Report of Independent Auditors

The Board of Directors
Sun Pharma Philippines, Inc.
(A Wholly Owned Subsidiary of Sun Pharma Global FZE)
Unit 604, Liberty Center Building
104 H.V. Dela Costa Street
Salcedo Village, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sun Pharma Philippines, Inc. (the Company), which comprise the statement of financial position as at March 31, 2018, and the statement of comprehensive income, statement of changes in capital deficiency and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters discussed in the *Basis for Qualified Opinion* section of this report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Qualified Opinion

Due to the significance of the amounts involved, our opinion on the 2018 financial statements of the Company is qualified with respect to the matter pertaining to balance of inventories as of March 31, 2017. We were unable to obtain sufficient and appropriate audit evidence to ascertain as to whether the balance of the inventories as of March 31, 2017 were properly stated as we were not present to observe the physical count of inventories as of that period because that date was prior to the date we were engaged as independent auditors of the Company.

We conducted our audit in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company's capital deficiency further increased as at March 31, 2018 because of its continuing net losses from operations. As stated in Note 1, this condition indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. In response to this matter, management continues to strengthen its strategy to expand its market in order for the Company to increase its sales and eventually generate profit. Operating losses of the Company manifested a significant decrease from P60.1 million in 2017 to P7.6 million in 2018. Management believes that the Company will be able to recover from losses in the next succeeding years. Accordingly, the accompanying Company's financial statements have been prepared assuming that the Company will continue as a going concern which contemplates the realization of assets and the settlement of liabilities in the normal course of business. In connection with our audit, we have performed audit procedures to evaluate management's assumptions as to the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter

We draw attention to Note 2 to the financial statements which describes the effect of the restatements made on the Company's March 31, 2017 account balances. As part of our audit of March 31, 2018 financial statements, we also audited the adjustments described in Note 2 that were applied to the 2017 financial statements. The 2017 financial statements were restated to properly present the correct balances presented herein as corresponding figures. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2017 financial statements of the Company other than with respect to the adjustments described in Note 2 to the financial statements, and accordingly, we do not express an opinion or any other form of assurance on the 2017 financial statements taken as whole. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of Sun Pharma Philippines, Inc. for the year ended March 31, 2017 were audited by another auditor who expressed an unqualified opinion on those financial statements on May 25, 2017 prior to restatements.

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 PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. As discussed in Note 21 to the financial statements, the Company presented the supplementary information required by the Bureau of Internal Revenue in supplemental schedules filed separately from the basic financial statements. Such supplementary information is the responsibility of the management. The supplementary information, however, is not a required part of the basic financial statements prepared in accordance with PFRS and it is also not a required disclosure under the Securities Regulation Code Rule 68, as amended, of the Philippine Securities and Exchange Commission.

PUNONGBAYAN & ARAULLO

By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 6616003 January 3, 2018, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 15, 2018)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-20-2018 (until Jan. 25, 2021)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

June 18, 2018

SUN PHARMA PHILIPPINES, INC.
(A Wholly Owned Subsidiary of Sun Pharma Global FZE)
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2018
(With Comparative Figures as of March 31, 2017 and Corresponding Figures as of April 1, 2016)
(Amounts in Philippine Pesos)

FOR CLIENT'S APPROVAL:
Signature:________________
Position:_________________
Date:____________________

	Notes	2018	March 31, 2017 (As Restated – see Note 2)	April 1, 2016 (As Restated – see Note 2)
ASSETS				
CURRENT ASSETS				
Cash	4	**P 10,878,827**	P 15,917,778	P 17,340,201
Trade and other receivables - net	5	**83,150,762**	42,520,393	33,946,375
Inventories - net	6	**81,446,365**	49,071,381	57,189,150
Other current assets	7	**4,315,356**	63,678,895	48,384,436
Total Current Assets		**179,791,310**	171,188,447	156,860,162
NON-CURRENT ASSETS				
Property and equipment - net	8	**6,766,831**	9,800,273	14,210,647
Deferred tax assets	13	**-**	20,834,951	715,990
Other non-current assets	16	**1,025,228**	585,728	-
Total Non-current Assets		**7,792,059**	31,220,952	14,926,637
TOTAL ASSETS		**P 187,583,369**	P 202,409,399	P 171,786,799
LIABILITIES AND CAPITAL DEFICIENCY				
CURRENT LIABILITIES				
Trade and other payables	9	**P 184,175,487**	P 163,503,464	P 85,036,307
NON-CURRENT LIABILITIES				
Advances from parent company	14	**358,818,334**	345,167,970	301,725,870
Retirement benefit obligation	12	**855,570**	-	-
Total Non-current Liabilities		**359,673,904**	345,167,970	301,725,870
Total Liabilities		**543,849,391**	508,671,434	386,762,177
CAPITAL DEFICIENCY				
Capital stock	15	**8,653,400**	8,653,400	8,653,400
Deficit	2	**(364,919,422)**	(314,915,435)	(223,628,778)
Total Capital Deficiency		**(356,266,022)**	(306,262,035)	(214,975,378)
TOTAL LIABILITIES AND CAPITAL DEFICIENCY		**P 187,583,369**	P 202,409,399	P 171,786,799

See Notes to Financial Statements.

SUN PHARMA PHILIPPINES, INC.
(A Wholly Owned Subsidiary of Sun Pharma Global FZE)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED MARCH 31, 2018
(With Comparative Figures for the Year Ended March 31, 2017)
(Amounts in Philippine Pesos)

FOR CLIENT'S APPROVAL:
Signature:________________
Position:_________________
Date:____________________

	Notes		2018		2017 (As Restated – see Note 2)
REVENUES - Net	2	**P**	**239,377,159**	P	182,801,766
COST OF GOODS SOLD	10		**109,394,736**		124,814,816
GROSS PROFIT			**129,982,423**		57,986,950
SELLING AND ADMINISTRATIVE EXPENSES	10		**137,613,655**		118,059,419
OPERATING LOSS		**(**	**7,631,232)**	(	60,072,469)
OTHER CHARGES - Net	11	**(**	**18,921,067)**	(	50,172,988)
LOSS BEFORE TAX		**(**	**26,552,299)**	(	110,245,457)
TAX INCOME (LOSS)	13	**(**	**23,451,688)**		18,958,800
NET LOSS		**(**	**50,003,987)**	(	91,286,657)
OTHER COMPREHENSIVE INCOME			**-**		-
TOTAL COMPREHENSIVE LOSS		**(P**	**50,003,987)**	(P	91,286,657)

See Notes to Financial Statements.

FOR CLIENT'S APPROVAL:
Signature:________________
Position:_________________
Date:____________________

SUN PHARMA PHILIPPINES, INC.
(A Wholly Owned Subsidiary of Sun Pharma Global FZE)
STATEMENT OF CHANGES IN CAPITAL DEFICIENCY
FOR THE YEAR ENDED MARCH 31, 2018
(With Comparative Figures for the Year Ended March 31, 2017)
(Amounts in Philippine Pesos)

	Capital Stock (See Note 15)	**Reserves** (As Restated – see Note 2)	**Deficit** (As Restated – see Note 2)	**Total**
Balance at April 1, 2017				
As previously reported	P 8,653,400	(P 52,072,495)	(P 263,786,329)	(P 307,205,424)
Effect of restatements	-	52,072,495	(51,129,106)	943,389
As restated	8,653,400	-	(314,915,435)	(306,262,035)
Net loss for the year	-	-	(50,003,987)	(50,003,987)
Balance as at March 31, 2018	**P 8,653,400**	**P -**	**(P 364,919,422)**	**(P 356,266,022)**
Balance at April 1, 2016				
As previously reported	P 8,653,400	(P 1,840,374)	(P 221,788,404)	(P 214,975,378)
Effect of restatements	-	1,840,374	(1,840,374)	-
As restated	8,653,400	-	(223,628,778)	(214,975,378)
Net loss for the year				
As previously reported	-	-	(41,997,925)	(41,997,925)
Effect of restatements	-	-	(49,288,732)	(49,288,732)
As restated	-	-	(91,286,657)	(91,286,657)
Other comprehensive income				
As previously reported	-	50,232,121	-	50,232,121
Effect of restatements	-	(50,232,121)	-	(50,232,121)
As restated	-	-	-	-
Balance as at March 31, 2017	P 8,653,400	P -	(P 314,915,435)	(P 306,262,035)

See Notes to Financial Statements.

SUN PHARMA PHILIPPINES, INC.
(A Wholly Owned Subsidiary of Sun Pharma Global FZE)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2018
(With Comparative Figures for the Year Ended March 31, 2017)
(Amounts in Philippine Pesos)

FOR CLIENT'S APPROVAL:
Signature:________________
Position:________________
Date:________________

	Notes	2018	2017 (As Restated – see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(P 26,552,299)	(P 110,245,457)
Adjustments for:			
Unrealized loss on foreign exchange transaction	11, 14	15,476,465	50,232,121
Depreciation and amortization	7, 8, 10	4,807,421	5,199,743
Gain on disposal of assets	8, 11	(345,946)	-
Interest income	11	(43,137)	(38,035)
Operating loss before working capital changes		(6,657,496)	(54,851,628)
Increase in trade and other receivables		(40,630,369)	(8,574,018)
Decrease (increase) in inventories		(32,374,984)	8,117,769
Decrease (increase) in other current assets		56,739,954	(15,294,459)
Increase in other non-current assets		(439,500)	(1,745,889)
Increase in trade and other payables		18,845,921	71,677,136
Increase in retirement benefit obligation		855,570	-
Cash used in operations		(3,660,904)	(671,089)
Interest received	11	43,137	38,035
Cash paid for income taxes		(8,627)	-
Net Cash Used in Operating Activities		(3,626,394)	(633,054)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment	8	(1,758,503)	(789,369)
Proceeds from sale of property and equipment	8	345,946	-
Net Cash Used in Investing Activities		(1,412,557)	(789,369)
NET DECREASE IN CASH		(5,038,951)	(1,422,423)
CASH AT BEGINNING OF YEAR		15,917,778	17,340,201
CASH AT END OF YEAR		P 10,878,827	P 15,917,778

Supplementary Information on Non-cash Financing Activities –

In 2018 and 2017, the Company recognized unrealized foreign exchange loss on its advances from parent company amounting to P13.7 million and P43.4 million, respectively, and is presented as part of Other Charges - Net account in the statements of comprehensive income (see Notes 11 and 14).

See Notes to Financial Statements.

FOR CLIENT'S APPROVAL:
Signature:________________
Position:_________________
Date:___________________

SUN PHARMA PHILIPPINES, INC.
(A Wholly Owned Subsidiary of Sun Pharma Global FZE)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018
(With Comparative Figures as of March 31, 2017)
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Corporate Information

Sun Pharma Philippines, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission on December 8, 2011 primarily to engage in the business of marketing and distribution on wholesale of pharmaceutical, cosmetics and chemical products.

The Company is a wholly owned subsidiary of Sun Pharma Global FZE (the Parent Company), a free zone limited liability establishment incorporated in Sharjah Airport International Free Zone, Sharjah, United Arab Emirates (U.A.E.) pursuant to Emiri Decree no. 2 of 1995 and in accordance with the implementation procedures of the free zone establishment that is engaged in sourcing pharmaceutical formulations and active pharmaceutical ingredients mainly manufactured by Sun Pharmaceutical Industries Limited – India, the Ultimate Parent Company, and supplying to the overseas related parties. The Ultimate Parent Company is involved with manufacturing operations that are focused on producing generics, branded generics, speciality, over-the-counter products, anti-retrovirals, Active Pharmaceutical Ingredients and intermediates in the full range of dosage forms, including tablets, capsules, injectables, ointments, creams and liquids.

The registered office of the Company, which is also its principal place of business, is located at Unit 604, Liberty Center Building, 104 H.V. Dela Costa Street, Salcedo Village, Makati City. The registered office of the Parent Company is located at Executive Suite Y-43, P.O. Box 122304, Sharjah, U.A.E., while the Ultimate Parent Company is located at Sun House CTS No. 201 B/1, Western Express Highway, Goregaon, Mumbai 400063.

1.2 Status of Operations

The Company generated net losses from its operations amounting to P50.0 million and P91.3 million in 2018 and 2017, respectively. As a result, the Company continues to report substantial deficit of P364.9 million and P314.9 million as at March 31, 2018 and 2017, respectively. This condition indicates the existence of an uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. In response to this matter, the Company's management continues to strengthen the strategy to expand its market in order for the Company to increase its sales and eventually generate profit through continuous intensive marketing of its products. Operating losses of the Company manifested a significant decrease from P60.1 million in 2017 to P7.6 million in 2018. Management believes that the Company will be able to recover from losses in the next succeeding years and that the Company remains to have a strong financial condition since it is part of a group of companies. Accordingly, the financial statements have been prepared assuming that the Company will continue as a going concern. The financial statements do not include any adjustments to reflect possible future effects on the recoverability and classification of assets or the amount and classification of liabilities that might result from the outcome of this uncertainty.

FOR CLIENT'S APPROVAL:
Signature:______________
Position:______________
Date:______________

1.3 *Approval of Financial Statements*

The financial statements of the Company as at and for the fiscal year March 31, 2018 (including the comparative financial statements as at and for the year ended March 31, 2017) were authorized for issue by the Company's Board of Directors (BOD) on June 18, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 *Basis of Preparation of Financial Statements*

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Restatements of Previously Issued 2017 Financial Statements

In 2018, the Company's management performed a review of its prior year financial statements to verify that the recognition and measurement of the Company's assets, liabilities, revenues and expenses are in accordance with the relevant accounting and financial reporting standards. Accordingly, the Company's management has made certain prior period adjustments to correct the 2017 balances. The Company's management also made reclassifications on certain asset, equity, revenue and expense accounts to conform with the current year presentation. The balances in the statement of financial position, statement of comprehensive income, statement of changes in capital deficiency and statement of cash flow of the Company have been restated from the amounts previously reported as of and for the fiscal year ended March 31, 2017.

The effect of the restatements in the statement of financial position as at March 31, 2017 are summarized as follows:

		Adjustments Due To		
	As Previously Reported	Error	Reclassification	As Restated
Changes in assets:				
Trade and other receivables	P 37,131,385	-	P 5,389,008	P 42,520,393
Other current assets	69,653,631	-	(5,974,736)	63,678,895
Deferred tax assets	19,891,562	943,389	-	20,834,951
Other non-current assets	-	-	585,728	585,728
		P 943,389	P -	
Changes in capital deficiency –				
Deficit	(P 315,858,824)	P 943,389	P -	(P 314,915,435)

FOR CLIENT'S APPROVAL:
Signature:________________
Position:________________
Date:________________

The effect of the restatements in the statement of income for the year ended March 31, 2017 are summarized as follows:

	As Previously Reported	Adjustments Due To: Error	Adjustments Due To: Reclassification	As Restated
Changes in income (expenses):				
Other charges – net	P 59,133	-	(P 50,232,121)	(P 50,172,988)
Other comprehensive income (loss)	(50,232,121)	-	50,232,121	-
Tax income	18,015,411	943,389	-	18,958,800
Effect on total comprehensive loss		P 943,389	P -	

The effect of the restatements in the statement of cash flow for the year ended March 31, 2017 pertains only to the reclassification of the foreign exchange gain or loss amounting to P50.2 million from the other comprehensive income section to profit or loss section of the statement of comprehensive income.

(c) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents all items of income and expense and other comprehensive income or loss in a single statement of comprehensive income.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(d) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency, the currency of the primary economic environment in which the Company operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in Fiscal Year 2018 that are Relevant to the Company

The Company adopted for the first time the following amendments to PFRS, which are mandatorily effective for annual periods beginning on or after April 1, 2017:

PAS 7 (Amendments)	:	Statement of Cash Flows – Disclosure Initiative
PAS 12 (Amendments)	:	Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses

Discussed below are the relevant information about the amendments.

(i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative.* The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

Management has applied these amendments in the current year and has not disclosed comparative figures as allowed by the transitional provisions. A reconciliation between the opening and closing balances of liabilities arising from financing activities, which includes both cash and non-cash changes are presented in Note 14.2.

(ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses*. The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference. The application of this amendment has no impact on the Company's financial statements.

(b) Effective in Fiscal Year 2018 that is not Relevant to the Company

Annual improvements to PFRS (2014-2016 Cycle) – PFRS 12, *Disclosure of Interest in Other Entities*, is effective for periods beginning on or after April 1, 2017 but is not relevant to the Company.

FOR CLIENT'S APPROVAL:
Signature:________________
Position:_________________
Date:____________________

(c) *Effective Subsequent to Fiscal Year 2018 but not Adopted Early*

There are new PFRS, amendments, interpretations, and annual improvements to existing standards effective for annual periods subsequent to fiscal year 2018, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Company's financial statements:

(i) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will replace PAS 39, *Financial Instruments: Recognition and Measurement* and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected credit loss model (ECL) in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Based on an assessment of the Company's financial assets and liabilities as at March 31, 2018, which has been limited to the facts and circumstances existing at that date, management has identified the following areas that are expected to be most impacted by the application of PFRS (2014):

- On classification and measurement of the Company's financial assets, management holds most financial assets to collect the associated cash flows; hence, management anticipates that the Company's trade and other receivables and other financial assets will continue to be accounted for at amortized cost.

- The Company will apply a simplified model of recognizing lifetime ECL as its financial assets do not have a significant financing component.

- The Company's financial liabilities are measured at amortized cost. Upon application of PFRS 9 (2014), management has assessed that the amortized cost classification for most of the financial liabilities will be retained.

(ii) PFRS 15, *Revenue from Contract with Customers* (effective from January 1, 2018). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Based on an assessment and comprehensive study of the Company's revenue stream as of March 31, 2018, which has been limited to the facts and circumstances existing at that date, management determined that its significant source of revenues pertains to sales of pharmaceutical products which shall be recognized when the risks and rewards of ownership of the goods have passed to the buyer; or when the customer has acknowledged receipt of pharmaceutical products which shall be recognized when the risks and rewards of ownership of the goods have been passed to the buyer or when the customer has acknowledged the receipt of goods. The management has initially assessed that PFRS 15 has no material impact on its financial statements.

FOR CLIENT'S APPROVAL:
Signature:_______________
Position:_______________
Date:_______________

(iii) IFRIC 22, *Foreign Currency Transactions and Advance Consideration - Interpretation on Foreign Currency Transactions and Advance Consideration* (effective from January 1, 2018). The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. Management has initially assessed that this amendment has no material impact on the Company's financial statements.

(iv) PFRS 9 (Amendment), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendment clarifies that prepayment features with negative compensation attached to financial instruments may still qualify under the SPPI test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at fair value through other comprehensive income. Management has initially assessed that this amendment has no material impact on the Company's financial statements.

(v) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right-of-use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similar to a purchased asset subject to depreciation or amortization. The lease liability is accounted for similar to a financial liability which is amortized using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management has initially assessed that the Company's adoption of PFRS 16 would likely to result in recognition of asset and corresponding lease liability in its statement of financial position to account for its long-term lease in accordance with this new standard.

(vi) IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Company to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Company has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. Management has initially assessed that this amendment has no material impact on the Company's financial statements.

(vii) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, PAS 12 (Amendments), *Income taxes – Tax Consequences of Dividends*, is considered relevant to the Company but has no material impact on the Company's financial statements as this amendment merely clarifies existing requirements. It clarifies that all income tax consequence of dividend payments should be recognized in profit or loss.

2.3 Financial Assets

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Disclosure and Presentation*. All other non-derivative financial instruments are treated as debt instruments.

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and transaction costs related to it are recognized at profit or loss.

All of the Company's financial assets are currently categorized as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of reporting period which are classified as non-current assets.

The Company's financial assets categorized as loans and receivables are presented as Cash, Trade and Other Receivables - Net and Refundable deposits (presented as part of Other Non-current Assets) in the statement of financial position. Cash is defined as cash on hand and demand deposits which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

Impairment loss is provided when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in the profit or loss.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss, are presented in the statement of comprehensive income as part of Other Charges – net account.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.4 Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. The costs of inventories include all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities. Net realizable value 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. Net realizable value of raw materials is the current replacement cost.

FOR CLIENT'S APPROVAL:
Signature:_______________
Position:_______________
Date:_______________

2.5 Intangible Assets

Intangible assets pertain to computer software, which are presented as part of Other Non-current Assets account in the statement of financial position. Acquired computer software are capitalized on the basis of the costs incurred to acquire and install the specific software. These costs are amortized on a straight-line basis over the expected useful life of three to seven years. Costs associated with maintaining computer software are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.6 Other Assets

Other assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

2.7 Property and Equipment

All property and equipment are stated at cost less accumulated depreciation, and impairment in value, if any.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

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

Vehicles	3 - 15 years
Furniture and fixtures	2 - 17 years
Office equipment	2 - 21 years

The residual values, estimated useful lives and method of depreciation of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

Fully depreciated and amortized assets are retained in the accounts until these are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.13).

An item of property and equipment, including the related accumulated depreciation, accumulated amortization and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.8 Financial Liabilities

Financial liabilities, which include Trade and Other Payables (except tax-related liabilities), and Advances from Parent Company are recognized when the Company becomes a party to the contractual terms of the instrument.

Advances from Parent Company are availed to finance working capital requirements of the Company during the start of Company's operations.

Trade and other payables are recognized initially at their fair value and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.9 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Company currently has legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

2.10 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.11 Revenue and Expense Recognition

Revenue comprises revenue from sale of goods and rendering of services measured by reference to the fair value of consideration received or receivable by the Company for goods sold and services rendered, excluding value-added tax (VAT) and trade discounts.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Company; and, the costs incurred or to be incurred can be measured reliably.

In addition, the following specific recognition criteria presented below must also be met before revenue is recognized:

(a) *Sale of Goods* – Revenue is recognized when the risks and rewards of ownership of the goods have passed to the buyer which is generally when the customer has acknowledged delivery of goods.

(b) *Interest Income* − Revenue is recognized as the interest accrues, taking into account the effective yield of the asset.

Costs and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis.

2.12 Leases – Company as Lessee

Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

The Company determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.12 Foreign Currency Transactions and Translation

The accounting records of the Company are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.13 Impairment of Non-financial Assets

The Company's property and equipment and other non-financial assets are subject to impairment testing. All individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements.

Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.14 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit plan and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of Post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Company has not yet established a formal retirement plan.

The liability recognized in the statement of financial position for the defined benefit post-employment plan is the present value of the defined benefit obligation. As of March 31, 2018, the Company has not yet engaged the services of an independent actuary, however, the Company computed retirement benefit obligation based on the provisions of Republic Act (RA) No. 7641, *The Retirement Pay Law*, which covers all regular full-time employees for the fiscal year ended 2018.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity. The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Bonuses

The Company recognizes a liability and an expense for accrual of bonuses. The Company recognizes a provision where it is contractually obliged to pay the benefits.

(d) Termination Benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

2.15 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Company has a legally enforceable right to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.16 Related Party Transactions and Relationships

Related party transactions are transfer of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise 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.

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

2.17 Capital Deficiency

Capital stock represents the nominal value of shares that have been issued.

Deficit represent all current and prior period results of operations as reported in the profit or loss section of statement of comprehensive income.

2.18 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Company's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

(a) Distinction Between Operating and Finance Leases

The Company has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management's judgment, such leases were determined to be operating leases.

(b) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.10 and disclosures on relevant provisions and contingencies are presented in Note 16.

3.2 Key Sources of Estimation Uncertainty

Discussed in the succeeding pages are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(a) *Impairment of Trade and Other Receivables and Refundable Deposit*

Adequate amount of allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Company's relationship with its counterparties, their current credit status based on known market forces, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

The carrying value of trade and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 5.

(b) *Determination of Net Realizable Value of Inventories*

In determining the net realizable value of inventories, management takes into account past experience and other factors affecting the net realizable value of inventory items. Future realization of the carrying amounts of inventories as presented in Note 6 is evaluated on a continuous basis throughout the year. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Company's inventories within the next reporting period.

(c) *Determination of Realizable Amount of Deferred Tax Assets*

The Company reviews its deferred tax assets at the end of each reporting period 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 asset to be utilized. Management assessed that the deferred tax assets recognized as at March 31, 2018 will not be fully utilized in the subsequent reporting periods. Accordingly, prior and current deferred tax assets were derecognized and not recognized, respectively. The carrying value of deferred tax assets derecognized as at the said date is disclosed in Note 13.

(d) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.13). Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment losses are necessary to be recognized in 2018 and 2017 on the Company's property and equipment, and other non-financial assets based on the management's assessment.

(e) Estimation of Useful Lives of Property and Equipment

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment are analyzed in Note 8. Based on management's assessment as at March 31, 2018 and 2017, there is no change in estimated useful lives of those assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(f) Valuation of Post-employment Benefit

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary.

In determining the post-employment obligation, management makes an estimate of salary increases, determine the appropriate discount rate to use in the present value calculation, and the number of employees expected to leave before they receive the benefits.

As at March 31, 2018, the Company does not have a formal post-employment benefit plan; however, it computes post-employment benefit obligation based on the provisions of R.A. No. 7641 which covers all regular full-time employees. Management believes that the obligation computed under R.A. No. 7641 will not materially differ had it been actuarially determined.

4. CASH

The breakdown of this account as of March 31 follows:

	2018	2017
Cash in bank	**P 10,390,877**	P 15,900,568
Cash on hand	**487,950**	17,210
	P 10,878,827	P 15,917,778

Cash in bank generally earn interest based on daily bank deposit rates. Interest earned from cash in banks is reported as Interest income under Other Charges – Net in the statement of comprehensive income (see Note 11).

FOR CLIENT'S APPROVAL:
Signature:________
Position:________
Date:________

5. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	2018	2017 [As restated see Note 2.1(b)]
Trade receivables	P 82,093,008	P 38,070,244
Advances to suppliers	1,247,555	1,812,418
Advances to employees	1,099,568	3,576,590
	84,440,131	43,459,252
Allowance for impairment	(1,289,369)	(938,859)
	P 83,150,762	P 42,520,393

All of the Company's trade and other receivables have been reviewed for indicators of impairment. The net carrying value of trade and other receivables is considered a reasonable approximation of fair value. Trade receivables have contractual terms of 30 days and do not bear any interest.

A reconciliation of the allowance for impairment at the beginning and end of 2018 and 2017 is shown below.

	Note	2018	2017
Balance at beginning of year		P 938,859	P -
Impairment losses	10	355,010	938,859
Receivable write-off		(4,500)	-
Balance at end of year		P 1,289,369	P 938,859

6. INVENTORIES

The details of inventories as at March 31 are as follows:

	2018	2017
Finished goods:		
At cost	P 81,221,865	P 47,708,628
At net realizable value		
Cost	2,758,454	2,699,931
Allowance for impairment	(2,533,954)	(1,337,178)
	224,500	1,362,753
	P 81,446,365	P 49,071,381

Movements in allowance for inventory obsolescence consist of:

	Note	2018	2017
Balance at beginning of year		**P 1,337,178**	P -
Losses on inventory obsolescence	10	**6,670,062**	8,829,967
Inventory write-off		**(5,473,286)**	(7,492,789)
Balance at end of year		**P 2,533,954**	P 1,337,178

Losses on inventory obsolescence are included as part of Operating Expenses in the statement of comprehensive income (see Note 10).

7. OTHER CURRENT ASSETS

This account is composed of the following:

	Note	2018	2017 [As restated see Note 2.1 (b)]
Input VAT	21.1(b)	**P 2,096,854**	P 61,935,488
Creditable withholding tax		**1,073,470**	1,743,407
Prepaid expenses		**928,365**	-
Computer software – net		**216,667**	-
		P 4,315,356	P 63,678,895

Prepaid expenses include prepayments for advertising, insurance, and supplies availed of by the Company.

Movements of computer software as of March 31, 2018 (nil 2017) are shown below.

	Note	
Balance at beginning of year		P -
Additions		232,143
Amortization during the year	10	(15,476)
Balance at end of year		P 216,667

FOR CLIENT'S APPROVAL:
Signature:________________
Position:________________
Date:________________

8. PROPERTY AND EQUIPMENT

The gross carrying amounts and the accumulated depreciation of property and equipment at the beginning and end of 2018 and 2017 are shown below.

	Vehicles	Furniture and Fixtures	Office Equipment	Total
March 31, 2018				
Cost	P 20,528,372	P 2,337,912	P 2,627,997	P 25,494,281
Accumulated depreciation	(15,601,160)	(1,678,597)	(1,447,693)	(18,727,450)
Net carrying amount	**P 4,927,212**	**P 659,315**	**P 1,180,304**	**P 6,766,831**
March 31, 2017				
Cost	P 22,576,230	P 2,289,340	P 2,470,765	P 27,336,335
Accumulated depreciation	(15,113,335)	(1,291,333)	(1,131,394)	(17,536,062)
Net carrying amount	P 7,462,895	P 998,007	P 1,339,371	P 9,800,273
April 1, 2017				
Cost	P 22,095,334	P 2,289,340	P 2,162,292	P 26,546,966
Accumulated depreciation	(10,630,149)	(893,132)	(813,038)	(12,336,319)
Net carrying amount	P 11,465,185	P 1,396,208	P 1,349,254	P 14,210,647

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2018 and 2017 is shown below.

	Vehicles	Furniture and Fixtures	Office Equipment	Total
Balance at April 1, 2017 net of accumulated depreciation	P 7,462,895	P 998,007	P 1,339,371	P 9,800,273
Additions	1,552,699	48,572	157,232	1,758,503
Depreciation charges for the year	(4,088,382)	(387,264)	(316,299)	(4,791,945)
Balance at March 31, 2018 net of accumulated depreciation	**P 4,927,212**	**P 659,315**	**P 1,180,304**	**P 6,766,831**
Balance at April 1, 2016 net of accumulated depreciation	P 11,465,185	P 1,396,208	P 1,349,254	P 14,210,647
Additions	480,896	-	308,473	789,369
Depreciation charges for the year	(4,483,186)	(398,201)	(318,356)	(5,199,743)
Balance at March 31, 2017 net of accumulated depreciation	P 7,462,895	P 998,007	P 1,339,371	P 9,800,273

FOR CLIENT'S APPROVAL:
Signature:________________
Position:_________________
Date:____________________

The amount of depreciation charges in 2018 and 2017 is presented as part of Depreciation under Selling and Administrative Expenses in the statement of comprehensive income (see Note 10).

The Company recognized a gain on disposal of various capital assets totaling P0.3 million in 2018 which is presented as Gain on disposal of assets under Other Charges – Net in the 2018 statement of comprehensive income (see Note 11). No similar transaction occurred in 2017.

As at March 31, 2018 and 2017, the gross carrying amount of the Company's fully depreciated property and equipment that are still used in operation is P0.4 million and P0.2 million, respectively.

9. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	2018	2017
Trade payables:			
Related party	14.1	**P 169,157,890**	P 99,276,563
Third parties		**-**	10,081,824
Salaries & wages payable		**689,179**	563,843
Withholding tax		**682,253**	782,004
Output VAT - net		**-**	52,799,230
Others	21.1(h)	**13,646,165**	-
		P 184,175,487	P 163,503,464

Others include obligations arising from various expenses incurred by the Company and accrual for the penalties [see Note 21.1(h)].

10. OPERATING EXPENSES BY NATURE

The Company's operating expenses are as follows:

	Notes	2018	2017
Purchases used		**P 141,769,719**	P 116,697,048
Selling and distribution		**62,544,969**	47,927,413
Salaries and employee benefits	12, 14	**35,574,628**	34,036,530
Change in inventories		**(32,374,983)**	8,117,768
Loss on inventory obsolescence	6	**6,670,062**	8,829,967
Transportation and travel		**6,612,741**	7,832,853
Depreciation and amortization	7, 8	**4,807,421**	5,199,743
Penalties	21.1(h)	**3,590,037**	-
Professional fees		**3,313,907**	1,780,392
Taxes and licenses	21.1(f)	**3,143,423**	1,302,980
Insurance		**2,135,228**	1,295,416
Rentals	16	**2,125,887**	2,105,284
Repairs and maintenance		**1,705,014**	1,614,434
Communications		**1,547,606**	1,892,352
Utilities		**583,967**	385,927
Office supplies		**440,108**	406,861
Impairment loss accounts receivable	5	**355,010**	938,859
Others		**2,463,647**	2,510,408
		P 247,008,391	P 242,874,235

FOR CLIENT'S APPROVAL:
Signature:_______________
Position:_______________
Date:_______________

Others include bank charges, registration fees, and other miscellaneous expenses.

These expenses are classified in the statement of comprehensive income as follows:

	2018	2017
Cost of goods sold	**P 109,394,736**	P 124,814,816
Selling and administrative expenses	**137,613,655**	118,059,419
	P 247,008,391	P 242,874,235

11. OTHER CHARGES – Net

This account consists of:

	Notes	**2018**	2017 [As restated see Note 2.1 (b)]
Other income:			
Gain on disposal of assets	8	**P 345,946**	P -
Interest income	4	**43,137**	38,035
Others		**77,107**	21,098
		466,190	59,133
Other charges –			
Foreign exchange loss		**(19,387,257)**	(50,232,121)
		(P 18,921,067)	(P 50,172,988)

12. EMPLOYEE BENEFITS

12.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

	Notes	**2018**	2017
Short-term employee benefits		**P 34,719,058**	P 34,036,530
Post-employment defined benefit	12.2	**855,570**	-
	10	**P 35,574,628**	P 34,036,530

12.2 Post-employment Defined Benefit

The Company has no formal post-employment benefit plan and has not engaged any actuary to determine the post-employment benefit obligation. RA No. 7641 has been applied by the Company in computing the post-employment obligation for qualified employees.

FOR CLIENT'S APPROVAL:
Signature:_______________
Position:_______________
Date:_______________

In 2018, the Company recorded post-employment benefit expense that is presented as part of Salaries and employee benefits under Selling and Administrative Expenses in the 2018 statement of comprehensive income. As of March 31, 2018, retirement liability amounting to P0.9 million is presented as Retirement Benefit Obligation in the 2018 statement of financial position. No similar transaction has transpired in 2017.

13. TAXES

13.1 Current and Deferred Taxes

The components of tax expense (income) as reported in profit or loss follow:

	2018	2017 [As restated see Note 2.1(b)]
Current tax expense:		
Minimum corporate income tax (MCIT) at 2%	**P 2,608,110**	P 1,160,161
Final tax at 20%	**8,627**	-
	2,616,737	1,160,161
Deferred tax expense (income) relating to origination and reversal of temporary differences	**20,834,951**	(20,118,961)
	P 23,451,688	(P 18,958,800)

A reconciliation of tax on pretax loss computed at the applicable statutory tax rates to tax expense reported in profit or loss follows:

	2018	2017 [As restated see Note 2.1(b)]
Tax on pretax loss at 30%	**(P 7,965,690)**	(P 33,073,637)
Adjustment for income subjected to final tax	**(4,314)**	(11,410)
Tax effects of:		
Derecognized 2017 deferred tax assets	**20,834,951**	-
Non-deductible expenses	**5,719,951**	14,126,247
Unrecognized deferred tax assets on:		
MCIT	**2,608,110**	-
Temporary differences	**2,258,680**	-
	P 23,451,688	(P 18,958,800)

FOR CLIENT'S APPROVAL:
Signature:
Position:
Date:

The deferred tax asset relates to the following as of March 31:

	Statements of Financial Position		Statements of Comprehensive Income	
	2018	2017	**2018**	2017
Net operating loss carryover (NOLCO)	**P -**	P 18,275,989	**P 18,275,989**	(P 18,275,989)
MCIT		1,876,151	**1,876,151**	(1,160,161)
Allowance for inventory obsolescence	**-**	401,153	**401,153**	(401,153)
Allowance for doubtful accounts	**-**	281,658	**281,658**	(281,658)
Deferred tax asset	**P -**	P 20,834,951		
Deferred tax expense (income)			**P 20,834,951**	(P 20,118,961)

As of March 31, 2018, the Company derecognized previously recognized deferred tax asset totaling to P20.8 million arising from temporary differences incurred in previous years and no longer recognized deferred tax assets for the current year, as management assessed that the Company may not be able to utilize the deferred tax assets within the prescribed period of availment of its tax benefit.

Presented below are the total unrecognized deferred tax assets as of March 31, 2018.

	Amount	Tax Effect
NOLCO	P 157,002,877	P 47,100,863
MCIT	4,484,261	4,484,261
Allowance for inventory obsolescence	2,533,954	760,186
Allowance for doubtful accounts	1,289,369	386,811
Retirement benefit obligation	855,570	256,671
	P 166,166,031	P 52,988,792

The Company is subject to the MCIT which is computed at 2% of gross income, as defined under the tax regulations or regular corporate income tax (RCIT), whichever is higher. The MCIT may be claimed as tax credit against the Company's future income tax payable within three years from the year it was incurred. The Company reported MCIT as it is higher than the RCIT both in 2018 and 2017. Details of the Company's MCIT which can be applied as a deduction against future taxable income are as follows:

Year Incurred	Amount	Valid Until
2018	P 2,608,110	2021
2017	1,160,161	2020
2016	715,990	2019
	P 4,484,261	

The Company is in a tax loss position both in 2018 and 2017. Details of the NOLCO of the Company, which can be claimed as deductions from future taxable income within three years from the year NOLCO was incurred, are as follows:

Year Incurred	Amount	Valid Until
2018	P 5,126,078	2021
2017	60,919,964	2020
2016	90,956,835	2019
	P 157,002,877	

In 2018 and 2017, the Company opted to continue claiming itemized deductions.

14. RELATED PARTY TRANSACTIONS

The Company's related parties include the Parent Company, Ultimate Parent Company, entities under common ownership, stockholders and the Company's key management personnel.

The summary of the Company's transactions and outstanding balances with its related parties are as follows:

		2018		2017	
Related Party	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance
Ultimate parent company –					
Purchase of inventories	9, 14.1	**(P 69,881,327)**	**(P 169,157,890)**	(P 82,103,778)	(P 99,276,563)
Parent company–					
Advances from parent	14.2	**(13,650,364)**	**(358,818,334)**	(43,442,100)	(345,167,970)
Key Management Personnel –					
Compensation	12.1, 14.3	**11,676,843**	**(822,557)**	9,480,682	-

None of the Company's outstanding receivables from related parties has indications of impairment; hence, no impairment loss was recognized in 2018 and 2017.

14.1 Purchase of Inventories

The Company purchases from its Ultimate Parent Company inventories sold to its distributors and product samples distributed to sales representatives as part of the Company's marketing and promotional activities. The related outstanding payables are presented as Trade payables under Trade and Other Payables account in the statement of financial position (see Note 9). The payables are generally unsecured, noninterest-bearing, and payable in cash within three months.

14.2 Advances from Parent Company

The Company obtains advances from parent company that are unsecured, noninterest-bearing and payable on demand or through offsetting arrangements. The advances were used as working capital requirements of the Company.

The analysis of advances from stockholders, shown as Advances from Parent Company in the statement of financial position, is shown below.

	2018	2017
Balance at beginning of year	**P 345,167,970**	P 301,725,870
Cash flows from a non-financing activity – Unrealized foreign exchange loss	**13,650,364**	43,442,100
Balance at end of year	**P 358,818,334**	P 345,167,970

The advances are presented as Advances from Parent Company under Non-current assets in the statement of financial position.

14.3 Key Management Personnel Compensation

The details of the compensation of key management personnel are summarized below.

	2018	2017
Short-term employee benefits	**P 10,854,286**	P 9,480,682
Post-employment defined benefit	**822,557**	-
	P 11,676,843	P 9,480,682

Key management compensation are included in Salaries and employee benefits under Selling and Administrative Expenses in the statements of comprehensive income (see Notes 10 and 12.1). Post-employment defined benefit obligation remained outstanding as of March 31, 2018 (nil as of March 31, 2017) and is presented as part of Retirement Benefit Obligation in the 2018 statement of financial position.

15. CAPITAL STOCK

The Company's authorized capital stock is P10.0 million divided by 100,000 shares at P100 par value per share. Its subscribed and outstanding capital stock as of March 31, 2018 and 2017 amounted to P8.7 million divided into 86,534 shares at P100 par value per share.

As at March 31, 2018 and 2017, the Company has only one stockholder owning 100 or more shares of the Company's capital stock.

16. COMMITMENTS AND CONTINGENCIES

16.1 Operating Lease Commitment – Company as Lessee

The Company is a lessee under non-cancellable operating lease agreements covering the offices of the Company. The leases have terms two years, with renewal options, and include average annual escalation rate of 5%. The future minimum lease payments under these non-cancellable operating leases are as follows as at March 31:

	2018	2017
Within one year	**P 2,195,104**	P 2,090,584
More than one year	**2,345,987**	2,275,401
	P 4,541,091	P 4,365,985

The total rentals from these operating leases amounted to P2.1 million both in 2018 and 2017 and are presented as part of Rentals under Selling and Administrative Expenses account in the statement of comprehensive income (see Note 10).

Refundable deposit related to these lease commitments amounted to P1.0 million and P0.6 million as at March 31, 2018 and 2017, respectively, and is presented as Other Non-current Assets account in the statement of financial position.

16.2 Others

There are other commitments and contingent liabilities that arise in the normal course of the Company's operations which are not reflected in the financial statements. Management believes that losses, if any, that may arise from these contingencies will not have any material effect on the financial statements.

17. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks in relation to financial instruments. The main types of risks are interest rate risk, credit risk and liquidity risk.

The Company's risk management is coordinated with its Parent Company, in close cooperation with the Company's BOD, and focuses on securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets.

The Company does not engage in the trading of financial assets for speculative purposes nor does it write options. The relevant financial risks to which the Company is exposed to are described below and in the succeeding pages.

17.1 Interest Rate Risk

As at March 31, 2018 and 2017, the Company has limited exposure to changes in market interest rates through its cash. This financial instrument has shown small or measured changes in interest rates. All other financial assets have fixed rates.

17.2 Foreign Currency Risk

Most of the Company's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Company's overseas advances and purchases, which are primarily denominated in U.S. dollars.

To mitigate the Company's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency-denominated financial liabilities, translated from U.S. Dollars into Philippine pesos at the closing rate follow:

	2018	2017
Short-term exposure –		
Trade and other payables	**P 169,157,890**	P 99,276,563
Long-term exposure –		
Advances from parent company	**358,818,334**	345,167,970
	P 527,976,224	P 444,444,533

The following table illustrates the sensitivity of the Company's loss before tax with respect to changes in Philippine peso against U.S. exchange rate. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 99% confidence level.

	2018			2017		
	Reasonably possible change in rate	**Effect in loss before tax**	**Effect in capital deficiency before tax**	Reasonably possible change in rate	Effect in loss before tax	Effect in capital deficiency before tax
PhP - USD	**11.86%**	**(P 62,617,980)**	**(P 43,832,586)**	11.74%	(P 52,177,788)	(P 36,524,452)

Exposures to foreign exchange rates vary during the year depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be representative of the Company's currency risk.

17.3 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments arising from selling goods and services to customers including related parties and placing deposits with banks.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the statement of financial position (or in the detailed analysis provided in the notes to the financial statements), as summarized below:

	Notes	**2018**	2017
Cash	4	**P 10,878,827**	P 15,917,778
Trade and other receivables	5	**83,150,762**	42,520,393
Refundable deposits	16.1	**1,025,228**	585,728
		P 95,054,817	P 59,023,899

The above also represents the carrying values of the Company's financial assets categorized as loans and receivables.

The Company continuously monitors defaults of customers identified individually and incorporate this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties.

(a) Cash

The credit risk for cash is considered negligible, since the counterparties are reputable Companys with high quality external credit ratings. Included in the cash are cash in Companys which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per Companying institution.

(b) Trade and Other Receivables

In 2018 and 2017, the Company sold goods to a relatively concentrated number of customers. As at March 31, 2018, 67% of trade receivables is collectible from RBC-MDC Corporation and 18% is from Southern Philippines Medical Center, while the rest of the receivables were divided to the remaining customers. As at March 31, 2017, 56% of trade receivables is collectible from RBC-MDC Corporation and 18% is from Southern Philippines Medical Center.

Some of the unimpaired trade receivables are past due as at March 31, 2018 and 2017. The trade receivables that are past due but not impaired as at March 31 are as follows:

	2018	2017
More than 30 days but not more than 60 days	**P 6,244,368**	P 2,407,665
More than 60 days but not more than 90 days	**2,846,217**	189,220
More than 90 days but not more than 120 days	**2,712,720**	695,397
More than 120 days	**7,329,015**	1,795,011
	P 19,132,320	P 5,087,293

(c) Refundable Deposits

In respect of refundable deposits, the Company is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Based on historical information, management consider the credit quality of refundable deposits to be good.

None of the financial assets are secured by collateral or other credit enhancements.

17.4 Liquidity Risk

The Company manages its liquidity needs by carefully monitoring cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Company maintains cash to meet its liquidity requirements for up to 45-day period.

FOR CLIENT'S APPROVAL:
Signature:________________
Position:________________
Date:________________

Presented below are the financial liabilities of the Company as of March 31, which have contractual maturities ranging from within one year to more than one year from the end of the reporting period. These contractual maturities reflect the gross cash flows, which approximates the carrying values, of the financial liabilities as at March 31, 2018 and 2017.

	2018	2017
Within one year	**P 183,493,235**	P 109,922,229
More than one year	**358,818,334**	345,167,970
	P 542,311,569	P 455,090,199

18. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

18.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below.

		2018		2017	
	Notes	**Carrying Values**	**Fair Values**	Carrying Values	Fair Values
Financial Assets					
Loans and receivables:					
Cash	4	**P 10,878,827**	**P 10,878,827**	P 15,917,778	P 15,917,778
Trade and other receivables	5	**83,150,762**	**83,150,762**	42,520,393	42,520,393
Refundable deposits	16.1	**1,025,228**	**1,025,228**	585,728	585,728
		P 95,054,817	**P 95,054,817**	P 59,023,899	P 59,023,899
Financial Liabilities					
At amortized cost:					
Trade and other payables	9	**P 183,493,235**	**P 183,493,235**	P 109,922,229	P 109,922,229
Advances from parent company	14	**358,818,334**	**358,818,334**	345,167,970	345,167,970
		P 542,311,569	**P 542,311,569**	P 455,090,199	P 455,090,199

See Note 2.3 and 2.8 for a description of the accounting policies for each category of financial instruments including the determination of fair values. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 17.

18.2 Offsetting of Financial Assets and Financial Liabilities

The Company has not set-off financial instruments in 2018 and 2017 and does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis.

19. FAIR VALUE MEASUREMENT AND DISCLOSURES

19.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

FOR CLIENT'S APPROVAL:
Signature:________________
Position:_________________
Date:____________________

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- 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).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Company uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

19.2 Financial Instruments Measurement at Amortized Cost for which Fair Value is Disclosed

Due to the short-term duration, the carrying values of the Company's Cash classified as Level 1, and Trade and Other Receivables, Refundable deposits, Trade and Other Payables, and Advances from Parent as Level 3, approximate their fair values as at the end of the reporting period.

20. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity as presented on the face of the statement of financial position.

FOR CLIENT'S APPROVAL:
Signature:__________
Position:__________
Date:__________

The Company sets the amount of capital in proportion to its overall financing structure, i.e., equity and liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Company's total capital deficiency as at March 31, 2018 and 2017 amounted to P356.3 million and P306.3 million, respectively.

21. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)

21.1 Requirements Under Revenue Regulations (RR) No. 15-2010

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR No. 15-2010 are presented below and in the succeeding page.

(a) Output VAT

In 2018, the Company declared output VAT as follows:

	Tax Base	Output VAT
Sale of goods	P 239,377,159	P 28,725,259
Other income	352,006	42,241
Total	**P 239,729,165**	**P 28,767,500**

Pursuant to Section 108(B), *Zero-rated VAT on Sale of Service*, and Section 109, *VAT Exempt Transactions*, of the National Internal Revenue Code of 1997, the Company had no zero-rated and VAT exempt sales/receipt for 2018.

(b) Input VAT

The movements in input VAT for the year ended March 31, 2018 are summarized below.

Balance at beginning of year	P 61,935,488
Importation of goods	18,946,597
Purchase of services	2,286,990
Deferred input VAT	554,809
Applied against output VAT	(81,627,030)
Balance at end of year	**P 2,096,854**

The net input VAT, amounting to P2.1 million, is presented as Input VAT under Other Current Assets in the 2018 statement of financial position (see Note 7).

(c) *Customs Duties*

The Company paid for customs duties amounting to P2.2 million for the importation of goods for the fiscal year March 31, 2018.

(d) *Excise Tax*

The Company does not have any transaction which is subject to excise tax.

(e) *Documentary Stamp Tax (DST)*

The Company did not pay any DST in 2018. However, the Company recorded an accrual for the DST to be paid amounting to P1.8 million that is presented as part of Taxes and licenses under Selling and Administrative Expense in the 2018 statement of comprehensive income [see Note 21.1 (f)].

(f) *Taxes and Licenses*

The summary of Taxes and licenses, reported under Selling and Administrative Expenses in the 2018 statement of comprehensive income (see Note 10), is broken down as follows:

DST	P	1,783,593
Municipal licenses and permits		1,349,330
Community tax certificate		10,500
	P	**3,143,423**

(g) *Withholding Taxes*

The details of total withholding taxes for the year ended March 31, 2017 follow:

Compensation and benefits	P	8,354,437
Expanded		779,658
	P	**9,134,095**

(h) *Deficiency Tax Assessment and Tax Cases*

On August 11, 2017, the Company received a Letter of Assessment from the BIR but has not been assessed yet during the taxable year 2018. However, the Company received deficiency tax assessment from the BIR upon application for tax clearance amounting to P3.6 million which is presented as Penalties under Selling and Administrative Expenses in the 2018 statement of comprehensive income (see Note 10). The provision for the penalty is presented as Others under Trade and Other Payables in the 2018 statement of financial position.

As at March 31, 2018, the Company does not have any final deficiency tax assessment from the BIR nor does it have cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable year.