at March 31	P118,997,725	P101,291,466	P54,406,606	P24,590,330	P64,591,119	P76,701,136

Accumulated remeasurements on retirement benefits, net of deferred tax, as at March 31, 2023 and 2022 amounted to P32,976,832 and P34,966,883, respectively.

The Retirement Trust Fund assets are valued by the fund manager at fair value using the mark-to-market valuation. While no significant changes in asset allocation are expected in the next financial year, the Retirement Plan Trustee may make changes at any time.

The principal assumptions used to determine retirement benefits obligation are as follows:

Investment Risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently, the plan consists of fixed income securities and other investments.

Interest Risk

A decrease in the government bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Longevity Risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary Risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The risk relating to benefits to be paid to the dependents of plan members (widow and orphan benefits) is re-insured by an external insurance company.

No other post-retirement benefits are provided to qualifying employees.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out by an independent actuary as at March 31, 2023. The present value of the defined benefit obligation, and the related current service cost were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2023	2022
Discount rate	6.56%	5.62%
Expected rate of salary increases	6.00%	6.00%

The overall expected rate of return on plan assets is based on portfolio as a whole and not on the sum of the returns of individual asset categories. The return is based exclusively on historical returns, without adjustment.

The significant information of the fund as at March 31, 2023 and 2022 are as follows:

	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Total assets	P54,443,844	P54,443,844	P24,600,687	P24,600,687
Total liabilities	37,238	37,238	10,358	10,358
Net Assets	P54,406,606	P54,406,606	P24,590,329	P24,590,329

The analysis of the fair value of plan assets and the expected rate of return at the reporting dates are as follows:

	Fair Value	
	2023	2022
Fixed income securities	P2,014,926	P24,593,875
Mark to market securities	52,428,918	6,812
	P54,443,844	P24,600,687

Mark to market securities consist of equity investments, debt instruments and unified investment trust funds. Fixed income securities consist of investments in time deposits and savings account.

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	2023		2022	
	Change in Assumption	Increase (Decrease) on Retirement Benefit Obligation	Change in Assumption	Increase (Decrease) on Retirement Benefit Obligation
Discount rate	+100 basis points	(P12,697,237)	+100 basis points	(P9,911,446)
	-100 basis points	14,898,282	-100 basis points	11,503,548
Expected salary growth rate	+100 basis points	14,831,903	+100 basis points	11,343,774
	-100 basis points	(12,871,299)	-100 basis points	(9,965,786)
No attrition rates	23.2%%	27,829,449	49.90%	50,526,219

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the Projected Unit Credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statement of financial position.

Shown below is the maturity analysis of the undiscounted benefits payments:

Financial Year	
2024	P6,279,122
2025	3,710,847
2026	5,505,344
2027	3,964,428
2028	4,657,652
2029 - 2033	109,336,624

The average duration of the defined benefit obligation as at March 31, 2023 is 11.5 years.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

As at March 31, 2023, the Company made contributions to the retirement plan amounting to P30,892,370 based on the latest Retirement Plan Funding Valuation, representing annual normal cost and annual amortization of unfunded past service liability.

Except for the normal contributions to the Retirement Trust Fund and those transactions described above, the Company have no other transactions with the Retirement Trust Fund.

13. Share-based Payment

LL implemented “Lupin Subsidiary Companies Employees Stock Option Plan 2005” (SESOP 2005) and “Lupin Subsidiary Companies Employees Stock Option Plan 2011” (SESOP 2011) in earlier years; and “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 (10) years from the respective grant dates. Exercise price and fair value at grant date are expressed in Indian Rupees.

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

	Number	Grant Date	Expiry Date	Exercise Price	Fair Value at Grant Date
Granted on July 31, 2019	178	July 31, 2019	March 31, 2023	2.00	751.29
Granted on July 31, 2019	178	July 31, 2019	March 31, 2023	2.00	747.49
Granted on July 31, 2019	181	July 31, 2019	December 31, 2022	2.00	743.71
Granted on Dec 4, 2019	6	December 4, 2019	March 31, 2023	2.00	781.91
Granted on Dec 4, 2019	357	December 4, 2019	March 31, 2023	2.00	777.96
Granted on Dec 4, 2019	357	December 4, 2019	March 31, 2023	2.00	774.02
Granted on Dec 4, 2019	359	December 4, 2019	December 31, 2022	2.00	770.11
Granted on Jan 5, 2021	357	January 5, 2021	March 31, 2023	2.00	1,025.29
Granted on Jan 5, 2021	357	January 5, 2021	December 31, 2022	2.00	1,019.03
Granted on Jan 5, 2021	357	January 5, 2021	December 31, 2022	2.00	1,012.83
Granted on Jan 5, 2021	359	January 5, 2021	December 31, 2022	2.00	1,006.66
Granted on Nov 30, 2021	357	November 30, 2021	March 31, 2023	2.00	852.90
Granted on Nov 30, 2021	357	November 30, 2021	December 31, 2022	2.00	850.20
Granted on Nov 30, 2021	357	November 30, 2021	December 31, 2022	2.00	847.60
Granted on Nov 30, 2021	359	November 30, 2021	December 31, 2022	2.00	845.00

All options vested on their date of grant and expire within ten (10) years of their issue, or one (1) month after the resignation of the executive or senior employee, whichever is the earlier.

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

The share-based compensation expense (income) recognized by the Company related to stock options amounted to (P0.26 million) and P0.70 million in 2023 and 2022, respectively.

14. Related Party Transactions

Details of the transactions and outstanding balances with related parties for the years ended March 31, 2023 and 2022 are as follows:

Relationship	Period	Note	Amount of the Transaction	Outstanding Balance		Terms and Conditions
				Receivables	Payables	
Ultimate Parent Company						
▪ Purchases	2023	<i>g</i>	P123,715,143	P -	P -	Non-interest bearing;
	2022	<i>g</i>	84,336,363	-	31,134,554	unsecured, 60-day term
▪ IT expense reimbursements	2023	<i>b</i>	10,063,758	-	3,868,526	Non-interest bearing;
	2022	<i>b</i>	9,783,745	-	4,640,586	unsecured, 60-day term
▪ Share-based payment	2023	<i>c</i>	(258,092)	864,129	-	Non-interest bearing;
	2022	<i>c</i>	701,453	-	80,772	unsecured, no impairment, 60-day term
Under Common Control						
▪ Advances	2023	<i>a</i>	82,800	6,900	-	Non-interest bearing;
	2022	<i>a</i>	82,800	-	-	unsecured, no impairment, 60-day term
▪ Purchases	2023	<i>g</i>	108,070,880	-	244,355,154	Non-interest bearing;
	2022	<i>g</i>	125,436,576	-	197,291,044	unsecured, 60-day term
▪ Management fees	2023	<i>d</i>	23,904,728	-	5,199,111	Non-interest bearing;
	2022	<i>d</i>	19,676,211	-	4,735,856	60-day term
▪ Rental income	2023	<i>e</i>	240,000	20,000	-	Non-interest bearing;
	2022	<i>e</i>	240,000	-	-	unsecured, no impairment, 60-day term
▪ Reimbursements	2023	<i>h</i>	919,189	22,281,000	919,189	Non-interest bearing;
	2022	<i>h</i>	612,192	22,281,000	-	unsecured, no impairment, 60-day term
Individual Shareholder						
▪ Dividend	2023	<i>f</i>	82,092,160	-	341,336	
	2022	<i>f</i>	7,662,719	-	-	
Parent Company						
▪ Dividend	2023	<i>f</i>	85,443,030	-	-	
	2022	<i>f</i>	26,275,375	-	-	
	2023			P23,172,029	P254,683,316	
	2022			P22,281,000	P237,522,812	

Outstanding balance of related party receivables and payables as at March 31, 2023 and 2022, respectively are as follows:

	Note	2023	2022
Due from related parties	22	P23,172,029	P22,281,000
Trade payables	11, 22	244,355,154	228,425,598
Due to related parties	22	9,986,826	9,097,215
Dividends payable	15, 22	341,336	-

- The Company pays expenses on behalf of related parties. These are claimed for reimbursement and are collectible on demand.
- IT expense reimbursements pertain to billed charges of Lupin Limited for the share of related expenses pertaining to the Company.
- Share based payment pertains to compensation expense recognized by the Company related to stock options (see Note 13).
- Management fees refers to cross charges of expenses by a regional office situated in USA.
- Rental income pertains to the amount billed by the Company to Lupin Philippines, Inc. (LPI) for the portion of office space occupied by the latter.

- f. The Company leases an extension office and warehouse space from one of its stockholders (see Note 19).
- g. The Company has transactions with its related parties consisting mainly of purchases of goods.
- h. Reimbursement of expenses pertains to the amount receivable from Lupin Philippines, Inc., as a supplier of the Company, in relation to the liquidated damages to be paid to the Company's customer (see Note 11).

Retirement Benefit Plan

The Company established a retirement benefit plan for the benefits of its employees. Details of the retirement benefit plan (see Note 12).

Remuneration of Key Management Personnel

The remuneration of the directors and other members of key management personnel of the Company are set out below in aggregate for each of the categories specified in PAS 24, *Related party disclosures*.

	Note	2023	2022
Short-term employee benefits		P23,535,870	P25,730,975
Share based payments	13	258,092	(701,453)
Total		P23,793,962	P25,029,522

15. Equity

Share Capital

Share capital consists of:

	<u>Number of Shares</u>		<u>Amount</u>	
	2023	2022	2023	2022
Share Capital				
Authorized - P10 par value per share	40,000,000	40,000,000	P400,000,000	P400,000,000
Subscribed and Paid-up				
Subscribed	30,000,000	30,000,000	P300,000,000	P300,000,000

The Company has one class of ordinary shares which carry no right to fixed income.

Share Premium

Share premium amounting to P28.40 million as at March 31, 2023 and 2022 represents the excess of payment over par value of the original shares issued.

Dividends

The Company has declared the following dividends to its equity holders:

	<u>Dividends</u>		<u>Dividends</u>	
	<u>Per Share</u>	<u>Total Dividends</u>	<u>Per Share</u>	<u>Total Dividends</u>
	March 31 2023	March 31 2023	March 31 2022	March 31 2022
Cash dividends	5.58	P167,535,191	P1.72	P51,520,300

On April 29, 2022, the BOD approved the declaration of cash dividend amounting to P167.54 million out of the unrestricted retained earnings of the Company to be distributed to stockholders of record as of date of declaration and payable not later than June 30, 2022. As at March 31, 2023, the Company paid dividends amounting to P167.20 million.

On May 27, 2021, the BOD approved the declaration of cash dividend amounting to P51.52 million out of the unrestricted retained earnings of the Company to be distributed to stockholders of record as of date of declaration and payable not later than August 1, 2021. As at March 31, 2022, the Company paid dividends amounting to P51.52 million.

Retained Earnings

The Company's retained earnings, after adjustments made pursuant to the Revised Securities Regulation Code Rule 68, has exceeded its paid-up capital as at March 31, 2023.

Under Section 42 of the Revised Corporation Code, stock corporations are prohibited from retaining surplus profits in excess of one hundred (100%) percent of their paid-in capital stock, except:

- a. when justified by definite corporate expansion projects or programs approved by the board of directors; or
- b. when the corporation is prohibited under any loan agreement with any financial institutions or creditors, whether local or foreign, from declaring dividends without their consent, and such consent has not yet been secured; or
- c. when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is need for special reserve for probable contingencies.

On April 29, 2022, the BOD approved the appropriation of retained earning amounting to P25.00 million for the Company's acquisition of new products in accordance with its portfolio strategy.

The Company will use its remaining excess retained earnings either through cash dividends, stock dividends, additional appropriations or combination of these, subject to statutory approvals and clearances.

16. Sales

This account consists of sales to distributors and in-house customers. The breakdown of sales and the relative returns and discounts are as follows:

	<i>Note</i>	2023	2022
Sales		P2,508,360,820	P2,344,553,817
Less: Sales returns and discounts	6	763,620,253	610,341,203
		P1,744,740,567	P1,734,212,614

17. Cost of Goods Sold

	<i>Note</i>	2023	2022
Inventories, beginning	7	P211,148,428	P415,929,442
Purchases and other direct costs		792,412,771	698,511,742
Cost of goods available for sale		1,003,561,199	1,114,441,184
Less: Inventories, ending	7	224,914,773	211,148,428
Cost of goods sold		P778,646,426	P903,292,756

18. Operating Expenses

This account consists of:

	<i>Note</i>	2023	2022
Salaries and wages		P274,568,669	P256,913,415
Advertising and promotion		77,792,467	54,126,909
Depreciation and amortization	9, 10, 19	47,585,708	39,770,391
Transportation and travel		45,901,586	26,784,873
Meeting and conferences		32,165,441	13,904,267
Management fees	14	23,904,728	19,676,211
Professional fees		21,600,715	19,163,627
Retirement benefits expense	12	17,005,234	15,386,304
Utilities		16,918,916	14,940,786
Taxes and licenses		15,614,380	15,351,213
Dues and subscriptions		14,860,126	10,211,341
Warehouse management fee		13,572,699	8,317,958
Repairs and maintenance		6,302,122	4,605,692
Postage and supplies		3,718,325	3,142,308
Insurance		3,155,157	3,071,601
Fringe benefit expense		2,735,010	6,227,625
Outside services		2,294,537	2,747,695
Royalty	10	-	4,293,176
Others		18,605,875	1,120,664
		P638,301,695	P519,756,056

19. Leases

The Company as a Lessee

On September 3, 2021, the Company entered into a lease agreement with Rockwell Land Corporation for a period of five (5) years commencing on November 1, 2021 to October 31, 2026.

The above lease agreement required the Company to pay security deposits. Security deposit amounting to P5.39 million and P7.82 million as at March 31, 2023 and March 31, 2022, respectively, are presented under "Other Noncurrent Assets" account in the statements of financial position.

<i>Right-of-Use Assets</i>	2023	2022
Balance at beginning of year	P46,560,600	P15,226,600
Addition	-	52,710,113
Terminated lease	-	(13,751,877)
Depreciation	(10,542,023)	(7,624,236)
Balance at end of year	P36,018,577	P46,560,600

<i>Lease Liabilities</i>	2023	2022
Balance at beginning of year	P49,283,238	P30,435,806
Interest charge for the year	1,773,919	2,121,410
Reduced Lease Liabilities	-	(27,042,297)
Addition	-	52,710,113
Payments made	(10,881,724)	(8,941,794)
Balance at end of year	P40,175,433	P49,283,238

<i>Lease Liabilities</i>	2023	2022
Maturity Analysis - Contractual Cash Flow		
Less than one year	P31,788,303	P19,537,180
One to five years	52,489,369	68,708,466
Balance at March 31	P84,277,672	P88,245,646
	2023	2022
Lease Liabilities Included in the Statements of Financial Position as at March 31		
Current	P10,032,011	P9,107,806
Noncurrent	30,143,422	40,175,432
	P40,175,433	P49,283,238

The Company as a Lessor

The Company leases out portion of its office space, including right-of-use asset. The Company has classified this lease as operating and cancellable lease agreement to LPI with a lease term of one year, renewable by agreement of both parties.

The accounting policies applicable to the Company as a lessor are not different from those under PAS 17, *Leases*. However, when the Company is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Company is not required to make any adjustment of transition to PFRS 16 for leases in which it acts as a lessor. However, the Company has applied PFRS 15 to allocate consideration in the contract to each lease and non-lease components.

The Company sub-leases some of its properties. Under PAS 17, the head lease and sub-lease contracts were classified as operating lease. On transition to PFRS 16, the right-of-use assets recognized from the head leases are presented in investment property and measured at fair value on transition to PFRS 16. The sub-lease are contracts are classified as operating leases under PFRS 16.

20. Income Taxes

On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act, with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Company.

- a) Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5million and with total assets not exceeding P100million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.
- b) Minimum corporate income tax (MCIT) rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.
- c) The imposition of improperly accumulated earnings tax has been repealed.

On April 8, 2021, the Bureau of Internal Revenue issued the following implementing revenue regulations that are effective immediately upon publication:

- BIR RR No. 2-2021, Amending Certain Provisions of Revenue Regulations No. 2-98, As Amended, to Implement the Amendments Introduced by Republic Act No. 11534, or the “Corporate Recovery and Tax Incentives for Enterprises Act” (CREATE), to the National Revenue Code of 1997, as Amended, Relative to the Final Tax on Certain Passive Income
- BIR RR No. 3-2021, Rules and Regulations Implementing Section 3 of Republic Act (RA). No. 11534, Otherwise Known as the “Corporate Recovery and Tax Incentives for Enterprises Act” or “CREATE”, Amending Section 20 of the National Internal Revenue Code of 1997, As Amended
- BIR RR No. 4-2021, Implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax Under Republic Act (RA) No. 11534, Otherwise Known as the “Corporate Recovery and Tax Incentives for Enterprises Act” (CREATE) Which Further Amended the National Revenue Code of 1997, as Amended, as Implemented by Revenue Regulations (RR) No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), As Amended
- BIR RR No. 5-2021, Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to Republic Act (RA) No. 11534 or the “Corporate Recovery and Tax Incentives for Enterprises Act” (CREATE), Which Further Amended the National Revenue Code (NIRC) of 1997

Further, the Bureau of Internal Revenue has issued its Revenue Regulation No. 5-2021 to promulgate the implementation of the new income tax rates on the regular income of corporations, on certain passive incomes and additional allowable deductions of persons engaged in business or practice of profession as provided for in CREATE Law. The corporate income tax of the Company will be lowered from 30% to 25% for large corporations, on which the Company would qualify effective July 1, 2020.

The income tax expense consists of:

	2023	2022
Current tax expense	P80,134,668	P84,506,798
Deferred tax expense (benefit)	1,969,156	(22,670,052)
	P82,103,824	P61,836,746

The reconciliation of the income tax expense computed at the statutory income tax rate to the income tax expense shown in the statement of comprehensive income is as follows:

	2023	2022
Income before income tax	P340,213,246	P326,223,006
Income tax at statutory income tax rate	P85,053,312	P81,555,752
Add (deduct) income tax effects:		
Nondeductible expenses	505,229	6,259,958
Movement in recognized/unrecognized deferred tax assets	(1,837,186)	(25,891,788)
Nontaxable income	(1,617,531)	-
Interest income subject to final tax	-	(87,176)
	P82,103,824	P61,836,746

The breakdown of the Company's DTA as at March 31, 2023 are as follows:

	March 31 2022	Charged to Profit/Loss	Charged to OCI	March 31 2023
Allowance for inventory obsolescence	P24,886,726	(P5,539,878)	P -	P19,346,848
Allowance for impairment losses on receivables	3,771,681	(1,123,137)	-	2,648,544
PFRS 16 adjustment	4,410,413	888,570	-	5,298,983
Accrued retirement liability	8,048,331	(3,690,854)	663,350	5,020,827
Past service cost	-	3,908,124	-	3,908,124
Allowance for sales return and discounts	17,844,823	3,884,570	-	21,729,393
Unrealized foreign exchange loss	-	(296,551)	-	(296,551)
	P58,961,974	(P1,969,156)	P663,350	P57,656,168

The breakdown of the Company's DTA as at March 31, 2022 are as follows:

	March 31 2021	Charged to Profit/Loss	Charged to OCI	March 31 2022
Allowance for inventory obsolescence	P20,175,512	P4,711,214	P -	P24,886,726
Allowance for impairment losses on receivables	7,950,668	(4,178,987)	-	3,771,681
PFRS 16 adjustment	3,802,289	608,124	-	4,410,413
Accrued retirement liability	5,174,354	3,846,576	(972,599)	8,048,331
Accrued interest expense	147,781	(147,781)	-	-
Allowance for sales return and discounts	-	17,844,823	-	17,844,823
Unrealized foreign exchange loss	13,917	(13,917)	-	-
	P37,264,521	P22,670,052	(P972,599)	P58,961,974

21. Significant Agreements

Warehousing and Distribution Agreement

- The Company has an exclusive Distribution Agreement with Zuellig Pharma Corporation (Zuellig) dated November 10, 2006 effective January 1, 2007. Under the terms of the agreement, Zuellig will store, distribute and sell the Company's products within the Philippines. The agreement is for a period of two years and renewable upon mutual agreement of the parties for successive periods of two years each.

On March 23, 2016, both contracting parties renewed the warehousing and distribution agreement. The agreement is for a period of three years and four months starting April 1, 2016 to July 31, 2019 and will be subject to automatic renewal every year thereafter, unless terminated by either party by written notice.

- On November 1, 2009, the Company also executed a Distribution Agreement with GB Distributors, Inc. as an additional distributor and seller of its pharmaceutical products. The distribution agreement was for a period of three years from the effective date and has been renewed for another three years.
- In 2014, the Company has entered into additional distribution agreements with Globo Asiatico Enterprises, Inc. and Complete Solutions Pharmacy for distributions of newly acquired Oncology Portfolio.

Manufacturing Agreements

The Company also entered into manufacturing agreements with third parties, to manufacture private label pharmaceutical products. The agreements are for periods of two to five years and renewable upon mutual agreement of the parties.

License and Supply Agreement

On June 9, 2022, the Company entered into license and supply agreement with Favorex Pte Ltd (Favorex), a company organized and existing under the laws of Singapore. The agreement provides that Favorex acquires the right to use and sub-license Dossiers from its licensor and has the right and is willing to grant the Company the exclusive right to use the Dossiers in the Philippines for the registration and marketing of the products described in the agreement (see Note 10). The agreement shall remain in force for a period of ten (10) years and continue in force automatically for five (5) year renewal periods unless terminated by either party.

22. Financial Risk Management Objectives and Policies

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 and 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.

Credit Risk

Credit risk refers to the possibility that 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 Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

As at March 31, 2023 and 2022, the aging per class of financial assets is as follows:

2023	Neither Past Due nor Impaired	Past Due but not Impaired		Impaired	Total
		Less than 30 Days	More than 31 Days		
Cash and cash equivalents*	P653,720,470	P -	P -	P -	P653,720,470
Trade receivables	609,789,447	8,605,236	-	10,594,169	628,988,852
Due from related parties	23,172,029	-	-	-	23,172,029
Security deposits	5,390,622	-	-	-	5,390,622
	P1,292,072,568	P8,605,236	P -	P 10,594,169	P1,311,271,973

2022	Neither Past Due nor Impaired	Past Due but not Impaired		Impaired	Total
		Less than 30 Days	More than 31 Days		
Cash and cash equivalents*	P614,379,140	P -	P -	P -	P614,379,140
Trade receivables	547,222,283	20,013,474	-	15,086,718	582,322,475
Due from related parties	22,281,000	-	-	-	22,281,000
Security deposits	7,816,298	-	-	-	7,816,298
	P1,191,698,721	P20,013,474	P -	P15,086,718	P1,226,798,913

*Excluding cash on hand

The Company evaluates credit quality on the basis of the credit strength of the security and or counter party/issuer. The Company's financial assets that are neither past due nor impaired are considered high grade. Cash in banks is considered high grade as the Company trades only with top banks in the Philippines. Receivables are high grade because they are from related parties, employees and accredited customers who are highly reputable, progressive and consistently pay their accounts. Deposits are high grade since these were paid to creditworthy third parties.

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

Satisfactory Grade - This 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 - This 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 - This 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.

Expected Credit Loss Assessment as at March 31, 2023

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

In order to minimize credit risk, the Company has tasked its credit management committee to develop and maintain the Company's credit risk gradings to categorize exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the credit management committee uses other publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The carrying amounts 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:

	<i>Note</i>	2023	2022
Cash and cash equivalents	5	P653,720,470	P614,379,140
Trade receivables - net	6	557,168,851	539,238,401
Due from related parties	14	23,172,029	22,281,000
Security deposits	20	5,390,622	7,816,298
		P1,239,451,972	P1,183,714,839

Liquidity Risk

Liquidity risk arises when the Company encounters difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's objective of managing liquidity risk 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: a) ensuring that adequate funding is available at all times; b) meeting commitments as they arise without incurring unnecessary costs; c) being able to access funding when needed at the least possible cost; and d) maintaining an adequate time spread of refinancing maturities.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities, which include trade and other payables, and due to related parties at March 31, 2023 and 2022. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

The Company's remaining contractual maturity for its non-derivative financial liabilities are as follows:

	Less than One Year	More than One Year	Total
2023			
Trade and other payables*	P502,611,953	P -	P502,611,953
Due to related parties	9,986,826	-	9,986,826
Lease liabilities	10,032,011	30,143,422	40,175,433
	P522,630,790	P30,143,422	P552,774,212

Excluding payables to government agencies amounting to P46,165,733.

	Less than One Year	More than One Year	Total
2022			
Trade and other payables*	P509,061,110	P -	P509,061,110
Due to related parties	9,097,215	-	9,097,215
Lease liabilities	9,107,806	40,175,432	49,283,238
	P527,266,131	P40,175,432	P567,441,563

Excluding payables to government agencies amounting to P19,011,065.

Market Risk

Market risk refers to the possibility that changes in market prices, such as foreign exchange rates and interest rates 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 refers to the effects of fluctuations in currency exchange rates that affect or changes an investment's value. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities that are denominated in a currency that is not the Company's functional currency. Significant fluctuation in the exchange rates could significantly affect the Company's financial position. The Company undertakes certain transactions denominated in US Dollars; hence, exposures to exchange rate fluctuations arise with respect to these transactions denominated in US Dollars.

The Company has no established policy in managing foreign exchange rate risk. Any favorable or unfavorable movements of foreign currency exchange rates are absorbed by the Company.

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

2023	In USD	In EUR	Peso Equivalent
Cash in banks	171,306	-	9,314,421
Due from related parties	15,888	-	863,878
Trade payables	152,064	17,979	9,331,432
Due to related parties	185,593	-	10,091,248

2022	In USD	In EUR	Peso Equivalent
Cash in banks	1,912	-	99,425
Due from related parties	-	-	-
Trade payables	261,623	61,214	17,149,529
Due to related parties	777,000	-	40,404,466

Foreign exchange rates for the years ended March 31, 2023 and 2022 are as follows:

	2023	2022
USD	54.3730	52.0006
EUR	59.1388	57.9112

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	
	2023	2022
Cash in banks	P465,721	P4,971
Due from related parties	43,194	-
Trade payables	466,572	857,476
Due to related parties	504,562	2,020,223

Interest Rate Risk

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

The primary source of the Company's interest rate risk relates to cash in banks and cash equivalents, as disclosed in Notes 5 and 12, respectively. The sensitivity analyses below have been determined based on the exposure to interest rates. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of each reporting period was outstanding for the whole year. A 0.5% sensitivity rate is used in reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% higher/lower, the Company's profit or loss and equity for the years ended March 31, 2023 and 2022 would decrease/increase by nil, respectively, mainly as a result of the changes in the fair value of short term borrowings fixed rate instruments.

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

Capital Management

The Company's objectives when managing capital are to increase the value of shareholder'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 the Company's own operations including short-term borrowings may not support future operations or projected capital investments, the Company will obtain financial support from its related parties.

Management reviews the capital structure on a quarterly basis. As part of this review, management considers the cost of capital and the risks associated with it. Management believes that Company's gearing ratios, which are within acceptable range, are as follows:

	2023	2022
Total Liabilities	P692,840,986	P672,323,178
Cash	663,209,382	614,379,140
Net debt	29,631,604	57,944,038
Equity	1,037,656,688	949,072,508
Net debt to equity ratio	0.03:1	0.06:1

There were no changes in the Company's approach to capital management during the year.

23. Supplementary Information Required by the Bureau of Internal Revenue (BIR) Under Revenue Regulations No. 15-2010

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs. The following are the tax information/disclosures required for the taxable year ended March 31, 2023:

A. VAT

1. Output VAT	P134,282,830
Basis of the Output VAT:	
Vatable Sales	P1,119,023,580
Exempt Sales	721,130,339
Zero rated Sales	-
	P1,840,153,919
2. Input VAT	
Allowable input tax from previous period, April 1, 2022	P8,882,953
Current year's domestic purchases:	
a. Purchase of capital goods exceeding P1M	4,892,940
b. Purchase of capital goods not exceeding P1M	116,899
c. Domestic purchase of goods other than capital goods	30,189,509
d. Importation of goods other than capital goods	21,799,339
e. Domestic purchase of services	20,672,131
Less: Input VAT claimed during the year	(74,040,685)
Input tax on exempt sales allocated to expense	11,466,579
VAT Paid	60,242,145
Input tax carried over	-
Deferred input tax, end	5,953,676
Input taxes at the end of the year, March 31, 2023	P5,953,676

B. Taxes on Importation of Goods

Landed cost of imports	P278,911,933
Customs duties paid or accrued	1,973,161
Tariff fees paid or accrued	10,825,285
	P291,710,378

C. Documentary Stamp Tax

On importations	P356,313
Leases	-
Others	4,228
	P360,540

D. Withholding Tax

Withholding tax on compensation	P32,735,290
Expanded withholding taxes	10,262,502
Final withholding taxes	24,756,670
	P67,754,463

E. Other Taxes and Licenses

Payment to local government agencies	P6,039,786
License and permit fees	2,033,922
Others	447,402
	P8,521,110

F. Tax Assessments and Tax Cases*Taxable Year 2017*

The Company received an LOA from the BIR dated July 2, 2018 to examine their books of accounts and other accounting records for all internal revenue taxes for taxable year 2017. On January 21, 2021, the Company received a Preliminary Assessment Notice (PAN) from the BIR dated January 21, 2021. However, the Company sent a Protest to the Preliminary Assessment which the BIR received on February 5, 2021. On May 25, 2021, the Company received the Formal Letter of Demand from the BIR which the Company already sent the Protest Letter to Formal Letter of Demand dated June 21, 2021.

On February 18, 2022, the Company filed a case for the petition for review before the Court of Tax Appeals. On April 13, 2023, an initial hearing was done and the Company is waiting for the results from the Court of Tax Appeals.

Taxable Year 2020

The Company received an LOA from the BIR dated July 13, 2020 for the examination of books of accounts and other accounting records of all internal revenue taxes for the taxable year ended March 31, 2020. On April 21, 2023, the Company received a PAN from the BIR dated March 28, 2023. The Company is currently in the process of submitting a Protest related to PAN to the BIR.

C O V E R S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

M	U	L	T	I	C	A	R	E		P	H	A	R	M	A	C	E	U	T	I	C	A	L	S			
P	H	I	L	I	P	P	I	N	E	S	,		I	N	C	.											
(A		S		U		b		s		i		d		i		a		r		y					

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

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8					R	o	c	k	w	e	l		B	u	i	l	d	i	n	g	,		H	i	d	a	

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
	(632) 88110636	(63917) 880 8504
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
38	Any day in April	March 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Buenafe I. Morales	buenafemorales@multicare.com.ph	(632) 88110636	(63917) 880 8504

CONTACT PERSON'S ADDRESS

17th Floor Units A & B, 8 Rockwell Building, Hidalgo Drive, Rockwell Center, Poblacion, Makati City

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



R.G. Manabat & Co.
The KPMG Center, 6/F
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Philippines 1209
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Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and Stockholders
Multicare Pharmaceuticals Philippines, Inc.
17th Floor Units A & B, 8 Rockwell Building
Hidalgo Drive, Rockwell Center
Poblacion, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Multicare Pharmaceuticals Philippines, Inc. (“the Company”) as at and for the years ended March 31, 2023 and 2022, on which we have rendered our report dated May 2, 2023.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information included in the Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company’s management.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



This supplementary information is presented for purposes of complying with the Revised Securities Regulations Code Rule 68, and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

VERNILO G. YU

Partner

CPA License No. 108798

SEC Accreditation No. 1815-A, Group A, valid until August 20, 2023

Tax Identification No. 225-454-652

BIR Accreditation No. 08-001987-035-2021

Issued June 29, 2021; valid until June 28, 2024

PTR No. MKT 9563856

Issued January 3, 2023 at Makati City

May 2, 2023

Makati City, Metro Manila

**RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
AS OF MARCH 31, 2023**

MULTICARE PHARMACEUTICALS PHILIPPINES, INC.

17th Floor, Units A & B, 8 Rockwell Building, Hidalgo Drive, Rockwell Center,
Poblacion, Makati City

Unappropriated Retained Earnings, April 1, 2022	P585,705,625
Add: Net income actually earned/realized during the period	
Net income during the period closed to retained earnings	258,109,422
Less: Non-actual/unrealized income net of tax	
Equity in net income of associate/joint venture	-
Unrealized foreign exchange gain - (after tax) except those attributable to cash	1,186,197
Unrealized actuarial gain	2,653,401
Fair value adjustments (mark-to-market gains)	-
Fair value adjustment of investment property resulting to gain	-
Adjustment due to deviation from PFRS - gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
	3,839,598
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS - loss	-
Loss on fair value adjustment of investment property (after tax)	-
Net Income Actual/Realized	254,269,824
Add (Less):	
Dividend declarations paid during the period	(167,535,191)
Appropriations of retained earnings during the period	(25,000,000)
Reversals of appropriations	-
Effects of prior period adjustments	-
Treasury shares	-
	61,734,633
Total Retained Earnings, end of year available for dividend declaration	P647,440,258