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

FINANCIAL STATEMENTS
March 31, 2019
(With Comparative Figures for 2018)

KPMG

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Multicare Pharmaceuticals Philippines, Inc.
26th Rufino Tower Building
6784 Ayala Avenue, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Multicare Pharmaceutical, Philippines Inc., a subsidiary of Lupin Holdings, B.V., (the "Company"), which comprise the statement of financial position as at March 31, 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year 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, 2019, and its financial performance and its cash flows for the year 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.

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Other Matters

The accompanying financial statements of Multicare Pharmaceuticals Philippines, Inc., a subsidiary of Lupin Holdings, B.V.), as at and for the year ended March 31, 2018, were audited by other auditor whose report thereon dated April 27, 2018, expressed an unqualified opinion on those statements.

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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 23 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

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Partner
CPA License No. 108798
SEC Accreditation No. 1574-A, Group A, valid until August 11, 2019
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PTR No. MKT 7333641
Issued January 3, 2019 at Makati City

May 2, 2019
Makati City, Metro Manila

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

STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2019
(With Comparative Figures for 2018)

		March 31	
	Note	**2019**	2018
ASSETS			
Current Assets			
Cash	*4, 22*	**P25,713,754**	P34,135,853
Trade and other receivables - net	*5, 22*	**908,243,597**	1,107,587,706
Inventories - net	*6*	**462,652,911**	477,358,629
Due from related parties	*14, 22*	**11,818,646**	9,616,126
Prepayments and other current assets	*7*	**18,402,527**	28,432,368
Total Current Assets		**1,426,831,435**	1,657,130,682
Noncurrent Assets			
Property and equipment - net	*8*	**49,987,621**	59,765,898
Intangible assets - net	*9*	**21,328,564**	27,564,392
Deferred tax assets - net	*20*	**42,607,964**	24,240,810
Other noncurrent assets		**2,367,837**	2,286,292
Total Noncurrent Assets		**116,291,986**	113,857,392
		P1,543,123,421	P1,770,988,074
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*10*	**P398,065,329**	P666,168,062
Short term borrowings	*11*	**326,250,000**	360,725,000
Due to related parties	*14*	**11,436,704**	7,972,890
Income tax payable	*20*	**55,344,310**	64,811,758
Dividends payable	*15*	**214,062**	411,753
Total Current Liabilities		**791,310,405**	1,100,089,463
Noncurrent Liability			
Retirement benefits obligation	*12*	**57,845,471**	44,710,204
Total Liabilities		**849,155,876**	1,144,799,667
Equity			
Share capital		**263,000,000**	200,000,000
Share premium		**28,400,000**	28,400,000
Retained earnings		**402,567,545**	397,788,407
Total Equity	*15*	**693,967,545**	626,188,407
		P1,543,123,421	P1,770,988,074

See Notes to the Financial Statements.

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED MARCH 31, 2019
(With Comparative Figures for 2018)

		Years Ended March 31	
	Note	**2019**	2018
NET SALES	*16*	**P1,555,236,679**	P1,942,632,512
COST OF GOODS SOLD	*17*	**732,895,501**	1,127,135,441
GROSS PROFIT		**822,341,178**	815,497,071
OPERATING EXPENSES	*18*	**647,714,101**	611,355,196
INCOME FROM OPERATIONS		**174,627,077**	204,141,875
OTHER EXPENSES - Net			
Gain on sale of property and equipment	*8*	**2,775,035**	2,914,734
Rent income		**240,000**	240,000
Interest income	*4*	**102,322**	57,754
Bank charges		**(570,082)**	(638,332)
Foreign exchange loss - net		**(555,999)**	(3,377,658)
Interest expense	*11*	**(16,558,295)**	(11,765,682)
Others		**-**	469
		(14,567,019)	(12,568,715)
PROFIT BEFORE TAX		**160,060,058**	191,573,160
INCOME TAX EXPENSE	*20*	**49,424,257**	64,282,816
PROFIT FOR THE YEAR		**110,635,801**	127,290,344
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation - net of tax	*12*	**1,694,957**	29,098,438
TOTAL COMPREHENSIVE INCOME		**P112,330,758**	P156,388,782

See Notes to the Financial Statements.

MULTICARE PHARMACEUTICALS PHILIPPINES, INC.
(A Subsidiary of Lupin Holdings, B.V.)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31, 2019
(With Comparative Figures for 2018)

	Share Capital (Note 15)	**Share Premium** (Note 15)	**Retained Earnings** (Note 15)	**Total**
Balance, April 1, 2017	P171,026,500	P28,400,000	P321,669,008	P521,095,508
Total Comprehensive Income				
Profit for the year	-	-	127,290,344	127,290,344
Other comprehensive income				
Remeasurement of defined benefit obligation - net of tax	-	-	29,098,438	29,098,438
	-	-	156,388,782	156,388,782
Transactions with owners:				
Issuance of stock dividends	28,973,500	-	(28,973,500)	-
Cash dividends	-	-	(51,295,883)	(51,295,883)
	28,973,500	-	(80,269,383)	(51,295,883)
Balance, March 31, 2018	200,000,000	28,400,000	397,788,407	626,188,407
Total Comprehensive Income				
Profit for the year	-	-	110,635,801	110,635,801
Other comprehensive income				
Remeasurement of defined benefit obligation - net of tax	-	-	1,694,957	1,694,957
	-	-	112,330,758	112,330,758
Transactions with owners				
Issuance of stock dividends	63,000,000	-	(63,000,000)	-
Cash dividends	-	-	(44,551,620)	(44,551,620)
	63,000,000	-	(107,551,620)	(44,551,620)
Balance, March 31, 2019	**P263,000,000**	**P28,400,000**	**P402,567,545**	**P693,967,545**

See Notes to the Financial Statements.

MULTICARE PHARMACEUTICALS PHILIPPINES, INC.
(A Subsidiary of Lupin Holdings, B.V.)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019
(With Comparative Figures for 2018)

		Years Ended March 31	
	Note	**2019**	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**P160,060,058**	P191,573,160
Adjustments for:			
Allowance for inventory obsolescence	*6*	**30,663,561**	48,171,976
Depreciation and amortization	*8*	**28,145,556**	31,050,747
Allowance for impairment losses on receivables	*5*	**18,681,422**	5,041,830
Interest expense	*11*	**16,558,295**	11,765,682
Retirement benefits cost	*12*	**15,556,634**	19,615,222
Allowance for sales returns and allowances	*5*	**3,900,027**	(7,435,295)
Gain on disposal of property and equipment - net		**(2,775,035)**	(2,914,734)
Unrealized foreign exchange gain (loss) - net		**(303,779)**	503,615
Interest income	*4*	**(102,322)**	(57,754)
Cash flows before working capital changes		**270,384,417**	297,314,449
Decrease (increase) in:			
Trade and other receivables		**176,762,661**	(346,728,639)
Inventories	*6*	**(15,957,843)**	(1,398,331)
Due from related parties		**(2,202,520)**	(6,502,007)
Prepayments and other current assets		**10,029,841**	(9,490,067)
Other noncurrent assets		**(81,545)**	2,875
Increase (decrease) in:			
Trade and other payables		**(284,446,328)**	118,326,612
Due to related parties		**3,463,814**	(3,642,225)
Cash generated from operations		**159,952,497**	47,882,667
Interest income received	*4*	**102,322**	57,754
Interest paid	*11*	**(16,558,295)**	(11,765,682)
Income taxes paid		**(61,337,896)**	(47,367,575)
Net cash generated by (used in) operating activities		**80,158,628**	(11,192,836)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	*8*	**(14,602,720)**	(31,031,979)
Proceeds from sale of property and equipment	*8*	**5,246,304**	4,925,464
Additions to intangible assets	*9*	**-**	(73,531)
Net cash used in investing activities		**(9,356,416)**	(26,180,046)

Forward

	Note	2019	2018
		Years Ended March 31	
CASH FLOW FROM A FINANCING ACTIVITY			
Proceeds from short term borrowings	11	**P629,500,000**	P738,500,000
Payment of short term borrowings	11	**(663,975,000)**	(731,025,000)
Dividends paid	15	**(44,749,311)**	(51,232,845)
Net cash used in financing activities		**(79,224,311)**	(43,757,845)
NET DECREASE IN CASH		**(8,422,099)**	(81,130,727)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH		**-**	154
CASH AT BEGINNING OF YEAR		**34,135,853**	115,266,426
CASH AT END OF YEAR		**P25,713,754**	P34,135,853

See 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 Lupin Holdings, B.V., Netherlands (LHBV). 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 26th Floor, Rufino Tower Building, 6784 Ayala Avenue, Makati City, Philippines.

The accompanying financial statements as at March 31, 2019 were approved and authorized for issue on May 2, 2019 by the Board of Directors of the Company.

2. Basis of Preparation

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

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

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

Use of Judgment and Estimates
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.

Assumptions and Estimation Uncertainties

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 P26.33 million and P7.65 million for the period ended March 31, 2019 and 2018, respectively. The carrying value of receivables amounted to P908.24 million and P1,107.59 million as at March 31, 2019 and 2018, respectively (see Note 5).

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 P462.65 million and P477.36 million as at March 31, 2019 and 2018, respectively (see Note 6).

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 P57.85 million and P44.71 million as at March 31, 2019 and 2018, respectively (see Note 12).

Estimating Realizability of Deferred Tax Assets
The Company reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Company's assessment on the recognition of deferred tax assets on deductible temporary difference and carryforward benefits of net operating loss carry over (NOLCO) and minimum corporate income tax (MCIT) is based on the projected taxable income within the prescription period of three (3) years.

3. Summary of Significant Accounting Policies

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

Adoption of New or Revised Standards, Amendments to Standards and Interpretations
The Company has adopted the following new standards starting April 1, 2018 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these new standards did not have any significant impact on the Company's financial statements.

- PFRS 15, *Revenue from Contracts with Customers* replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31 *Revenue - Barter Transactions Involving Advertising Services*.

  The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled.

  PFRS 15 requires a contract with a customer to be legally enforceable and to meet certain criteria to be within the scope of the standard and for the general model to apply. It introduces detailed guidance on identifying performance obligations which requires entities to determine whether promised goods or services are distinct. It also introduces detailed guidance on determining transaction price, including guidance on variable consideration and consideration payable to customers. The transaction price will then be generally allocated to each performance obligation in proportion to its stand-alone selling price. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the entity's performance, or at a point in time, when control of the goods or services is transferred to the customer.

The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non- monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

Due to the transition method (cumulative effect method) chosen in applying PFRS 15, comparative information has not been restated to reflect the new requirements. Accordingly, the information presented for 2017 has not been restated - i.e. it is presented as previously reported under PAS 18 and related interpretations. Additionally, the disclosure requirements in PFRS 15 have not generally been applied to comparative information.

As at March 31, 2019 and 2018, the adoption of the new standard has no impact on the Company's financial statements.

- PFRS 9*, Financial Instruments (2014)*. PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013).

  PFRS 9 includes revised guidance on the classification and measurement of financial assets that reflects the business model in which assets are managed and their cash flow characteristics, including a new forward-looking expected credit loss model for calculating impairment, and guidance on own credit risk on financial liabilities measured at fair value. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  Classification and Measurement of Financial Assets
  PFRS 9 contains three principal classification categories for financial assets: (1) measured at amortized cost, (2) measured at fair value through other comprehensive income (FVOCI) and (3) measured at fair value through profit or loss (FVTPL). The classification of financial assets under PFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. PFRS 9 eliminates the previous PAS 39 categories of held to maturity (HTM), loans and receivables and available for sale (AFS).

The following table and the accompanying notes below explain the original measurement categories under PAS 39 and the new measurement categories under PFRS 9 for each class of the Company's financial assets as at April 1, 2018.

	Original Classification under PAS 39	New Classification under PFRS 9	Original Carrying Amount under PAS 39	New Carrying Amount under PFRS 9
Financial Assets				
Cash*	Loans and receivables	Amortized cost	P34,135,853	P34,135,853
Trade and other receivables	Loans and receivables	Amortized cost	1,107,587,706	1,107,587,706
Due from related party	Loans and receivables	Amortized cost	9,616,126	9,616,126
Refundable deposits	Loans and receivables	Amortized cost	2,286,292	2,286,292
Total Financial Assets			**P1,153,625,977**	**P1,153,625,977**

**Excluding cash on hand amounting to P1,669,958.*

Classification and Measurement of Financial Liabilities
The Company has not designated any financial liabilities at Fair Value through Profit or Loss (FVTPL). There are no changes in the classification and measurement of the Company's financial liabilities.

Standards Issued but Not Yet Adopted
A number of new standards and amendments to standards are effective for annual periods beginning after April 1, 2018. However, the Company has not applied the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

Effective January 1, 2019

- PFRS 16, *Leases* supersedes PAS 17, *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

  PFRS 16 is effective for annual periods beginning on or after April 1, 2019. Earlier application is permitted for entities that apply PFRS 15 at or before the date of initial application of PFRS 16.

The Company has decided it will apply the modified retrospective adoption method in PFRS 16, and therefore, will only recognize leases on balance sheet as at April 1, 2019. In addition, it has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. This will ensure there is no immediate impact to net assets on that date.

The Company is still in the process of assessing the potential impact of PFRS 16 and plans to adopt the new standard on leases on the required effective date.

- *Philippine Interpretation IFRIC-23 Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12 *Income Taxes*, when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Company's chosen tax treatment. If it is not probable that the tax authority will accept the Company's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value.

  The interpretation also requires the reassessment of judgments and estimates applied if facts and circumstances change - e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

  The interpretation is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The interpretation can be initially applied retrospectively applying PAS 8, if possible without the use of hindsight, or retrospectively with the cumulative effect recognized at the date of initial application without restating comparative information.

Effective January 1, 2020

- *Amendments to References to Conceptual Framework* in PFRS Standards sets out amendments to PFRS Standards, their accompanying 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 accompanying 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 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.

These amendments are effective for annual reporting periods beginning on or after January 1, 2020.

- *Definition of Material (Amendments to PAS 1, Presentation of Financial Statements and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors).* The 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 accompanying 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 judgments without substantively changing existing requirements.

  The amendments apply prospectively for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

<u>Current versus Noncurrent Classification</u>
The Company presents its assets and liabilities in the statements of financial position based on current and noncurrent classification. An asset as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;

- Held primarily for the purpose of trading;

- Expected to be realized within twelve months after the reporting period; or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Financial Instruments
Non-derivative Financial Instruments. Non-derivative financial instruments consist of cash, receivables and contract assets, refundable deposits, performance bonds, accounts payable and accrued expenses.

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

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

Financial Assets

Financial Assets - Policy Applicable from April 1, 2018

Classification and Subsequent Measurement. On initial recognition, the Company classifies its financial assets in the following measurement categories: amortized cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

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 receivables, due from related parties and refundable deposits.

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 Assets - Policy Applicable before April 1, 2018

The Company classifies financial assets into one of the following categories:

- loans and receivables;
- held-to-maturity;
- available-for-sale; and
- at FVTPL

The Company subsequently measures loans and receivables at amortized cost using the effective interest method.

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.

PFRS 9 largely retains the existing requirements in PAS 39 for the classification and measurement of financial liabilities. The adoption of PFRS 9 does not have an effect on the Company's accounting policies related to financial liabilities.

Included under other financial liabilities are the Company's trade and other payables, short term borrowings, due to related parties and dividends payable.

Impairment of Financial Assets

Impairment of Financial Assets - Policy Applicable from April 1, 2018

PFRS 9 replaces the 'incurred loss' model in PAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under PFRS 9, credit losses are recognized earlier than under PAS 39.

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

Regardless of the analysis above, a significant risk is presumed if a debtor is more than 30 days due in making a contractual payments.

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.

Impairment of Financial Assets - Policy Applicable before April 1, 2018

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

The Company assesses at each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the financial asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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 net realizable value (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 non-current assets.

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
Warehouse equipment	3 - 5
Office equipment	3

Leasehold improvements are amortized over the improvements' useful life of five (5) years or when shorter, the terms of the relevant lease.

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 issue 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 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 components of defined benefit costs in profit or loss in the line item salary, wages and employee benefits. Curtailment gains and losses are accounted for as past service costs.

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

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

Revenue Recognition

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

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

In the comparative period, revenue was measured at the fair value of the consideration received or receivable. Revenue from sale of goods and services was recognized when the significant risks and rewards of ownership had been transferred to the customer, recovery of the consideration was probable, the associated costs and possible return of goods or services could be estimated reliably, there was no continuing management involvement with the goods or services and the amount of revenue could be measured reliably.

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. The entity's responsibilities end the moment sales accepted by distributes. 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.

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

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

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.

The Company as Lessor
Operating Leases
Rental income from operating leases is recognized as income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Initial direct costs incurred by Company in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

The Company as Lessee
Finance Lease
Assets held under finance leases are recognized as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognized as expense in the period in which they are incurred.

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

Foreign Currency Transactions
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.

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 of 30% of taxable income or the minimum corporate income tax of 2% of defined gross income, whichever is higher.

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 reporting date. 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. Cash

The account consists of:

	March 31 2019	March 31 2018
Cash in banks	**P21,004,452**	P32,465,895
Cash on hand	**4,709,302**	1,669,958
	P25,713,754	P34,135,853

Cash in banks earns interest income at an average annual interest rate of 0.25% and .04% as at March 31, 2019 and 2018, respectively. Interest income related to cash in banks amounted to P0.10 million and P0.58 million for the period ended March 31, 2019 and 2018, respectively.

Cash on hand pertains to undeposited checks from a customer and cleared subsequent to March 31, 2019 and March 31, 2018.

5. Trade and Other Receivables - net

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

	March 31 2019	March 31 2018
Trade receivables	**P940,209,736**	P1,085,792,608
Less: Allowance for impairment losses	**26,327,655**	7,646,233
Allowance for sales returns and discount	**46,551,412**	42,651,385
	867,330,669	1,035,494,990
Advances to employees and others	**40,912,928**	72,092,716
	P908,243,597	P1,107,587,706

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 P26.33 million and P7.65 million as at March 31, 2019 and 2018, respectively.

Movements in the allowance for impairment losses are as follows:

	Note	**March 31 2019**	March 31 2018
Balance at beginning of period		**P7,646,233**	P2,604,403
Allowance for the year	*18*	**18,681,422**	5,041,830
Balance at end of period		**P26,327,655**	P7,646,233

The Company provided an allowance for sales returns for near expiring goods reported to be returned in within the month after the period ended March 31, 2019 and 2018, by some of its customer. 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	**March 31 2019**	March 31 2018
Balance at beginning of period		**P42,651,385**	P50,086,680
Sales returns and discounts	*16*	**552,040,533**	575,977,737
Reversal of sales returns and discount		**(548,140,506)**	(583,413,032)
		3,900,027	(7,435,295)
Balance at end of period		**P46,551,412**	P42,651,385

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.

6. Inventories

The Company's inventories are as follows:

	March 31 2019	March 31 2018
Inventories	**P535,513,676**	P520,458,618
Less: Allowance for inventory obsolescence	**(102,794,887)**	(72,131,326)
	432,718,789	448,327,292
Semi-finished, raw and packaging materials - at cost	**29,934,122**	29,031,337
	P462,652,911	P477,358,629

The Company considers inventory obsolescence based on specific identification and as determined by management for inventories estimated to be unsaleable in the future, The Company adjusts the cost of inventories to NRV at a level considered adequate to reflect any market decline in the value of the recorded inventories. The Company reviews, on a continuous basis, the product movement, changes in consumer demands and introduction of new products to identify inventories which are to be written down to NRV. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. The increase in inventory obsolescence and market decline would increase the recorded cost of goods sold and decrease current assets.

7. Prepayments and Other Current Assets

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

	March 31 2019	March 31 2018
Prepayments:		
Promotion	**P6,195,961**	P5,619,745
Business permits	**5,521,806**	5,417,536
Insurance	**165,838**	182,645
Brokerage and commission	**-**	7,927,083
Subscription	**-**	1,020,943
Deferred input value-added taxes (VAT)	**6,128,220**	7,245,282
Others	**390,702**	1,019,134
	P18,402,527	P28,432,368

8. 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, 2017		P98,738,751	P20,062,956	P12,112,502	P2,429,302	P133,343,511
Additions		28,986,709	707,687	1,172,929	164,654	31,031,979
Disposals		(18,033,138)	(70,080)	-	-	(18,103,218)
March 31, 2018		109,692,322	20,700,563	13,285,431	2,593,956	146,272,272
Additions		12,148,839	2,043,903	409,978	-	14,602,720
Disposals		(18,531,250)	(132,143)	-	-	(18,663,393)
March 31, 2019		**103,309,911**	**22,612,323**	**13,695,409**	**2,593,956**	**142,211,599**
Accumulated Depreciation and Amortization						
March 31, 2017		48,215,994	18,001,668	10,639,080	1,804,979	78,661,721
Depreciation and amortization		20,788,366	1,073,708	1,397,555	677,512	23,937,141
Disposals		(16,023,052)	(69,436)	-	-	(16,092,488)
March 31, 2018		52,981,308	19,005,940	12,036,635	2,482,491	86,506,374
Depreciation and amortization	*18*	19,712,708	1,638,203	447,352	111,465	21,909,728
Disposals		(16,085,775)	(106,349)	-	-	(16,192,124)
March 31, 2019		**56,608,241**	**20,537,794**	**12,483,987**	**2,593,956**	**92,223,978**
Carrying Amount						
March 31, 2018		P56,711,014	P1,694,623	P1,248,796	P111,465	P59,765,898
March 31, 2019		**P46,701,670**	**P2,074,529**	**P1,211,422**	**P -**	**P49,987,621**

Proceeds from the disposal amounted to P5.25 million and P4.93 million for the year ended March 31, 2019 and 2018, respectively. Gain from disposal of property and equipment amounted to P2.78 million and P2.91 million for the year ended March 31, 2019 and 2018, respectively.

Management believes that there is no indication of impairment on its property and equipment for the years ended March 31, 2019 and 2018, respectively.

9. Intangible Assets

The movements in this account are as follows:

	Note	Marketing Rights	Computer Software	Total
Cost				
March 31, 2017		P45,000,000	P11,227,935	P56,227,935
Additions		-	73,531	73,531
March 31, 2019 and 2018		**45,000,000**	**11,301,466**	**56,301,466**
Amortization				
March 31, 2017		14,991,668	6,631,800	21,623,468
Amortization		4,500,000	2,613,606	7,113,606
March 31, 2018		19,491,668	9,245,406	28,737,074
Amortization	*18*	4,739,955	1,495,873	6,235,828
March 31, 2019		**24,231,623**	**10,741,279**	**34,972,902**
Carrying Amount				
March 31, 2018		P25,508,332	P2,056,060	P27,564,392
March 31, 2019		**P20,768,377**	**P560,187**	**P21,328,564**

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.

Royalties
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 year ended March 31, 2019 and 2018 amounted to P4.94 million and P4.56 million, respectively (see Note 18). Related liability amounted to P1.48 million and P1.41 million as at March 31, 2019 and 2018, respectively (see Note 10).

10. Trade and Other Payables

This account consists of:

	Note	March 31 2019	March 31 2018
Trade payables:			
Related parties	*14*	**P171,902,332**	P356,141,258
Third parties		**117,512,831**	204,487,547
Non-trade payables:			
Accrued expenses		**74,653,594**	60,723,984
Output VAT - net		**21,786,309**	38,399,575
Payable to government agencies		**5,837,464**	2,552,368
Advances from customers		**4,211,570**	1,608,433
Others		**2,161,229**	2,254,897
		P398,065,329	P666,168,062

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 P7.34 million and P28.38 million as of March 31, 2019 and 2018, respectively.

Details of accrued expenses are shown below.

	Note	March 31 2019	March 31 2018
Salaries and employee benefits		**P38,025,027**	P32,689,228
Distribution fees		**14,953,090**	13,602,744
Professional fees		**7,678,321**	1,535,367
Advertising and promotion		**5,385,100**	3,909,428
Transportation and travel		**2,928,047**	-
Dues and Subscription		**2,276,413**	-
Royalty	*9*	**1,478,281**	1,408,231
Utilities		**1,176,403**	5,661,755
Rent	*19*	**40,945**	129,398
Management fees		**-**	899,754
Others		**711,967**	888,079
		P74,653,594	P60,723,984

11. 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 3.75% to 5%, with maturities ranging from one month to one year.

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

	March 31 2019	March 31 2018
Balance at beginning of period	**P360,725,000**	P353,250,000
Proceeds from loan availment	**629,500,000**	738,500,000
Payment of principal	**(663,975,000)**	(731,025,000)
Balance at end of period	**P326,250,000**	P360,725,000

Interest expense recognized in profit or loss pertaining to the above loans amounted to P16.56 million and P11.77 million for the year ended March 31, 2019 and 2018, respectively.

As at March 31, 2019 and 2018, respectively accrued interest expense amounted to P0.07 million and P0.30 million, respectively (see Note 10).

12. Retirement Benefit Plans

Requirement of Republic Act (RA) 7641
RA 7641 provides for the minimum retirement pay to qualified private sector employees in the Philippines. Benefits due under RA 7641 are accounted for as defined benefit plan under PAS 19. 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 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 whole year.

The Company is in compliance of the minimum requirement of RA 7641 as at March 31, 2019 and 2018, 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 60 years subject to other terms and conditions.

The latest actuarial valuation report is at March 31, 2019.

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

Pension benefits cost consists of:

	Note	2019	2018
Current service cost		**P12,331,576**	P16,879,519
Net interest cost		**3,225,058**	2,735,703
Pension benefits cost		**P15,556,634**	P19,615,222

Remeasurement changes included in OCI are as follows:

	2019	2018
Amount accumulated in remeasurement of defined benefit pension plan reserve	**(P17,046,783)**	P12,051,655
Less: Actuarial gains recognized during the year (change to OCI)	**(2,421,367)**	(29,098,438)
	(P19,468,150)	(P17,046,783)

Retirement benefits obligations are as follows:

	2019	2018
Defined benefit obligation,	**P81,457,257**	P68,425,783
Fair value of plan assets,	**(23,611,786)**	(23,715,579)
Net pension liability	**P57,845,471**	P44,710,204

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

	Defined Benefit Obligation		Fair Value of Plan Asset		Net Desfined Liability (Asset)	
	2019	2018	2019	2018	2019	2018
Balance as at April 1	**P68,425,783**	P77,183,214	**P23,715,579**	P22,989,794	**P44,710,204**	P54,193,420
Included in Profit or Loss						
Current service cost	**12,331,576**	16,879,519	**-**	-	**12,331,576**	16,879,519
Interest expense	**4,899,286**	3,882,316	**-**	-	**4,899,286**	3,882,316
Interest Income	**-**	-	**1,674,228**	1,146,613	**(1,674,228)**	(1,146,613)
Interest Income on Plan Assets	**-**	-	**(1,674,228)**	(1,146,613)	**1,674,228**	1,146,613
	17,230,862	20,761,835	**-**	-	**17,230,862**	20,761,835
Included in Other Comprehensive Income						
Actuarial gains or loss from:						
Change in financial assumptions	**(3,534,378)**	(29,130,651)	**-**	-	**(3,534,378)**	(29,130,651)
Experience adjustment	**1,113,011**	32,213	**-**	-	**1,113,011**	32,213
Return on Plan Assets	**-**	-	**561,217**	1,114,400	**(561,217)**	(1,114,400)
Remeasurement gain / (loss)	**(1,113,011)**	(32,213)	**-**	-	**(1,113,011)**	(32,213)
	(3,534,378)	(29,130,651)	**561,217**	1,114,400	**(4,095,595)**	(30,245,051)
Others						
Benefits paid	**(665,010)**	(388,615)	**(665,010)**	(388,615)	**-**	-
	(665,010)	(388,615)	**(665,010)**	(388,615)	**-**	-
Balance as at March 31	**P81,457,257**	P68,425,783	**P23,611,786**	P23,715,579	**P57,845,471**	P44,710,204

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, 2019. 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:

	March 31 2019	March 31 2018
Discount rate	**6.10%**	7.16%
Expected rate of salary increases	**8.00%**	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, 2019 and 2018 follows:

	2019		2018	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Total assets	**P23,629,947**	**P23,629,947**	P23,733,460	P23,733,460
Total liabilities	**18,161**	**18,161**	17,881	17,881
Net assets	**P23,611,786**	**P23,611,786**	P23,715,579	P23,715,579

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

	Fair Value	
	2019	2018
Mark to market securities	**P1,756,480**	P21,429,696
Fixed income securities	**21,873,467**	2,303,764
	P23,629,947	P23,733,460

Marked 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 analyses 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.

	2019		2018	
	Change in Assumption	**Increase (Decrease) Retirement Benefit Obligation**	Change in Assumption	Increase (Decrease) on Retirement Benefit Obligation
Discount rate	**+100 basis points**	**(P8,835,755)**	+100 basis points	(P7,393,145)
	-100 basis points	**10,367,459**	-100 basis points	8,740,516
Expected salary growth rate	**+100 basis points**	**10,069,188**	+100 basis points	7,965,114
	-100 basis point	**(8,767,044)**	-100 basis point	(6,905,015)
No attrition rates	**78.2%**	**63,691,692**	34.5%	23,574,706

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 statements of financial position.

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

Financial Year	
2020	**P4,437,212**
2021	**3,235,779**
2022	**4,627,785**
2023	**5,931,852**
2024	**7,602,085**
2025 - 2029	**46,976,966**

The average duration of the defined benefit obligation as at March 31, 2019 is 11.8 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.

13. Share-based payment

LL implemented "Lupin Subsidiary Companies Employees Stock Option Plan 2005" (SESOP 2005) and "Lupin Subsidiary Companies Employees Stock Option Plan 2011" (SESOP 2011) in earlier years; and "Lupin Subsidiary Companies Employees Stock Option Plan 2014" (SESOP 2014) in the current year, as approved by the Shareholders of LL and the Remuneration / Compensation / Nomination and Remuneration Committee of the Board of Directors of LL.

The options are granted at an exercise price at the time of such grants. Each option entitles the holder to exercise the right to apply for and seek allotment of one equity share of LL. The options have vesting periods as stated above in accordance with the vesting schedule as per the said plans with an exercise period of ten 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 August 14, 2014	3,812	8/14/14	8/11/24	P1,164.80	P500.06
Granted on August 14, 2014	3,812	8/14/14	8/11/24	1,164.80	540.25
Granted on August 14, 2014	3,812	8/14/14	8/11/24	1,164.80	567.91
Granted on August 14, 2014	3,814	8/14/14	8/11/24	1,164.80	592.58
Granted on April 1, 2016	1,535	4/1/16	3/30/26	1,479.25	402.08
Granted on April 1, 2016	767	4/1/16	3/30/26	1,479.25	466.58
Granted on April 1, 2016	768	4/1/16	3/30/26	1,479.25	532.49
Granted on August 25, 2016	256	8/25/16	8/23/26	1,521.70	415.37
Granted on August 25, 2016	128	8/25/16	8/23/26	1,521.70	484.03
Granted on August 25, 2016	128	8/25/16	8/23/26	1,521.70	553.99
Granted on January 3, 2017	1,067	1/3/17	1/1/27	1,505.75	415.29
Granted on January 3, 2017	1,067	1/3/17	1/1/27	1,505.75	488.87
Granted on January 3, 2017	1,067	1/3/17	1/1/27	1,505.75	548.62
Granted on January 3, 2017	1,069	1/3/17	1/1/27	1,505.75	610.73
Granted on January 3, 2017	703	1/3/17	1/1/27	1,505.75	415.29
Granted on January 3, 2017	703	1/3/17	1/1/27	1,505.75	488.87
Granted on January 3, 2017	703	1/3/17	1/1/27	1,505.75	548.62
Granted on January 3, 2017	705	1/3/17	1/1/27	1,505.75	610.73

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

The fair value of stock options granted in 2017 was estimated on the date of grant using the Black-Scholes option pricing model.

The share-based compensation expense recognized by the Company related to stock options amounted to P0.38 million and P2.23 million in 2019 and 2018, respectively (see Note 14). As at March 31, 2019, a total of P1.73 million is received as a credit note. As at March 31, 2018 P4,881 is still outstanding.

14. Related Party Transactions

Details of the transactions and outstanding balances with related parties for the year ended March 31, 2019 and 2018 are as follows:

Relationship	Period	*Note*	Amount of the Transaction	Outstanding Balance Receivables	Outstanding Balance Payables	Terms and Conditions
Ultimate Parent Company						
▪ Advances	**2019**	*a*	**P416,065**	**P260,520**	**P -**	Non-interest bearing;
	2018		110,888	110,888	-	unsecured, no impairment, 60-day term
▪ Purchases	**2019**	*g*	**59,915,065**	**-**	**19,407,825**	Non-interest bearing;
	2018		67,606,963	-	32,444,188	unsecured, 60-day term
▪ IT expense reimbursements	**2019**	*b*	**2,057,827**	**-**	**621,033**	Non-interest bearing;
	2018		2,259,224	-	985,034	unsecured, 60-day term
▪ Share-based payment	**2019**	*c*	**575,878**	**1,730,088**	**-**	Non-interest bearing;
	2018		2,233,586	-	392,127	unsecured, 60-day term
Under Common Control						
▪ Advances	**2019**	*a*	**82,800**	**8,668,038**	**-**	Non-interest bearing;
	2018		6,241,645	8,585,238	-	unsecured, no impairment, 60-day term
▪ Purchases	**2019**	*g*	**85,424,487**	**-**	**152,494,506**	Non-interest bearing;
	2018		344,860,640	-	323,697,070	unsecured, 60-day term
▪ Management fees	**2019**	*d*	**30,486,260**	**-**	**10,815,671**	Non-interest bearing;
	2018		25,006,990	-	6,595,729	60-day term
▪ Rental income	**2019**	*e*	**240,000**	**1,160,000**	**-**	Non-interest bearing;
	2018		240,000	920,000	-	unsecured, no impairment, 60-day term
Individual Shareholder						
▪ Rental	**2019**	*f*	**3,638,571**	**-**	**-**	Non-interest bearing;
	2018		3,638,571	-	-	unsecured, 60-day term
	2019			**P11,818,646**	**P183,339,035**	
	2018			P9,616,126	P364,114,148	

Outstanding balance of related party receivables and payables as at March 31, 2019 and 2018, respectively are as follows:

	Note	**March 31 2019**	March 31 2018
Due from related parties		**P11,818,646**	P9,616,126
Trade payables	*10*	**171,902,331**	356,141,258
Due to related parties	*10*	**11,436,704**	7,972,890

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 LHBV 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.

d. Management fees refers to cross charges of expenses related to the Company's IT system by a regional office situated in Japan.

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 19).

g. The Company has transactions with its related parties consisting mainly of purchases of goods.

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

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

	Notes	**2019**	2018
Short-term employee benefits		**P27,499,561**	P22,014,197
Share based payments	*13*	**(575,878)**	2,233,586
Total		**P26,923,683**	P24,247,783

15. Equity

Share Capital
Share capital consists of:

	Number of Shares		Amount	
	March 31 2019	March 31 2018	**March 31 2019**	March 31 2018
Share capital				
Authorized - P10 par value per share	**26,300,000**	20,000,000	**P263,000,000**	P200,000,000
Subscribed and Paid-up				
Subscribed	**26,300,000**	20,000,000	**P263,000,000**	P200,000,000

The movements in subscribed capital stock are as follows:

	March 31 2019	March 31 2018
Balance at the beginning of period	**P200,000,000**	P171,026,500
Issuance during the period	**63,000,000**	28,973,500
Balance at the end of period	**P263,000,000**	P200,000,000

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

	March 31 2019	March 31 2018
Balance at the beginning of period	**P20,000,000**	P17,102,650
Issuance during the period	**6,300,000**	2,897,350
Balance at the end of period	**P26,300,000**	P20,000,000

On June 28, 2018, the Board of Directors authorized declaration of stock dividends amounting to P63,000,000.

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

On June 28, 2018, the Company's Board of Directors authorized declaration of cash dividends at 35% of 2017-2018 reported profit after tax or P44,551,620.

Share Premium
Share premium amounting to P28,400,000 as at March 31, 2019 and 2018 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	
	Note	**2019**	2018	**2019**	2018
Cash dividends		**P2.23**	P2.9992943	**P44,551,620**	P51,295,883
Stock dividends	*15*	**10.00**	10.00	**63,000,000**	28,973,500

As at March 31, 2019 and 2018, the Company has outstanding cash dividends payable amounting to P0.21 million and P0.41 million.

As at March 31, 2019 and 2018, the retained earnings of the Company is in excess of 100% of its paid up capital by P138,578,182 and P197,788,407, respectively. The Company will declare dividends in 2020 in relation to its unappropriated retained earnings as at March 31, 2019.

16. Sales

Sales consist of sales to distributors and in-house customers. The breakdown of sales and the relative returns and discounts is as follows:

	Note	**March 31 2019**	March 31 2018
Sales		**P2,107,277,212**	P2,518,610,249
Less: Sales returns and discounts	*5*	**552,040,533**	575,977,737
		P1,555,236,679	P1,942,632,512

17. Cost of Goods Sold

	Note	**March 31 2019**	March 31 2018
Inventories, beginning	*6*	**P477,358,629**	P524,132,274
Purchases and other direct costs		**687,526,222**	1,032,189,820
Cost of goods available-for-sale		**1,164,884,851**	1,556,322,094
Less: Inventories, ending	*6*	**462,652,911**	477,358,629
		702,231,940	1,078,963,465
Allowance for inventory obsolescence		**30,663,561**	48,171,976
Cost of goods sold		**P732,895,501**	P1,127,135,441

18. Operating Expenses

The account consists of:

	Notes	March 31 2019	March 31 2018
Salaries and wages		**P206,049,188**	P206,627,201
Advertising and promotion		**160,553,136**	145,923,291
Transportation and travel		**35,983,475**	34,356,620
Management fees		**30,486,260**	-
Depreciation and amortization	*8, 9*	**28,145,556**	31,050,747
Meeting and conferences		**23,442,212**	25,812,159
Professional fees		**19,986,946**	33,609,837
Allowance for impairment losses on receivables	*5*	**18,681,422**	5,041,830
Retirement benefits expense		**15,556,634**	19,615,222
Donations		**14,120,142**	654,179
Warehouse management fee		**13,696,287**	11,380,619
Taxes and licenses		**11,732,110**	31,055,615
Utilities		**10,511,726**	10,187,039
Samples		**9,829,719**	6,240,183
Dues and subscriptions		**9,657,705**	9,209,866
Rent	*19*	**6,972,245**	6,867,465
Representation and entertainment		**5,864,853**	7,537,304
Royalty	*9*	**4,944,306**	4,562,522
Repairs and maintenance		**3,981,682**	3,588,712
Delivery		**2,579,533**	2,141,758
Insurance		**2,206,687**	2,482,301
Postage and supplies		**2,182,075**	1,989,444
Penalty		**2,017,039**	812,722
Fringe benefit expense		**1,339,827**	-
Others		**7,193,336**	10,608,561
		P647,714,101	P611,355,196

19. Operating Lease Agreements

The Company entered into various operating lease agreements with local companies as follows:

The Company as a Lessee

a. On February 15, 2016, the Company entered into a lease agreement for the extension of its corporate office space for a period of three years up to February 14, 2019. Monthly rental is subject to escalation rate of 5% per annum.

b. On April 1, 2016, the Company entered into a lease agreement for its warehouse space located at Chino Roces Avenue for a period of five years up to March 31, 2021 with the option to renew the agreement.

c. On June 1, 2016, the Company signed an extension of lease agreement for its warehouse space situated at 7269 Malugay Street, Makati City for a period of three (3) years. On June 1, 2018, the Company entered into a lease agreement for its extension of the aforementioned warehouse space for a period of two (2) years up to May 31, 2020. Monthly rental is subject to escalation rate of 4% per annum.

The above lease agreements required the Company to pay security deposits. The security deposit amounting to P2.37 million and P2.29 million on March 31, 2019 and March 31, 2018, respectively, are presented under other non-current assets account.

Total rent expense recognized in profit or loss for the period ended March 31, 2019 and March 31, 2018 amounted to P6.97 million and P6.87 million, respectively (see Note 18).

As at March 31, 2019 and March 31, 2018, the accrued rent amounted to P0.04 million and P0.13 million, respectively (see Note 10).

At the end of reporting period, the company had outstanding commitments for future minimum lease payments under operating lease, which fall due as follows:

	2019	2018
Due within one year	**P4,076,704**	P1,751,197
After one year but not more than five years	**3,638,571**	7,715,275
	P7,715,275	P9,466,472

The Company as a Lessor

The Company leases out portion of its office space under an operating and cancellable lease agreement to LPI with a lease term of one year, renewable by agreement of both parties.

Rental income earned during years ended March 31, 2019 and 2018 amounted to P0.24 million for both periods.

LPI renewed its existing lease for another period of one year up to November 30, 2018. The contract will be subject to automatic renewal every year unless terminated by either party by giving at least one-month prior written notice during the renewal term and subsequent renewals.

20. Income Taxes

The income tax expense consists of:

	March 31 2019	March 31 2018
Current tax expense	**P68,517,821**	P79,791,813
Deferred tax benefit	**(19,093,564)**	(15,508,997)
	P49,424,257	P64,282,816

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

	March 31 2019	March 31 2018
Income before income tax	**P160,060,058**	P191,573,160
Income tax at statutory income tax rate	**P48,018,017**	P57,471,948
Add (deduct) income tax effects:		
Nondeductible expenses	**1,436,937**	6,828,194
Interest income subject to final tax	**(30,697)**	(17,326)
	P49,424,257	P64,282,816

The breakdown of the Company's deferred tax assets as at March 31, 2019 are as follows:

	March 31 2018	Charged to Profit/Loss	Charged to OCI	**March 31 2019**
Deferred Tax Assets				
Allowance for inventory obsolescence	P21,639,398	P9,199,036	P -	**P30,838,434**
Allowance for impairment loss	2,293,870	5,604,427	-	**7,898,297**
Unpaid stock option payment	117,638	(290,401)	-	**(172,763)**
Difference arising from application of accrued rent	38,819	(26,536)	-	**12,283**
Unrealized foreign exchange loss	151,085	(59,952)	-	**91,133**
Accrued retirement liability	-	4,666,990	(726,410)	**3,940,580**
	P24,240,810	P19,093,564	(P726,410)	**P42,607,964**

The breakdown of the Company's deferred tax assets as at March 31, 2018 are as follows:

	March 31 2017	Charged to Profit/Loss	March 31 2018
Deferred Tax Assets			
Allowance for inventory obsolescence	P7,187,805	P14,451,593	P21,639,398
Allowance for impairment loss	781,287	1,512,583	2,293,870
Unpaid stock option payment	688,503	(570,865)	117,638
Difference arising from application of accrued rent	51,972	(13,153)	38,819
Unrealized foreign exchange loss	22,246	128,839	151,085
	P8,731,813	P15,508,997	P24,240,810

21. Significant Agreements

Warehousing and Distribution Agreement

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

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

- On November 1, 2009, the Company also executed a Distribution Agreement with GB Distributors, Inc. as an additional distributor and seller of its pharmaceutical products. The distribution agreement was for a period of three years from the effective date and has been renewed for another three years.

- In 2014, the Company has entered into additional distribution agreements with Globo Asiatico Enterprises, Inc. and Complete Solutions Pharmacy for distributions of newly acquired Oncology Portfolio.

- 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.

22. Financial Risk Management Objectives and Policies

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

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:

	2019	2018
Cash in banks	**P1,169,798**	P46,616
Due from related parties	**1,990,609**	-
Trade payables	**21,195,203**	28,561,811
Due to related parties	**11,436,704**	40,417,078

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	
	2019	2018
Cash	**P58,490**	P2,331
Due from related parties	**99,530**	-
Trade payables	**1,059,760**	1,428,091
Due to related parties	**571,835**	2,020,854

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 4 and 11. 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 year ended March 31, 2019 and 2018 would decrease/ increase by P1.63 million and P1.80 million, 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.

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.

The following table summarizes the credit quality of the Company's financial assets as at March 31, 2019.

2019	**High Grade**	**Past Due but not Impaired**	**Impaired**	**Total**
Cash in banks	**P21,004,452**	**P -**	**P -**	**P21,004,452**
Trade and other receivables	**559,248,873**	**421,073,791**	**26,237,655**	**1,006,560,319**
Due from a related parties	**11,818,647**	**-**	**-**	**11,818,647**
Refundable deposits	**2,367,837**	**-**	**-**	**2,367,837**
	P594,439,809	**P421,073,791**	**P26,237,655**	**P1,041,751,255**

2018	High Grade	Past Due but not Impaired	Impaired	Total
Cash in banks	P34,135,853	P -	P -	P34,135,853
Trade and other receivables	661,207,388	57,872,413	7,646,233	1,085,792,608
Due from a related parties	9,616,126	-	-	9,616,126
Refundable deposits	2,286,292	-	-	2,286,292
	P707,245,659	57,872,413	P7,646,233	P1,131,830,879

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, 2019
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:

	2019	2018
Cash in banks	**P21,004,452**	P32,465,895
Cash on hand	**4,709,302**	1,669,958
Trade and other receivables - net	**908,243,597**	1,107,587,706
Due from related parties	**11,818,646**	9,616,126
Security deposits	**2,367,837**	2,286,292
	P948,143,834	P1,153,625,977

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, due to related parties and short term loans payables at March 31, 2019 and 2018. 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:

	Weighted Average Interest Rate	Less than One Year	Total
2019			
Trade and other payables		**P410,544,736**	**P410,544,736**
Short-term borrowings	**3.50%**	**326,250,000**	**326,250,000**
Due to related parties		**-**	**-**
Dividends payable		**214,062**	**214,062**
		P737,008,798	**P737,008,798**
2018			
Trade and other payables		P625,216,119	P625,216,119
Short-term borrowings	3.50%	360,725,000	360,725,000
Due to a related party		7,972,890	7,972,890
Dividends payable		411,753	411,753
		P994,325,762	P994,325,762

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:

	2019	2018
Debt	**P850,145,239**	P1,144,799,667
Cash	**25,713,754**	34,135,853
Net debt	**824,431,485**	1,110,663,814
Equity	**692,978,182**	626,188,407
Net debt to equity ratio	**1.19:1**	1.77:1

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

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

The following supplementary information for the year ended March 31, 2019 is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

A. VAT

Output VAT

Details of the Company's gross revenue subjected to VAT are as follows:

	Sales	VAT Rate	Output VAT
Vatable Sales	**P1,606,580,145**	**12%**	**P192,789,617**
Exempt Sales	**47,781,887**	**-**	**-**
	P1,654,362,032	**-**	**P192,789,617**

Input VAT

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

Balance, April 1, 2018	**P35,629,055**
Add: Goods for resale or manufacture or further processing	**63,603,003**
Goods other than for resale or manufacture	**2,695,011**
Goods subject to amortization	**2,868,001**
Capital goods not subject to amortization	**-**
Services lodged under cost of goods sold	**985,925**
Services lodged under other accounts	**10,880,870**
Importation of goods other than capital goods	**26,607,634**
Total available input VAT	**143,269,499**
Less: Input VAT claimed during the year	**(107,640,443)**
Balance, March 31, 2019	**P35,629,056**

B. Taxes on Importation of Goods

Landed cost of imports	**P45,355,383**
Customs duties paid or accrued	**3,806,475**
Tariff fees paid or accrued	**3,758,964**
	P52,920,822

C. Documentary Stamp Tax

On loan instruments	**P2,695,475**
Others	**985,365**
	P3,680,840

D. Withholding Tax

Withholding tax on compensation	**P14,995,395**
Expanded withholding taxes	**9,704,061**
	P24,699,456

E. Other Taxes and Licenses

License and permit fees	**P110,670**
Payment to local government agencies	**6,035,794**
Others	**1,788,217**
	P7,934,681

F. Deficiency Tax Assessments and Tax Cases

The Company has no outstanding pending tax cases or assessment as at March 31, 2019.

G. Tax Examinations

The Company received a Letter of Authority from the BIR to examine their books of accounts and other accounting records for all internal revenue taxes for the periods of April 1, 2015 to March 31, 2016 and April 1, 2016 to March 31, 2017.