MULTICARE PHARMACEUTICALS PHILIPPINES, INC.

A Subsidiary of Nanomi B.V.

FINANCIAL STATEMENTS
March 31, 2021 and 2020

With Independent Auditors' Report

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Multicare Pharmaceuticals Philippines, Inc.
26th Floor, Rufino Tower
6784 Ayala Avenue, 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, 2021 and 2020, 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, 2021 and 2020, 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.

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 24 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.

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Partner
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May 6, 2021
Makati City, Metro Manila

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

STATEMENT OF FINANCIAL POSITION

		March 31	
	Note	**2021**	2020
ASSETS			
Current Assets			
Cash	*5, 23*	**P355,495,325**	P127,398,498
Trade and other receivables - net	*6, 23*	**558,238,197**	727,743,910
Inventories - net	*7*	**415,929,442**	299,588,182
Due from related parties	*15, 23*	**66,416,992**	77,401,859
Prepayments and other current assets	*8*	**21,688,778**	12,948,486
Total Current Assets		**1,417,768,734**	1,245,080,935
Noncurrent Assets			
Property and equipment - net	*9*	**64,993,272**	63,049,274
Intangible assets - net	*10*	**11,989,647**	16,517,865
Right-of-use assets - net	*20*	**15,226,600**	18,685,839
Deferred tax assets - net	*21*	**37,264,521**	69,078,800
Other noncurrent assets	*20, 23*	**2,462,963**	2,414,240
Total Noncurrent Assets		**131,937,003**	169,746,018
		P1,549,705,737	P1,414,826,953
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*11, 23*	**P707,497,970**	P675,441,565
Income tax payable		**8,067,797**	27,450,618
Lease liabilities - current portion	*20, 23*	**6,139,723**	5,812,407
Due to related parties	*15, 23*	**5,210,186**	6,789,795
Dividends payable	*15, 16, 23*	**-**	4,429,203
Total Current Liabilities		**726,915,676**	719,923,588
Noncurrent Liabilities			
Lease liabilities - net of current portion	*20*	**24,296,083**	30,435,825
Retirement benefits obligation	*13*	**65,205,225**	57,541,217
Total Noncurrent Liabilities		**89,501,308**	87,977,042
Total Liabilities		**816,416,984**	807,900,630
Equity			
Share capital	*16*	**300,000,000**	300,000,000
Share premium	*16*	**28,400,000**	28,400,000
Accumulated remeasurements on retirement benefits	*13*	**32,049,088**	25,887,511
Retained earnings	*16*	**372,839,665**	252,638,812
Total Equity		**733,288,753**	606,926,323
		P1,549,705,737	P1,414,826,953

See Notes to the Financial Statements.

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

		Years Ended March 31	
	Note	**2021**	2020
NET SALES	*17*	**P1,283,435,378**	P1,760,918,695
COST OF GOODS SOLD	*18*	**625,780,652**	1,061,936,980
GROSS PROFIT		**657,654,726**	698,981,715
OPERATING EXPENSES	*19*	**449,325,307**	687,985,639
INCOME FROM OPERATIONS		**208,329,419**	10,996,076
OTHER INCOME (CHARGES) - Net			
Gain on sale of property and equipment	*9*	**4,185,684**	2,906,886
Reversal of allowance for impairment losses	*6*	**3,910,537**	-
Foreign exchange gains - net		**744,476**	684,313
Interest income	*5*	**342,013**	146,020
Rent income	*15*	**240,000**	240,000
Interest expense	*12, 20*	**(1,988,552)**	(18,431,230)
Bank charges		**(682,677)**	(849,938)
		6,751,481	(15,303,949)
INCOME (LOSS) BEFORE TAX		**215,080,900**	(4,307,873)
INCOME TAX EXPENSE	*21*	**67,880,047**	37,525,583
NET INCOME (LOSS)		**147,200,853**	(41,833,456)
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement gains on retirement benefits obligation	*13*	**7,373,462**	10,208,244
Deferred income tax relating to remeasurement gains on retirement benefits	*21*	**(1,211,885)**	(3,062,473)
		6,161,577	7,145,771
TOTAL COMPREHENSIVE INCOME (LOSS)		**P153,362,430**	(P34,687,685)

See Notes to the Financial Statements.

MULTICARE PHARMACEUTICALS PHILIPPINES, INC.
(A Subsidiary of Nanomi, B.V.)
STATEMENTS OF CHANGES IN EQUITY

					Years Ended March 31
	Share Capital (see Note 16)	**Share Premium** (see Note 16)	**Accumulated Remeasurements on Retirement Benefits** (see Note 13)	**Retained Earnings** (see Notes 16)	**Total**
Balance, March 31, 2019	P263,000,000	P28,400,000	P18,741,740	P383,825,805	P693,967,545
PFRS 16, *Leases,* transition adjustment at April 1, 2019	-	-	-	(13,631,007)	(13,631,007)
Net loss for the year	-	-	-	(41,833,456)	(41,833,456)
Other comprehensive income for the year - remeasurement gains on retirement benefits obligation - net of tax	-	-	7,145,771	-	7,145,771
	-	-	7,145,771	(41,833,456)	(34,687,685)
Transactions with owners:					
Issuance of stock dividends	37,000,000	-	-	(37,000,000)	-
Cash dividends	-	-	-	(38,722,530)	(38,722,530)
	37,000,000	-	-	(75,722,530)	(38,722,530)
Balance, March 31, 2020	300,000,000	28,400,000	25,887,511	252,638,812	606,926,323
Net income for the year	**-**	**-**	**-**	**147,200,853**	**147,200,853**
Other comprehensive income for the year - remeasurement gains on retirement benefits obligation - net of tax	**-**	**-**	**6,161,577**	**-**	**6,161,577**
	-	**-**	**6,161,577**	**147,200,853**	**153,362,430**
Transactions with owners:					
Issuance of stock dividends	**-**	**-**	**-**	**-**	**-**
Cash dividends	**-**	**-**	**-**	**(27,000,000)**	**(27,000,000)**
Balance, March 31, 2021	**P300,000,000**	**P28,400,000**	**P32,049,088**	**P372,839,665**	**P733,288,753**

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	**2021**	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before income tax		**P215,080,900**	(P4,307,873)
Adjustments for:			
Allowance for inventory obsolescence	*7*	**51,521,211**	198,283,406
Depreciation and amortization	*9, 10, 19, 20*	**32,742,726**	32,147,534
Retirement benefits cost	*13*	**15,239,867**	14,903,990
Allowance for sales returns and discount		**3,096,023**	90,154
Interest expense	*11, 12, 20*	**1,988,552**	18,431,230
Unrealized foreign exchange losses - net		**55,669**	105,331
Gain on disposal of property and equipment	*9*	**(4,185,684)**	(2,906,886)
Allowance (reversal of allowance) for impairment losses on receivables	*6, 19*	**(3,910,537)**	12,069,201
Interest income	*5*	**(342,013)**	(146,020)
Penalties on provision for tax assessment	*4, 19*	**-**	67,300,610
Cash flows before working capital changes		**311,286,714**	335,970,677
Decrease (increase) in:			
Trade and other receivables - net		**170,320,227**	168,340,333
Inventories - net		**(167,862,471)**	(35,218,677)
Due from related parties		**10,984,867**	(65,583,213)
Prepayments and other current assets		**(8,740,292)**	5,454,040
Increase (decrease) in:			
Trade and other payables		**32,000,736**	209,588,230
Due to related parties		**(1,579,609)**	(4,646,909)
Cash generated from operations		**346,410,172**	613,904,481
Income taxes paid		**(56,660,474)**	(89,110,724)
Interest paid		**(10,175)**	(15,487,294)
Interest income received	*5*	**342,013**	146,020
Net cash generated from operating activities		**290,081,536**	509,452,483
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment - net	*9*	**(27,045,116)**	(36,705,327)
Proceeds from sale of property and equipment - net	*9*	**4,531,533**	3,666,484
Additions to intangible assets - net	*10*	**-**	(58,035)
Increase in other noncurrent assets		**(48,723)**	(46,403)
Net cash used in investing activities		**(22,562,306)**	(33,143,281)

Forward

		Years Ended March 31	
	Note	**2021**	2020
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	*16*	**(P31,429,203)**	(P34,507,389)
Payments to lease liabilities	*20*	**(7,790,803)**	(8,698,956)
Benefits paid directly on book reserves	*13*	**(202,397)**	
Payments of short-term borrowings	*12*	**-**	(488,250,000)
Proceeds from short-term borrowings	*12*	**-**	162,000,000
Contributions on plan assets	*13*	**-**	(5,000,000)
Net cash used in financing activities		**(39,422,403)**	(374,456,345)
NET INCREASE IN CASH		**228,096,827**	101,852,857
EFFECTS OF EXCHANGE RATE CHANGES ON CASH		**-**	(168,113)
CASH AT BEGINNING OF YEAR		**127,398,498**	25,713,754
CASH AT END OF YEAR		**P355,495,325**	P127,398,498

See Notes to the Financial Statements.

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 26^{th} Floor, Rufino Tower, 6784 Ayala Avenue, Makati City, Philippines.

2. Basis of Preparation

<u>Statement of Compliance</u>
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.

<u>Basis of Measurement</u>
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.

<u>Functional and Presentation Currency</u>
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.

<u>Authorization for Issuance of the Financial Statement</u>
The financial statements as at and for the year ended March 31, 2021 were approved and authorized for issue by the Board of Directors of the Company on May 4, 2021.

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 amendments to standards and interpretations starting April 1, 2020 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Company's financial statements.

- *Amendments to References to Conceptual Framework in PFRS Standards* sets out amendments to PFRS Standards, their accompany documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes a new chapter on measurement, guidance on reporting financial performance, improved definitions of an asset and a liability, and guidance supporting these definitions, and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

  Some Standards, their accompany documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- PAS 1, *Presentation of Financial Statements,* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material (Amendments)* refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

  (a) raising the threshold at which information becomes material by replacing the term "could influence" with "could reasonably be expected to influence";

  (b) including the concept of "obscuring information" alongside the concept of "omitting" and "misstating" information in the definition;

  (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;

  (d) clarifying the explanatory paragraphs accompany the definition; and

  (e) aligning the wording of the definition of material across PFRS Standards and other publications.

The amendments are expected to help entities make better materiality judgements without substantively changing existing requirements.

Amendments to Standards Issued But Not Yet Adopted
A number of amendments to standards are effective for annual periods beginning after April 1, 2020. 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.

The Company will adopt the following amended standard and framework on the respective effective dates:

Effective January 1, 2021

- PFRS 9, *Financial Instruments,* PAS 39, *Financial Instruments: Recognition and Measurement,* PFRS 7, *Financial Instruments: Disclosures,* PFRS 4, *Insurance Contracts,* and PFRS 16, *Leases - Interest Rate Benchmark Reform - Phase 2 (Amendments)* ensure that financial statements best reflect the economic effects of interest rate benchmark reforms, the Phase 2 amendments were issued and focus on the accounting once a new benchmark rate is in place. The reliefs allow companies not to recognize significant modification gains or losses on financial instruments and mitigate the risk of discontinuations of existing hedging relationships because of changes required by reforms. The amendments address issues that might affect financial reporting during the reform in the following key areas:

  - Practical expedient for particular changes to contractual cash flows. As a practical expedient, a company will account for a change in the basis for determining the contractual cash flows that is required by the reform by updating the effective interest rate of the financial instrument. If there are other changes to the basis for determining the contractual cash flows, then a company first applies the practical expedient to the changes required by the reform and then applies other applicable requirements of PFRS 9 to other changes. A similar practical expedient applies to insurers applying PAS 39 and lessees for lease modifications required by a reform.

  - Relief from specific hedge accounting requirements. The amendments enable and require companies to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the reform. A company is required to amend the formal designation of hedging relationships to reflect the changes required by the reform. Reliefs are also provided for amounts accumulated in the cash flow hedge reserve, the separately identifiable requirement, groups of items designated as hedged items and retrospective effectiveness assessment under PAS 39.

  - Disclosure requirements. To enable users of financial statements to understand the effect of reforms on a company's financial instruments and risk management strategy, additional disclosures are required on how transition to alternative benchmark rates are being managed, quantitative information about financial instruments indexed to rates yet to transition due to benchmark reform at the end of the reporting period, and the extent to which changes to the risk management strategy have occurred due to the risks identified in the transition.

The amendments apply retrospectively, but restatement of comparative information is not required. Earlier application is permitted.

Effective January 1, 2022

- PAS 16, *Property, Plant and Equipment - Proceeds before Intended Use* (*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 on or after January 1, 2022, but only to items of property, plant, and equipment made available for use on or after the beginning of the earliest period presented, recognizing the cumulative effect in the opening retained earnings (or other component of equity, as appropriate) of that earliest period presented. Earlier application is permitted.

- PAS 37, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract (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 comprises both incremental costs and an allocation of other direct costs.

  The amendments apply prospectively on or after January 1, 2022. 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. Earlier application is permitted.

- *Annual Improvements to PFRS Standards 2018-2020.* This cycle of improvements contains amendments to four standards:

  - PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Subsidiary as a First-time Adopter (Amendments)* simplify the application of PFRS 1 for a subsidiary that becomes a first-time adopter of PFRS later than its parent. The subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to PFRS.

- PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendments)* clarify 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.

- PFRS 16, *Leases - Lease Incentives (Amendments)* delete 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.

- PAS 41, *Agriculture - Taxation in Fair Value Measurements (Amendments)* remove the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in PAS 41 with those in PFRS 13, *Fair Value Measurement*.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

Effective January 1, 2023

- PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current (Amendments)* promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; 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 non-current.

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

<u>Financial Instruments</u>
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 fand 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 locate, 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 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.

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 as income.

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 statement 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 P31.80 million and P38.40 million as at March 31, 2021 and 2020, respectively. The carrying value of receivables amounted to P558.24 million and P727.74 million as at March 31, 2021 and 2020, 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 P415.93 million and P299.59 million as at March 31, 2021 and 2020, 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 P65.21 million and P57.54 million as at March 31, 2021 and 2020, respectively (see Note 13).

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 DTA amounted to P37.26 million and P69.08 million as at March 31, 2021 and 2020, respectively (see Note 21).

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, 2021 and 2020, the Company has an accrual for liquidated damages and tax assessment penalty amounting to P65.75 million and P67.89 million, respectively, as at March 31, 2021 and 2020 (see Note 11).

5. Cash

This account consists of:

	Note	**2021**	2020
Cash in banks	*23*	**P355,495,325**	P72,455,696
Cash on hand		**-**	54,942,802
		P355,495,325	P127,398,498

Cash in banks earns interest income at an average annual interest rate of 0.25% as at March 31, 2021 and 2020. Interest income related to cash in banks amounted to P0.34 million and P0.15 million for the years ended March 31, 2021 and 2020, respectively.

Cash on hand on March 31, 2021 pertains to undeposited checks from a customer and cleared subsequently.

6. **Trade and Other Receivables** - net

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

	Note	**2021**	2020
Trade receivables	*23*	**P612,538,809**	P778,518,497
Less: Allowance for impairment losses		**31,802,667**	38,396,856
Allowance for sales returns and discount		**49,737,589**	46,641,566
	23	**530,998,553**	693,480,075
Advances to employees and others		**27,239,644**	34,263,835
		P558,238,197	P727,743,910

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 P31.80 million and P38.40 million as at March 31, 2021 and 2020, respectively.

Movements in the allowance for impairment losses are as follows:

	Note	**2021**	2020
Balance at beginning of year		**P38,396,856**	P26,327,655
Allowance for impairment losses	*19*	**-**	12,069,201
Reversal of allowance for impairment losses		**(3,910,537)**	-
Write-off of allowance for impairment losses		**(2,683,652)**	-
Balance at end of year		**P31,802,667**	P38,396,856

The Company's reversal of allowance for impairment losses is presented as separate line item under "Other Expenses - net)" in the profit or loss.

The Company provided an allowance for sales returns for near expiring goods reported to be returned within the month by some of its customer after the years ended
March 31, 2021 and 2020. 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:

	Note	**2021**	2020
Balance at beginning of year		**P46,641,566**	P46,551,412
Provision increase (decrease)		**3,096,023**	90,154
Balance at end of year		**P49,737,589**	P46,641,566

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:

	2021	2020
Inventories	**P506,744,856**	P486,068,624
Less: Allowance for inventory obsolescence	**136,029,915**	221,787,103
	370,714,941	264,281,521
Semi-finished, raw and packaging materials	**45,214,501**	35,306,661
	P415,929,442	P299,588,182

The cost of inventories recognized as expense amounted to P625.98 million and P1,061.94 million for the years ended March 31, 2021 and 2020, respectively (see Note 18).

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

	2021	2020
Balance at beginning of year	**P221,787,103**	P102,794,887
Provision for inventory write down	**51,521,211**	198,283,406
Inventory written off	**(137,278,399)**	(79,291,190)
Balance at end of year	**P136,029,915**	P221,787,103

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 18).

8. **Prepayments and Other Current Assets**

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

	2021	2020
Prepayments:		
Business permits	**P5,855,678**	P4,411,964
Insurance	**4,832**	20,065
Consultation fee	**-**	236,667
Promotion	**-**	124,490
Deferred input value-added taxes (VAT)	**6,670,951**	7,187,247
Creditable withholding tax	**6,453,502**	-
Others	**2,703,815**	968,053
	P21,688,778	P12,948,486

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, 2019		P103,309,911	P22,612,323	P13,695,409	P2,593,956	P142,211,599
Additions		34,599,107	1,839,534	266,686	-	36,705,327
Disposals		(16,562,857)	(141,580)	-	-	(16,704,437)
March 31, 2020		121,346,161	24,310,277	13,962,095	2,593,956	162,212,489
Additions		25,934,821	1,110,295	-	-	27,045,116
Disposals		(21,521,429)	(17,324,280)	-	-	(38,845,709)
March 31, 2021		**125,759,553**	**8,096,292**	**13,962,095**	**2,593,956**	**150,411,896**
Accumulated Depreciation and Amortization						
March 31, 2019		56,608,241	20,537,794	12,483,987	2,593,956	92,223,978
Depreciation and amortization	*19*	21,208,474	1,350,131	325,471	-	22,884,076
Disposals		(15,846,576)	(98,263)	-	-	(15,944,839)
March 31, 2020		61,970,139	21,789,662	12,809,458	2,593,956	99,163,215
Depreciation and amortization	*19*	22,876,612	1,599,635	279,022	-	24,755,269
Disposals		(21,175,579)	(17,324,281)	-	-	(38,499,860)
March 31, 2021		**63,671,172**	**6,065,016**	**13,088,480**	**2,593,956**	**85,418,624**
Carrying Amount						
March 31, 2020		P59,376,022	P2,520,615	P1,152,637	P -	P63,049,274
March 31, 2021		**P62,088,381**	**P2,031,276**	**P873,615**	**P -**	**P64,993,272**

Proceeds from the disposal amounted to P4.53 million and P3.67 million for the years ended March 31, 2021 and 2019, respectively. Gain from disposal of property and equipment amounted to P4.19 million and P2.91 million for the years ended March 31, 2021 and 2020, respectively.

Management believes that there is no indication of impairment on its property and equipment for the years ended March 31, 2021 and 2020.

10. **Intangible Assets** - net

The movements in this account are as follows:

	Note	Marketing Rights	Computer Software	Total
Cost				
March 31, 2019		P45,000,000	P11,301,466	P56,301,466
Additions		-	58,035	58,035
March 31, 2020 and 2021		45,000,000	11,359,501	56,359,501
Amortization				
March 31, 2019		24,231,623	10,741,279	34,972,902
Amortization	*19*	4,500,000	368,734	4,868,734
March 31, 2020		28,731,623	11,110,013	39,841,636
Amortization	*19*	4,501,793	26,425	4,528,218
March 31, 2021		**33,233,416**	**11,136,438**	**44,369,854**
Carrying Amount				
March 31, 2020		P16,268,377	P249,488	P16,517,865
March 31, 2021		**P11,766,584**	**P223,063**	**P11,989,647**

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.

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

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, 2021 and 2020 amounted to 5.30 million and P5.08 million, respectively (see Note 19). Related liability amounted to P1.23 million and P2.63 million as at March 31, 2021 and 2020, respectively (see Note 11).

11. Trade and Other Payables

This account consists of:

	Note	**2021**	2020
Trade payables:			
Related parties	*15*	**P335,076,706**	P289,708,093
Third parties		**100,590,034**	117,574,236
Non-trade payables:			
Accrued expenses		**249,228,351**	236,835,930
Output VAT - net		**8,094,217**	12,521,132
Payable to government agencies		**2,469,396**	6,635,527
Advances from customers		**2,614,601**	3,952,708
Others		**9,424,665**	8,213,939
	23	**P707,497,970**	P675,441,565

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 P9.62 million and P9.93 million as at March 31, 2021 and 2020, respectively.

As at March 31, 2021 and 2020, output VAT payable has a gross amount of P17.72 million and P22.45 million, respectively.

Details of accrued expenses are shown below:

	Note	**2021**	2020
Salaries and employee benefits		**P47,264,071**	P44,909,110
Provision for tax assessment		**67,891,732**	67,891,732
Accrual for liquidated damages		**65,751,000**	65,751,000
Distribution fees		**23,068,228**	23,561,674
Professional fees		**14,411,323**	8,464,009
Dues and Subscription		**3,626,541**	3,802,454
Advertising and promotion		**8,725,874**	3,414,637
Transportation and travel		**7,075,054**	6,311,787
Communication		**3,682,874**	-
Outside Charges		**2,481,125**	-
Royalty	*10*	**1,226,168**	2,633,662
Utilities		**1,211,900**	1,035,318
Warehousing fee		**-**	700,000
Rent	*20*	**-**	-
Others		**2,812,461**	8,360,547
		P249,228,351	P236,835,930

Accrual for liquidated damages pertains to the amount to be paid to one of the customers of the Company due to late deliveries of inventories.

12. Short-term Borrowings

The Company has various secured and unsecured short-term loans from local and foreign banks for working capital purposes. These loans bear annual interest rates ranging from 5% to 8%, with maturities ranging from one month to one year.

Movement in the balance of short-term borrowings is as follows:

	2021	2020
Balance at beginning of year	**P -**	P326,250,000
Proceeds from loan availment	**-**	162,000,000
Payment of principal	**-**	(488,250,000)
Balance at end of year	**P -**	P -

Interest expense recognized in profit or loss pertaining to the above loans amounted to P15.49 million for the year ended March 31, 2020.

13. 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, 2021 and 2020, 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, 2021.

The following tables summarize the components of pension benefits cost recognized in profit or loss and amounts recognized in the statement of financial position.

Pension benefits cost consists of:

	2021	2020
Current service cost	**P12,312,364**	P11,425,185
Net interest cost	**2,927,503**	3,478,805
Pension benefits cost	**P15,239,867**	P14,903,990

Remeasurement changes included in OCI are as follows:

	2021	2020
Accumulated gains in remeasurement of defined benefit pension plan reserve	**(P29,676,394)**	(P19,468,150)
Less: Actuarial gains recognized during the year (change to OCI)	**(7,373,462)**	(10,208,244)
	(P37,049,856)	(P29,676,394)

Accumulated remeasurements on retirement benefits, net of deferred tax, as at March 31, 2021 and 2020 is amounting to P32,049,088 and P25,887,511, respectively.

Retirement benefits obligations are as follows:

	2021	2020
Defined benefit obligation	**P89,163,016**	P79,727,931
Fair value of plan assets	**(23,957,791)**	(22,186,714)
Net pension liability	**P65,205,225**	P57,541,217

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)	
	2021	2020	**2021**	2020	**2021**	2020
Balance as at April 1	**P79,727,931**	P81,457,257	**P22,186,714**	P23,611,786	**P57,541,217**	P57,845,471
Included in Profit or Loss						
Current service cost	**12,312,364**	11,425,185	-	-	**12,312,364**	11,425,185
Interest expense	**4,042,206**	4,968,893	-	-	**4,042,206**	4,968,893
Interest income on plan assets	**-**	-	**1,114,703**	1,490,088	**(1,114,703)**	(1,490,088)
	16,354,570	16,394,078	**1,114,703**	1,490,088	**15,239,867**	14,903,990
Included in Other Comprehensive Income						
Actuarial gains or loss from:						
Experience adjustment	**2,720,441**	(14,237,765)	-	-	**2,720,441**	(14,237,765)
Demographic assumptions	**-**	(964,285)	-	-	**-**	(964,285)
Financial assumptions	**(9,036,603)**	446,860	-	-	**(9,036,603)**	446,860
Remeasurement loss on returns on plan assets	**-**	-	**1,057,300**	(4,546,946)	**(1,057,300)**	4,546,946
	(6,316,162)	(14,755,190)	**1,057,300**	(4,546,946)	**(7,373,462)**	(10,208,244)
Others						
Contributions	**-**	-	-	5,000,000	**-**	(5,000,000)
Benefits paid	**(400,926)**	(3,368,214)	**(400,926)**	(3,368,214)	**-**	-
Benefits paid directly from book reserves	**(202,397)**	-	-	-	(202,397)	-
	(603,323)	(3,368,214)	**(400,926)**	1,631,786	(202,397)	(5,000,000)
Balance as at March 31	**P89,163,016**	P79,727,931	**P23,957,791**	P22,186,714	**P65,205,225**	P57,541,217

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, 2021. 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:

	2021	2020
Discount rate	**4.93%**	5.07%
Expected rate of salary increases	**6.00%**	7.00%

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, 2021 and 2020 are as follows:

	2021		2020	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Total assets	**P23,968,563**	**P23,968,563**	P22,204,551	P22,204,551
Total liabilities	**10,772**	**10,772**	17,837	17,837
Net Assets	**P23,957,791**	**P23,957,791**	P22,186,714	P22,186,714

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

	Fair Value	
	2021	2020
Mark to market securities	**P6,724**	P2,765
Fixed income securities	**23,961,839**	22,201,786
	P23,968,563	P22,204,551

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.

	2021		2020	
	Change in Assumption	**Increase (Decrease) on Retirement Benefit Obligation**	Change in Assumption	Increase (Decrease) on Retirement Benefit Obligation
Discount rate	**+100 basis points**	**(P9,292,962)**	+100 basis points	(P8,702,551)
	-100 basis points	**10,872,717**	-100 basis points	10,248,949
Expected salary growth rate	**+100 basis points**	**10,645,430**	+100 basis points	9,947,734
	-100 basis points	**(9,287,229)**	-100 basis points	(8,632,100)
No attrition rates	**66.00%**	**58,870,540**	84.50%	67,351,917

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	
2022	P4,376,160
2023	5,998,496
2024	4,629,657
2025	4,633,262
2026	4,492,812
2027 - 2031	64,360,048

The average duration of the defined benefit obligation as at March 31, 2021 is 11.3 years.

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

The Company has no asset-liability matching strategy and does not expect to make a contribution to the defined benefit plan on the next financial year.

14. 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.

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	July 31, 2019	1.36	516.87
Granted on July 31, 2019	178	July 31, 2019	July 31, 2019	1.36	514.26
Granted on July 31, 2019	178	July 31, 2019	July 31, 2019	1.36	511.66
Granted on July 31, 2019	181	July 31, 2019	July 31, 2019	1.36	509.07
Granted on Dec 4, 2019	357	December 4, 2019	December 4, 2019	1.36	535.22
Granted on Dec 4, 2019	357	December 4, 2019	December 4, 2019	1.36	532.51
Granted on Dec 4, 2019	357	December 4, 2019	December 4, 2019	1.36	529.82
Granted on Dec 4, 2019	357	December 4, 2019	December 4, 2019	1.36	527.14

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 in 2017 was estimated on the date of grant using the Black-Scholes option pricing model.

The share-based compensation expense recognized by the Company related to stock options amounted to P0.56 million and P0.26 million in 2021 and 2020, respectively.

15. Related Party Transactions

Details of the transactions and outstanding balances with related parties for the years ended March 31, 2021 and 2020 are as follows:

				Outstanding Balance		
Relationship	**Period**	***Note***	**Amount of the Transaction**	**Receivables**	**Payables**	**Terms and Conditions**
Ultimate Parent Company						
▪ Advances	**2021**	*a*	**P -**	**P -**	**P -**	Non-interest bearing;
	2020		30,900	30,900	-	unsecured, no impairment, 60-day term
▪ Purchases	**2021**	*g*	**63,034,204**	**-**	**10,119,496**	Non-interest bearing;
	2020	*g*	73,451,773	-	50,794,085	unsecured, 60-day term
▪ IT expense reimbursements	**2021**	*b*	**8,518,362**	**-**	**2,079,511**	Non-interest bearing;
	2020	*b*	2,768,222	-	3,389,255	unsecured, 60-day term
▪ Share-based payment	**2021**	*c*	**564,256**	**-**	**190,428**	Non-interest bearing; unsecured, 60-day term
	2020	*c*	260,968	1,469,121	-	Non-interest bearing; unsecured, no impairment, 60-day term Non-interest bearing;
Under Common Control						
▪ Advances	**2021**	*a*	**82,800**	**13,800**	**-**	Non-interest bearing;
	2020	*a*	82,800	8,750,838	-	unsecured, no impairment, 60-day term
▪ Purchases	**2021**	*G*	**135,589,283**	**-**	**324,957,210**	Non-interest bearing;
	2020	*g*	277,838,641	-	238,914,008	unsecured, 60-day term
▪ Management fees	**2021**	*d*	**16,182,018**	**-**	**2,940,247**	Non-interest bearing;
	2020	*d*	22,885,229	-	3,400,540	60-day term
▪ Rental income	**2021**	*e*	**240,000**	**40,000**	**-**	Non-interest bearing;
	2020	*e*	240,000	1,400,000	-	unsecured, no impairment, 60-day term
▪ Reimbursements	**2021**	*h*	**612,192**	**66,363,192**	**-**	Non-interest bearing;
	2020	*h*	65,751,000	65,751,000	-	unsecured, no impairment, 60-day term
Individual Shareholder						
▪ Dividend	**2021**		**2,728,929**	**-**	**-**	
	2020	*f*	3,638,571	-	172,359	
▪ Rental	**2021**		**-**	**-**	**-**	Non-interest bearing;
	2020	*f*	3,638,571	-	-	unsecured, 60-day term
Parent Company						
▪ Dividend	**2021**		**18,112,252**	**-**	**-**	
	2020	*f*	18,974,020	-	4,256,844	
	2021			**P66,416,992**	**P340,286,892**	
	2020			P77,401,859	P300,927,091	

Outstanding balance of related party receivables and payables as at March 31, 2021 and 2020, respectively are as follows:

	Note	**2021**	2020
Due from related parties	*23*	**P66,416,992**	P77,401,859
Trade payables	*11, 23*	**335,076,706**	289,708,093
Due to related parties	*23*	**5,210,186**	6,789,795
Dividends payable	*16, 23*	**-**	4,429,203

a. The Company pays expenses on behalf of related parties. These are claimed for reimbursement and are collectible on demand.

b. IT expense reimbursements pertain to billed charges of Lupin Limited for the share of related expenses pertaining to the Company.

c. Share based payment pertains to compensation expense recognized by the Company related to stock options (see Note 14).

d. Management fees refers to cross charges of expenses by a regional office situated in USA.

e. 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 20).

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 13).

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	**2021**	2020
Short-term employee benefits		**P23,391,400**	P25,651,371
Share based payments	*14*	**(564,256)**	(260,968)
Total		**P22,827,144**	P25,390,403

16. Equity

Share Capital

Share capital consists of:

	Number of Shares		Amount	
	2021	2020	**2021**	2020
Share Capital				
Authorized - P10 par value per share	**P40,000,000**	P40,000,000	**P400,000,000**	P400,000,000
Subscribed and Paid-up				
Subscribed	**P30,000,000**	P30,000,000	**P300,000,000**	P300,000,000

The movements in subscribed capital stock are as follows:

	2021	2020
Balance at the beginning of year	**P300,000,000**	P263,000,000
Issuance during the year	**-**	37,000,000
Balance at the end of year	**P300,000,000**	P300,000,000

The movements in the number of issued and outstanding common shares are as follows:

	2021	2020
Balance at the beginning of year	**30,000,000**	26,300,000
Issuance during the year	**-**	3,700,000
Balance at the end of year	**30,000,000**	30,000,000

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

The Company's Board of Directors authorized declaration of stock dividends amounting to P37.00 million for the year ended March 31, 2020.

Cash dividends declared for the years ended March 31, 2021 and 2020 amounted to P27.00 million and P38.72 million, respectively.

Share Premium

Share premium amounting to P28.40 million as at March 31, 2021 and 2020 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:

	Dividends Per Share	**Total Dividends**	Dividends Per Share	Total Dividends
	March 31 2021	**March 31 2021**	March 31 2020	March 31 2020
Cash dividends	**P0.90**	**P27,000,000**	P1.47	P38,722,530
Stock dividends	**-**	**-**	10.00	37,000,000

As at March 31, 2021 and 2020, the Company has outstanding cash dividends payable amounting to nil and P4.43 million, respectively.

The Company paid dividends amounting to P31.2 million (including outstanding dividends payable of P4.43 million as at the year ended March 31, 2020) and P34.51 million as at March 31, 2021 and 2020, respectively.

Retained Earnings
Under Section 43 of the Philippine Corporation Code, stock corporations are prohibited from retaining surplus profits in excess of 100% of its paid-in capital, except under certain conditions provided in the code.

The retained earnings of the Company is in excess of 100% of its paid up capital by P44.44 million for the years ended March 31, 2021. These unappropriated retained earnings will be subjected to yearly cycle of capital structure review wherein management will determine the amount of cash dividends to be declared, subject to statutory approvals and clearances.

17. 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:

	Note	**2021**	2020
Sales		**P1,907,531,541**	P2,383,517,663
Less: Sales returns and discounts	*6*	**624,096,163**	622,598,968
		P1,283,435,378	P1,760,918,695

18. Cost of Goods Sold

	Note	**2021**	2020
Inventories, beginning	*7*	**P299,588,182**	P462,652,911
Purchases and other direct costs		**742,121,912**	898,872,251
Cost of goods available for sale		**1,041,710,094**	1,361,525,162
Less: Inventories, ending	*7*	**415,929,442**	299,588,182
Cost of goods sold		**P625,780,652**	P1,061,936,980

19. Operating Expenses

This account consists of:

	Note	**2021**	2020
Salaries and wages		**P185,869,524**	P202,896,707
Advertising and promotion		**67,873,165**	162,968,834
Depreciation and amortization	*9, 10, 20*	**32,742,727**	32,147,534
Professional fees		**17,369,566**	10,461,325
Management fees	*15*	**16,464,373**	22,885,229
Utilities		**15,789,370**	11,839,126
Retirement benefits expense	*13*	**15,239,867**	14,903,990
Transportation and travel		**12,970,499**	40,206,382
Taxes and licenses		**11,802,431**	22,679,785
Meeting and conferences		**11,550,378**	21,083,829
Dues and subscriptions		**10,808,601**	13,641,013
Warehouse management fee		**10,553,962**	9,076,248
Royalty	*10*	**5,297,433**	5,079,250
Fringe benefit expense		**5,294,752**	5,324,004
Postage and supplies		**4,682,329**	2,481,391
Repairs and maintenance		**4,267,321**	4,403,029
Representation and entertainment		**4,254,170**	3,904,522
Outside charges		**3,684,134**	6,290,372
Delivery		**1,924,806**	1,994,325
Donations		**1,841,177**	2,694,504
Penalty		**1,435,320**	70,276,941
Insurance		**1,399,557**	2,929,743
Allowance for impairment losses on receivables	*6*	**-**	12,069,201
Others		**6,209,845**	5,748,355
		P449,325,307	P687,985,639

20. Leases

The Company as a Lessee

The Company entered into various lease agreements with local companies for its warehouse and office space which are as follows:

a. On February 15, 2019, the Company entered into agreement for the extension of its corporate office space for a period of three (3) years up to February 14, 2022. Monthly rental is subject to escalation rate of 5% per annum.

b. On June 1, 2018, the Company entered into a lease agreement for its warehouse space located at Chino Roces Avenue for a period of two (2) years up to May 31, 2020 with the option to renew the agreement.

c. On June 1, 2018, the Company entered into a lease agreement for its extension of lease agreement for its warehouse space situated at 7269 Malugay Street, Makati City for a period of two (2) years up to May 31, 2020. Monthly rental is subject to escalation rate of 4% per annum. Warehouse operations shifted from Malugay to distributors, as a result, the lease agreement for its Malugay warehouse is terminated.

d. On February 2016, the Company entered into agreement for the extension of its contract with Romeo Sy for a period of five (5) years up to March 31, 2021 and extended up to June 30, 2021.

The above lease agreements required the Company to pay security deposits. Security deposit amounting to P2.46 million and P2.41 million as at March 31, 2021 and 2020, respectively, are presented under other noncurrent assets account.

Right-of-Use Assets	**2021**	2020
Balance at beginning of year	**P18,685,839**	P23,080,563
Depreciation	**(3,459,239)**	(4,394,724)
Balance at end of year	**P15,226,600**	P18,685,839

Lease Liabilities	**2021**	2020
Balance at beginning of year	**P36,248,232**	P42,594,374
Interest charge for the year	**1,978,377**	2,352,814
Payments made	**(7,790,803)**	(8,698,956)
Balance at end of year	**P30,435,806**	P36,248,232

Lease Liabilities	**2021**	2020
Maturity Analysis-contractual Cash Flow		
Less than one year	**P7,666,336**	P7,790,784
One to five years	**29,465,988**	31,512,354
More than five years	**1,212,856**	3,032,140
Balance at March 31	**P38,345,180**	P42,335,278

	2021	2020
Lease Liabilities Included in the Statement of Financial Position as at March 31		
Current	**P6,139,723**	P5,812,407
Noncurrent	**24,296,083**	30,435,825
	P30,435,806	P36,248,232

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. 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.

21. 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:

	2021	2020
Current tax expense	**P37,277,653**	P61,217,032
Deferred tax expense (benefit)	**30,602,394**	(23,691,449)
	P67,880,047	P37,525,583

The current tax expense of the Company for the year ended March 31, 2021 was computed based on the transitory rates of 26.25%, in accordance with Revenue Regulation No. 5-2021.

The deferred tax asset was computed as 25% of the total temporary differences as at March 31, 2021. The movement between the deferred tax asset as at March 31, 2021 using the new income tax rate of 25% and the beginning balance of deferred tax assets is equivalent to the amount recognized in deferred tax expense for the year ended March 31, 2021.

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:

	2021	2020
Income (Loss) before income tax	**P215,080,899**	(P4,307,873)
Income tax at statutory income tax rate	**P56,458,736**	(P1,292,362)
Add (deduct) income tax effects:		
Impact of CREAT Act on beginning temporary differences	**12,144,614**	-
Reversal of DTA recognized earlier	**260,019**	-
Nondeductible expenses	**16,345**	38,861,751
Impact of CREAT Act on current year temporary differences	**(909,888)**	-
Interest income subject to final tax	**(89,779)**	(43,806)
	P67,880,047	P37,525,583

The breakdown of the Company's DTA as at March 31, 2021 are as follows:

	March 31 2020	**Charged to Profit/Loss**	**Charged to OCI**	**March 31 2021**
Allowance for inventory obsolescence	**P48,232,800**	**(P28,057,288)**	**P -**	**P20,175,512**
Allowance for impairment losses on receivables	**11,519,057**	**(3,568,389)**	**-**	**7,950,668**
Accrued retirement liability	**3,849,304**	**2,536,935**	**(1,211,885)**	**5,174,354**
PFRS 16 adjustment	**5,268,703**	**(1,466,414)**	**-**	**3,802,289**
Accrued interest expense	**177,337**	**(29,556)**	**-**	**147,781**
Unrealized foreign exchange loss	**31,599**	**(17,682)**	**-**	**13,917**
	P69,078,800	**(P30,602,394)**	**(P1,211,885)**	**P37,264,521**

The breakdown of the Company's DTA as at March 31, 2020 are as follows:

	March 31 2019	Charged to Retained Earnings	Charged to Profit/Loss	Charged to OCI	March 31 2020
Allowance for inventory obsolescence	P30,838,434	P -	P17,394,366	P -	P48,232,800
Allowance for impairment losses on receivables	7,898,297	-	3,620,760	-	11,519,057
Accrued retirement liability	3,940,580	-	2,971,197	(3,062,473)	3,849,304
PFRS 16 adjustment	-	5,854,143	(585,440)	-	5,268,703
Accrued interest expense	-	-	177,337	-	177,337
Unpaid stock option payment	(172,763)	-	172,763	-	-
Unrealized foreign exchange loss	91,133	-	(59,534)	-	31,599
Accrued rent	12,283	(12,283)	-	-	-
	P42,607,964	P5,841,860	P23,691,449	(P3,062,473)	P69,078,800

22. 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.

- In 2018, the Company entered into a distribution agreement with Medport Distributors, Inc. The agreement is effective from January 1, 2018 to December 31, 2018 and is renewable upon mutual agreement of the parties.

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.

23. 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, 2021 and 2020, the aging per class of financial assets is as follows:

2021	***Note***	**Neither Past Due nor Impaired**	**Past Due but not Impaired**		**Impaired**	**Total**
			Less than 30 Days	**More than 31 Days**		
Cash in banks	*5*	**P355,495,325**	**P -**	**P -**	**P -**	**P355,495,325**
Trade receivables	*6*	**305,349,702**	**29,839,348**	**245,547,092**	**31,802,667**	**612,538,809**
Due from related parties	*15*	**66,416,992**	**-**	**-**	**-**	**66,416,992**
Security deposits		**2,462,963**	**-**	**-**	**-**	**2,462,963**
		P729,724,982	**P29,839,348**	**P245,547,092**	**P31,802,667**	**P1,036,914,089**

2020	*Note*	Neither Past Due nor Impaired	Past Due but not Impaired		Impaired	Total
			Less than 30 days	More than 31 Days		
Cash in banks	*5*	P72,455,696	P -	P -	P -	P72,455,696
Trade receivables	*6*	446,930,752	33,745,702	265,150,445	32,691,598	778,518,497
Due from related parties	*15*	77,401,859	-	-	-	77,401,859
Security deposits		2,414,240	-	-	-	2,414,240
		P599,202,547	P33,745,702	P265,150,445	P32,691,598	P930,790,292

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, 2021
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:

	Note	**2021**	2020
Cash in banks	*5*	**P355,495,325**	P72,455,696
Trade receivables - net	*6*	**530,998,553**	693,480,075
Due from related parties	*15*	**66,416,992**	77,401,859
Security deposits	*20*	**2,462,963**	2,414,240
		P955,373,833	P845,751,870

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, 2021 and 2020. 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:

	Note	**Less than One Year**	**More than One Year**	**Total**
2021				
Trade and other payables*	*11*	**P696,934,357**	**P -**	**P696,934,357**
Due to related parties	*15*	**5,210,186**	**-**	**5,210,186**
Lease liabilities	*20*	**6,139,723**	**24,296,083**	**30,435,806**
		P708,284,266	**P24,296,083**	**P732,580,349**

**Excluding payables to government agencies amounting to P10,563,613.*

	Note	Less than One Year	More than One Year	Total
2020				
Trade and other payables*	*11*	P656,284,906	P -	P656,284,906
Due to related parties	*15*	6,789,795	-	6,789,795
Dividends payable	*16*	4,429,203	-	4,429,203
Lease liabilities	*20*	5,812,407	30,435,825	36,248,232
		P673,316,311	P30,435,825	P703,752,136

**Excluding payables to government agencies amounting to P19,156,659.*

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:

2021	**In USD**	**In JPY**	**In EUR**	**In CHF**	**Peso Equivalent**
Cash in banks	**1,298**	**-**	**-**	**-**	**63,045**
Due from related parties	**28,442**	**-**	**-**	**-**	**1,380,966**
Trade payables	**31,067**	**-**	**-**	**-**	**1,508,437**
Due to related parties	**346,786**	**-**	**-**	**-**	**16,837,767**

2020	In USD	In JPY	In EUR	In CHF	Peso Equivalent
Cash in banks	3,076	-	-	-	157,011
Due from related parties	28,275	-	-	-	1,443,269
Trade payables	108,092	-	151,421	-	14,056,593
Due to related parties	65,793	7,183,227	-	-	6,758,456

Foreign exchange rates for the years ended March 31, 2021 and 2020 are as follows:

	2021	2020
USD	**48.5538**	51.0440
JPY	**0.44062**	0.4734
CHF	**51.5804**	53.2596
EUR	**56.9974**	56.3934

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	
	2021	2020
Cash in banks	**P3,152**	P7,851
Due from related parties	**69,048**	72,163
Trade payables	**75,422**	702,830
Due to related parties	**841,888**	337,923

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 short-term borrowings, 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, 2021 and 2020 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:

	2021	2020
Debt	**P816,416,984**	P807,900,630
Cash	**355,495,325**	127,398,498
Net debt	**P460,921,659**	680,502,132
Equity	**733,288,753**	606,926,323
Net debt to equity ratio	**0.68:1**	1.12:1

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

24. 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, 2021:

A. VAT

		Amount
1.	Output VAT	**P150,396,528**
	Basis of the Output VAT:	
	Vatable Sales	**P1,253,304,400**
	Exempt Sales	**65,876,506**
	Zero rated Sales	**77,522,631**
		P1,396,703,537
2.	Input VAT	
	Allowable input tax from previous period	**P800,884**
	Current year's domestic purchases:	
	a. Purchase of capital goods exceeding P1M	**2,328,429**
	b. Purchase of capital goods not exceeding P1M	**897,571**
	c. Domestic purchase of goods other than capital goods	**52,588,430**
	d. Importation of goods other than capital goods	**20,989,178**
	e. Domestic purchase of services	**12,859,102**
	Less: Deductions from input tax and other adjustments	**(124,802)**
	Total allowable input VAT	**90,338,792**
	Less: VAT payments during the year	**51,878,464**
	Net VAT Payable	**P8,179,272**

B. Taxes on Importation of Goods

Landed cost of imports	**P154,840,785**
Customs duties paid or accrued	**2,013,199**
Tariff fees paid or accrued	**5,811,712**
	P162,665,696

C. Documentary Stamp Tax

On dividends	**P4,587**
Importations	**168,388**
Others	**680**
	P173,655

D. Withholding Tax

Withholding tax on compensation	**P19,997,706**
Expanded withholding taxes	**11,018,967**
	P31,016,673

E. Other Taxes and Licenses

Payment to local government agencies	**P6,363,857**
License and permit fees	**395,762**
Others	**512,562**
	P7,272,181

F. Tax Assessments

Taxable Year 2016

On September 16, 2019, the Company received Preliminary Assessment Notice from the BIR after the investigation pursuant to 2016 Letter of Authority (LOA) dated May 15, 2017. On February 9, 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 March 8, 2021. As at March 31, 2021, the request for re-investigation is still on-going and the Company shall submit supporting documents within sixty (60) days from the date of the submission of the Protest Letter. The Company will also conduct a meeting with the assigned BIR examiner.

Taxable Year 2017

The Company received a LOA from the BIR dated July 2, 2018 to examine their books of accounts and other accounting records for all internal revenue taxes for the taxable year 2017. On January 21, 2021, the Company received a Preliminary Assessment Notice from the BIR dated January 21, 2021. However, the Company sent a Protest to the Preliminary Assessment which the BIR received on February 05, 2021. As of March 31, 2021, the Company is yet to receive the Formal Letter of Demand.

Taxable Year 2018 and 2019

In November 2019, the Company received notice for payment of penalties relating to late payment of taxes of various tax returns for taxable years 2018 and 2019 amounting to P69.9 million. On December 2, 2019, the Company sent a letter to BIR to request for the abatement of penalties amounting to P42.25 million relative to the Assessment Notices due to late filing of various tax returns for taxable years 2018 and 2019. On January 21, 2020, the Company received from the tax examiner updated matrix relative to the Assessment Notices with a total amount of P66.89 million. On January 27, 2020, the Company submitted a motion to the collection office of BIR for the possible abatement of penalties in the total amount of P39.90 million. On the same date, the Company submitted a request for amnesty amounting to P28.00 million pertaining to compromise penalty, interest and surcharge. On January 29, 2021, the Company has filed an application for compromise for 60% of penalty with BIR. BIR has no response yet the status of the application as at March 31, 2021.

Taxable Year 2020

The Company received a LOA from the BIR dated July13, 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. The Company is still submitting the required documents and other reports and the BIR is yet to perform an on-site audit.